

NOTICE
OF
MEETING
BERKSHIRE PENSION BOARD

will meet on

THURSDAY, 16TH JUNE, 2022

At 10.30 am

by

VIRTUAL MEETING - ONLINE ACCESS, ON [RBWM YOUTUBE](#)

TO: MEMBERS OF THE BERKSHIRE PENSION BOARD

ALAN CROSS (CHAIRMAN), ARTHUR PARKER (VICE-CHAIRMAN), NIKI CRAIG, JEFF FORD AND TONY PETTITT

RESERVE MEMBERS

ANDY WALKER, NEIL WILCOX, KIERON FINLEY AND JULIAN CURZON

Karen Shepherd – Head of Governance - Issued: 8 June 2022

Members of the Press and Public are welcome to attend Part I of this meeting. The agenda is available on the Council's web site at www.rbwm.gov.uk or contact the Panel Administrator **Laurence Ellis** Laurence.Ellis@RBWM.gov.uk

Recording of Meetings – In line with the council's commitment to transparency the Part I (public) section of the virtual meeting will be streamed live and recorded via Zoom. By participating in the meeting by audio and/or video, you are giving consent to being recorded and acknowledge that the recording will be in the public domain. If you have any questions regarding the council's policy, please speak to Democratic Services or Legal representative at the meeting.

AGENDA

PART I

STANDING ITEMS

<u>ITEM</u>	<u>SUBJECT</u>	<u>PAGE NO</u>
1.	<u>INTRODUCTION AND APOLOGIES</u> To receive any apologies for absence.	-
2.	<u>DECLARATION OF INTEREST</u> To receive any declarations of interest.	5 - 6
3.	<u>MINUTES</u> To approve the Part I minutes of the meeting held on 17 February 2022.	7 - 12
4.	<u>PENSION BOARD GOVERNANCE MATTERS</u> To note contents of the report.	Verbal Report
5.	<u>SCHEME AND REGULATORY UPDATE</u> To receive verbal updates.	Verbal Report
6.	<u>ADMINISTRATION REPORT</u> To note the contents of the report.	13 - 28

PART I DRAFT COMMITTEE PAPERS FOR 4 JULY 2022

<u>ITEM</u>	<u>SUBJECT</u>	<u>PAGE NO</u>
7.	<u>RISK REPORTING</u> To note the contents of the report.	29 - 68
8.	<u>STATUTORY POLICIES</u> To note the report.	69 - 108
9.	<u>GOOD GOVERNANCE</u> To note the contents of the report.	109 - 144

10.	<u>RESPONSIBLE INVESTMENT</u> To note the contents of the report.	145 - 174
11.	<u>UPDATE ON PART I PAPERS TAKEN TO THE PENSION COMMITTEE ON 7 MARCH 2022</u> To receive an update.	Verbal Report
12.	<u>ANY OTHER BUSINESS</u> To discuss any other Part I items of business.	-
13.	<u>LOCAL GOVERNMENT ACT 1972 - EXCLUSION OF THE PUBLIC</u> "That under Section 100(A)(4) of the Local Government Act 1972, the public be excluded from the remainder of the meeting whilst discussion takes place, on the grounds that they involve the likely disclosure of exempt information as defined in Paragraph 3 of part I of Schedule 12A of the Act."	-

PART II

<u>ITEM</u>	<u>SUBJECT</u>	<u>PAGE NO</u>
	<u>PART II MINUTES</u> To approve the Part II minutes from the following meetings: <ul style="list-style-type: none"> • 17 February 2022 • 18 November 2021 <p><i>(Not for publication by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972)</i></p>	175 - 178
	<u>UPDATE OF PART II PAPERS TAKEN TO PENSION COMMITTEE MEETING OF 7 MARCH 2022</u> To receive a verbal update. <i>(Not for publication by virtue of Paragraph 1, 2, 3, 4, 5, 6a, 6b, 7 of Part 1 of Schedule 12A of the Local Government Act 1972)</i>	Verbal Report
	<u>UPDATE OF PAPERS TO BE TAKEN TO 4 JULY 2022 COMMITTEE MEETING</u> To receive a verbal update. <i>(Not for publication by virtue of Paragraph 1, 2, 3, 4, 5, 6a, 6b, 7 of Part 1 of Schedule 12A of the Local Government Act 1972)</i>	179 - 184

PART II ANY OTHER BUSINESS

-

To discuss any other Part II items of business.

(Not for publication by virtue of Paragraph 1, 2, 3, 4, 5, 6a, 6b, 7 of Part 1 of Schedule 12A of the Local Government Act 1972)

MEMBERS' GUIDE TO DECLARING INTERESTS AT MEETINGS

Disclosure at Meetings

If a Member has not disclosed an interest in their Register of Interests, they **must make** the declaration of interest at the beginning of the meeting, or as soon as they are aware that they have a Disclosable Pecuniary Interest (DPI) or Other Registerable Interest. If a Member has already disclosed the interest in their Register of Interests they are still required to disclose this in the meeting if it relates to the matter being discussed.

Any Member with concerns about the nature of their interest should consult the Monitoring Officer in advance of the meeting.

Non-participation in case of Disclosable Pecuniary Interest (DPI)

Where a matter arises at a meeting which directly relates to one of your DPIs (summary below, further details set out in Table 1 of the Members' Code of Conduct) you must disclose the interest, **not participate in any discussion or vote on the matter and must not remain in the room** unless you have been granted a dispensation. If it is a 'sensitive interest' (as agreed in advance by the Monitoring Officer), you do not have to disclose the nature of the interest, just that you have an interest. Dispensation may be granted by the Monitoring Officer in limited circumstances, to enable you to participate and vote on a matter in which you have a DPI.

Where you have a DPI on a matter to be considered or is being considered by you as a Cabinet Member in exercise of your executive function, you must notify the Monitoring Officer of the interest and must not take any steps or further steps in the matter apart from arranging for someone else to deal with it.

DPIs (relating to the Member or their partner) include:

- *Any employment, office, trade, profession or vocation carried on for profit or gain.*
- *Any payment or provision of any other financial benefit (other than from the council) made to the councillor during the previous 12-month period for expenses incurred by him/her in carrying out his/her duties as a councillor, or towards his/her election expenses*
- *Any contract under which goods and services are to be provided/works to be executed which has not been fully discharged.*
- *Any beneficial interest in land within the area of the council.*
- *Any licence to occupy land in the area of the council for a month or longer.*
- *Any tenancy where the landlord is the council, and the tenant is a body in which the relevant person has a beneficial interest in the securities of.*
- *Any beneficial interest in securities of a body where:*
 - a) that body has a place of business or land in the area of the council, and*
 - b) either (i) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body **or** (ii) the total nominal value of the shares of any one class belonging to the relevant person exceeds one hundredth of the total issued share capital of that class.*

Any Member who is unsure if their interest falls within any of the above legal definitions should seek advice from the Monitoring Officer in advance of the meeting.

Disclosure of Other Registerable Interests

Where a matter arises at a meeting which **directly relates** to one of your Other Registerable Interests (summary below and as set out in Table 2 of the Members Code of Conduct), you must disclose the interest. **You may speak on the matter only if members of the public are also allowed to speak at the meeting** but otherwise **must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation**. If it is a 'sensitive interest' (as agreed in advance by the Monitoring Officer), you do not have to disclose the nature of the interest.

Other Registerable Interests (relating to the Member or their partner):

You have an interest in any business of your authority where it relates to or is likely to affect:

- a) any body of which you are in general control or management and to which you are nominated or appointed by your authority*
- b) any body*
 - (i) exercising functions of a public nature*
 - (ii) directed to charitable purposes or*

one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union)

Disclosure of Non- Registerable Interests

Where a matter arises at a meeting which **directly relates** to your financial interest or well-being (and is not a DPI) or a financial interest or well-being of a relative or close associate, you must disclose the interest. **You may speak on the matter only if members of the public are also allowed to speak at the meeting** but otherwise **must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation**. If it is a 'sensitive interest' (agreed in advance by the Monitoring Officer) you do not have to disclose the nature of the interest.

Where a matter arises at a meeting which **affects** –

- a. your own financial interest or well-being;
- b. a financial interest or well-being of a friend, relative, close associate; or
- c. a body included in those you need to disclose under DPIs as set out in Table 1 of the Members' code of Conduct

you must disclose the interest. In order to determine whether you can remain in the meeting after disclosing your interest the following test should be applied.

Where a matter **affects** your financial interest or well-being:

- a. to a greater extent than it affects the financial interests of the majority of inhabitants of the ward affected by the decision and;
- b. a reasonable member of the public knowing all the facts would believe that it would affect your view of the wider public interest

You may speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise **must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation**. If it is a 'sensitive interest' (agreed in advance by the Monitoring Officer, you do not have to disclose the nature of the interest.

Other declarations

Members may wish to declare at the beginning of the meeting any other information they feel should be in the public domain in relation to an item on the agenda; such Member statements will be included in the minutes for transparency.

Agenda Item 3

BERKSHIRE PENSION BOARD

THURSDAY, 17 FEBRUARY 2022

PRESENT: Alan Cross (Chairman), Arthur Parker (Vice-Chairman), Nikki Craig and Jeff Ford

Also in attendance: Mark Beeley

Officers: Damien Pantling, Phillip Boyton, Kevin Taylor and Laurence Ellis

INTRODUCTION AND APOLOGIES

Apologies of absence received from Kieron Finlay and Julian Curzon.

DECLARATION OF INTEREST

No declarations of interests.

MINUTES

RESOLVED UNANIMOUSLY: That the minutes of the meeting held on 18th November 2021 be approved as a correct record.

SCHEME AND REGULATORY UPDATE

Kevin Taylor, Pension Services Manager, introduced the verbal report, bringing 5 current issues to the attention of the Board. He started with the McCloud age discrimination remedy.

A Parliamentary Bill, the Public Service Pensions and Judicial Offices Bill, was laid before Parliament in July 2021 and made amendments to the Public Service Pensions Act 2013 in order to rectify unlawful age discrimination. As expected, it confirmed the remedy period as covering membership from the date of Scheme reform, 1st April 2014 for the Local Government Pension Scheme (LGPS) to 31st March 2022 for eligible members.

However, there had been further amendments to the Bill which would impact the McCloud remedy for LGPS. These amendments extend the scope of people potentially affected by the unlawful age discrimination. Originally, those in scope extended to scheme members who were within 10 years of retirement and were in the scheme on 31st March 2012. The amendments would extend in scope members to all who were in the scheme prior to 1st April 2012 and who do not have a disqualifying period. The increased scope of this amendment would create more work and require more resources in order to administer. In addition, administrators would need to collect more data for an increasing number of members to check who had been affected by the underpin.

While the new legislation was still being deliberated and guidance still awaited, it was anticipated that pension funds would need to have a plan to resolve the McCloud issue and implement the new remedy by 1st October 2023 in spite of new LGPS regulations and guidance expected to be released in Spring 2022.

Alan Cross, the Board Chairman, asked if it would be a realistic task to implement a plan in spite of the timescale, the potential people in scope, the resources available and complexity of the task. He also asked what representative bodies were saying about the situation. Kevin Taylor replied that the LGA (Local Government Association) had similar concerns in regard to conducting such a task without the relevant guidance being issued. He mentioned the difficulty

in accessing data for many individuals which could go back many years. This would involve a lot of work for scheme administrators and scheme employers alike.

Jeff Ford wondered if RBWM Council was in a position to provide the information from many years prior. Nikki Craig stated that scheme employers are required to retain payroll data for 6 years plus the current year and that it would seem to be appropriate to start collecting data as soon as possible. Philip Boyton, Pension Administration Manager, replied that all scheme member records were up to date as of 31st March 2014 and from this date different scheme employers were in different positions with data depending on when they onboarded the i-Connect system. It was acknowledged there would be challenges in obtaining the data for certain scheme member records.

Kevin Taylor reassured Board members that pension records held by the Berkshire Pension Fund were relatively good and accurate compared to some other local authority pension funds, but he stated that the change in scope of people would create many issues, such as looking for data in respect of individuals who may not originally have been part of the Berkshire Pension Fund but rather another public service pension scheme. Kevin Taylor reiterated that due to this challenge new guidance was needed on how to collect and assess the data to ensure fairness to members.

Kevin Taylor summarised that despite the exceptional amount of work to be done, the number of scheme members who would benefit from the underpin was expected to be quite small. Alan Cross asked if there were any ways to target the right people to check if they were applicable for the underpin. Kevin Taylor replied that the checks could not be done until the calculations for people were completed at the point of becoming entitled to a benefit.

The Board then moved onto the Section 13 report which was introduced by Kevin Taylor. As required under Section 13 of the Public Service Pensions Act 2013, the Government Actuary's Department (GAD) had issued their 'Section 13' report on 16th December 2021.

The Royal County of Berkshire Pension Fund had been identified in the report as having the lowest funding level across the LGPS funds in England and Wales and a lengthy deficit recovery period despite GAD representatives having reassured Berkshire Pension Fund that they were taking the right course of action. Kevin Taylor added that employer contribution rates were gradually increasing.

Kevin Taylor then moved on to the Pensions Dashboards. On 31st January 2022, Department for Work and Pensions (DWP) launched a consultation on the draft Pensions Dashboards Regulations, the intention being that individuals would be able to access all of their pension entitlements in one place, including their state pension. The consultation was to close on 13th March 2022. Officers were waiting to see the Local Government Associations (LGA) response to the consultation before considering whether any further response needed to be made.

Kevin Taylor then mentioned the Levelling-Up White Paper, which was published by the government on 2nd February 2022. The white paper included references to LGPS funds making plans to have 5% of their assets allocated to projects in support of "local business". Kevin Taylor mentioned that the Scheme Advisory Board (SAB) understood that in this context "local" refers to UK rather than specifically local to a particular Fund (given the global nature of investments). There would be no mandating beyond the requirement to have a plan.

Kevin Taylor then moved onto the Task Force on Climate-Related Financial Disclosures (TCFD): the requirement for LGPS Funds to assess and report on the financial risks of climate change in their investment and funding strategies. Berkshire Pension Fund were still waiting for consultation which meant that guidance and amendments to statutory legislation was delayed. Nevertheless, Berkshire Pension Fund was being proactive in this area.

Jeff Ford commented on the costs for the local authorities and pension scheme to fulfil the TCFD requirements. Arthur Parker, the Vice-Chairman, wondered if there was a body which

could lobby the central government for additional funding because of a number of areas which required funding. Kevin Taylor and Alan Cross replied that the Scheme Advisory Board (SAB) and the Local Government Association (LGA) took on the role of lobbying the central government for additional funds and resources as well as specialist advice.

ADMINISTRATION REPORT

Philip Boyton, the Pension Administration Manager, introduced the item. He first highlighted to the Board that the figure for scheme employers yet to be on-boarded to i-Connect was 135 rather than 138 as the report stated. This was because, Volker Highways was split on the pension administration system with two distinct employer codes.

He also stated that there was continued progress with i-Connect, with a remaining 58 scheme employers, which represent circa 2,500 scheme member records, to on-board the i-Connect system in the next 12 months. He added that while Berkshire Pension Fund sought to have all scheme employers with 10 or more scheme members on-boarded to i-Connect by 31st March 2022, there had been some issues with scheme employers, such as some scheme employers stopped engaging with the Berkshire Pension Fund or did not have the functionality within their payroll systems to connect to i-Connect.

Nikki Craig suggested whether continuing to change the future date by when the Pension Fund would have all remaining scheme employers on-boarded onto the i-Connect system was worthwhile given the reasons some scheme employers had not already on-boarded. Officers agreed but will continue to endeavour to encourage all current and new scheme employers to onboard the i-Connect system.

Alan Cross asked what the largest numbers of members would be involved in the 58 scheme employers, speculating that the high circa 2,500 scheme member records meant that some scheme employers would have a higher number of scheme members. Philip Boyton answered that while the number of scheme members under scheme employers would vary in size; and he added that trust employers had larger numbers of scheme members. He also added the numbers should not be in the thousands.

Jeff Ford sought clarification as to whether employers who were on-boarded onto the scheme were automatically required to sign up to i-Connect and if there was any penalty to employers who did not sign up. On the first point, Philip Boyton said that i-Connect would be one of the first things discussed with employers regarding their options around connectivity; and added that i-Connect was the Pension Fund's preferred method. On the second point Damien Pantling, Head of the Pension Fund, indicated that a penalty would require legislative backing.

Philip Boyton then moved onto Special Projects, starting with the McCloud Judgement. He stated there was a recent meeting of the Southern Area Pension Officer Group (SAPOG) in regard to the new reforms to local pensions schemes under the Public Service Pensions and Judicial Offices Bill and how these other pensions funds were dealing with it. Philip Boyton mentioned Buckinghamshire Pension Fund and Hampshire Pension Fund began to collect historical hour and week data from their respective scheme employers with somewhat incomplete responses as well as increasing the size of their administration teams.

When Alan Cross asked if there were discussions at Berkshire Pension Fund on taking a similar route to the other pension funds, Philip Boyton responded there were discussions, but nothing was confirmed; and that the position of the Pension Fund was to wait for the LGPS regulations. Kevin Taylor added that the majority of the SAPOG were following this route as well in waiting for the LGPS regulations. Alan observed that others may have wider reasons for taking on additional staff.

Philip Boyton then moved onto the Pensions Dashboards Programme. He talked about Heywood Pension Technologies, the software provider for the Pension Fund's pension administration system. Berkshire Pension Fund had agreed to act as a 'test-site' for the

development and testing of the pension administration system which would ultimately enable the Pension Fund to understand much earlier the work necessary to meet the requirements of Pensions Dashboards and understand how they work and interact with the pension administration system ahead of the LIVE date, of 30th April 2024.

Alan Cross asked if the requirements from the 137-page consultation document on the draft Pensions Dashboards from DWP (Department for Work and Pensions) were okay. Kevin Taylor replied that the areas relevant to the LGPS were okay though most of the document was not relevant the LGPS. He stated that the stage date for Public Service Pension Schemes was 30th April 2024, giving Berkshire Pension Board a couple of years to establish its Pensions Dashboards.

RISK REGISTER

Alan Cross commented that there had been a major review and rewrite of the Pension Fund's risk register at the previous board/committee cycle. He also mentioned that there was a comprehensive workshop session held on 25th January 2022 for the Pension Fund Committee which some Board members had attended.

Damien Pantling mentioned that during this session, it was recommended that the Pension Fund Committee approve to do comprehensive annual risk review sessions with officers and the Pension Board analyse and deliberate on the risk register. The Board noted the amendments that had arisen at the workshop described in the report.

ADMINISTERING AUTHORITY DISCRETIONS POLICY

Damien Pantling introduced the item. As legally required, the Administering Authority, RBWM, for the Berkshire Pension Fund was required to publish an Administering Authority Discretions Policy. He reported that there were no material changes to Administering Authority Discretions Policy since 2018, when it was last reviewed. Though there had been some revisions to coincide with changes to LGPS regulations. It had been reviewed alongside the Employer Decisions Policy to ensure they complemented one another and that there were no contradictions.

PENSION FUND ABATEMENT POLICY

Damien Pantling introduced the report item. He reported the Pension Fund Abatement Policy was last reviewed in 2019 and there had been no major changes apart from minor wording changes. He also stated that the officers' recommendation was to continue with the decision to not reduce pensions for retired members re-employed in Local Government service.

GOVERNANCE COMPLIANCE STATEMENT

Damien Pantling introduced the item. He reported the Governance Compliance Statement was last reviewed in 2019 as part of a standard periodic review. There were no material changes, apart from the governance structure chart being updated which would be published on the Pension Fund's website.

Damien Pantling announced that it was intended to update the training framework plan and records for the next meeting cycle with Pension Fund Committee in July 2022 and the Pension Board meeting June 2022. Once the Pension Fund Committee approved the training framework planning records, officers would append these to the governance compliance statement.

The Board then discussed the scheme employer representative membership on the Pension Board (in the context of what was agreed at an earlier meeting). Kevin Taylor stated a change in Board membership would require amending RBWM's constitution. Nikki Craig suggested to

convey this to Karen Shepard, Head of Governance, and hoped the Constitution could be amended at a future Full Council meeting.

BUSINESS PLANNING

Damien Pantling introduced the item. He said that the annual budget for the administration of the Pension Fund and an annual cash flow projection once approved by the Pension Fund Committee would be appended. There was a delegated authority to the Head of Pension Fund (as the budget holder) to approve expenditure from the approved budget.

Damien Pantling indicated that the Pension Fund budget may not have been brought to the Board in recent years.

Damien Pantling also announced that he presented to the Pension Fund Committee a workplan for 2022/23. (This would also broadly be the Pension Board workplan).

The Board then discussed and commented on the key items of the report.

In reference to the Cash-Flow Forecast and Controllable Budget, Jeff Ford asked for clarification on whether the Employee Related Expenses effectively came down to the salaries budget, and whether the Management Expenses covered the investment costs of employing people to look after the funds. Damien Pantling confirmed this. Jeff Ford also asked if the drop in Management Expenses from 2019/20 to 2020/21 was due to the effect of the Fund joining LPPI (Local Pensions Partnership Investments). Damien Pantling believed it was because of efficiencies that came from a pooling arrangement as well as moving from a non-actuarial valuation year to a valuation year.

Alan Cross asked about the cashflow under key assumptions and risks. Damien Pantling explained that the cashflow was negative when taking into account the benefits and the contributions received on a primary basis; however, the cashflow would become positive because of the deficit recovery plan.

Alan Cross asked if the deadline for the audited statements for the 2021/22 accounts was 30th November 2022. Arthur Parker confirmed this.

INVESTMENT STRATEGY STATEMENT

Damien Pantling introduced the report item. The ISS (Investment Strategy Statement) was more specific in terms of target return and target income yield to match the cashflow for forecast.

The draft ISS was pending for second review with the actuary as well as being commented on by the LPPI (Local Pensions Partnership Investments). However, the draft had been reviewed by Pension Fund officers, the Pension Fund's independent advisers and a couple of Pension Fund Committee members as well as the Board Chair who had all provided comments. The final draft would be presented to the Pension Fund Committee for approval.

In reference to Berkshire Pension Fund investing in 5% of its assets "locally", Alan Cross commented that there would need to be caution because 5% of the Fund's asset would involve the large movement of funds which could cause disinvestment from some areas and raise questions on these funds as well as create significant risk. It was explained that "local" in this context meant the UK.

Nikki Craig wondered whether members of the Pension Fund Committee may struggle to comprehend the Investment Strategy Statement. Damien Pantling replied that the Committee have the benefit of two independent advisers and LPPI.

RESPONSIBLE INVESTMENT UPDATE

Damien Pantling introduced the report item. He stated this was the second time the responsible investment update had been made available to the public as part of the Pension Fund Committee agenda. The 'green' and 'brown' investment indicators, the former focused on renewable energy while the latter focused on carbon-intensive or fossil fuel extracted businesses, were reported in the public domain as accuracy could be placed on the balance sheet assets.

Damien Pantling discussed the LPPI's Responsible Investment Policy Annex on Climate Change, which included several points: recording the net zero 2050 commitment, exclusion of fossil fuel extraction companies from the global equities fund and prioritising climate change in shareholder voting guidelines.

Before concluding, Damien Pantling announced an AOB (any other business). He stated that during the last Pension Fund Committee meeting, there was an approval item whereby Committee was to set up a Task-and-Finish group in due course in order to ensure that the responsible investment policy was regularly updated.

LOCAL GOVERNMENT ACT 1972 - EXCLUSION OF THE PUBLIC

RESOLVED UNANIMOUSLY: That under Section 100(A)(4) of the Local Government Act 1972, the public be excluded from the remainder of the meeting whilst discussion takes place on the grounds that they involve the likely disclosure of exempt information as defined in Paragraphs 1-7 of part I of Schedule 12A of the Act.

The meeting, which began at 11.03 am, finished at 1.13 pm

CHAIRMAN.....

DATE.....

Report Title:	Administration Report
Contains Confidential or Exempt Information	No - Part I
Cabinet Member:	Councillor Julian Sharpe, Chairman Pension Fund Committee and Advisory Panel
Meeting and Date:	Pension Fund Committee and Advisory Panel – 4 July 2022
Responsible Officer(s):	Kevin Taylor, Pension Services Manager and Philip Boyton, Pension Administration Manager
Wards affected:	None

REPORT SUMMARY

This report deals with the administration of the Pension Fund for the period 1 January 2022 to 31 March 2022. It recommends that Members (and Pension Board representatives) note the Key Administrative Indicators throughout the attached report.

Good governance requires all aspects of the Pension Fund to be reviewed by the Administering Authority on a regular basis. There are no financial implications for RBWM in this report

1. DETAILS OF RECOMMENDATION(S)

RECOMMENDATION: That Committee notes the report and:

- (i) All areas of governance and administration as reported**
- (ii) All key performance indicators**

Please note that Administration Reports are provided to each quarter end date (30 June, 30 September, 31 December and 31 March) and presented at each Committee meeting subsequent to those dates.

2. REASON(S) FOR RECOMMENDATION(S) AND OPTIONS CONSIDERED

- 2.1 The Berkshire Pension Fund Committee has a duty in securing compliance with all governance and administration issues.

3. KEY IMPLICATIONS

- 3.1 Failure to fulfil the role and purpose of the Administering Authority could lead to the Pension Fund and the Administering Authority being open to challenge and intervention by the Pensions Regulator.

4. FINANCIAL DETAILS / VALUE FOR MONEY

- 4.1 Not applicable.

5. LEGAL IMPLICATIONS

5.1 None.

6. RISK MANAGEMENT

6.1 None.

7. POTENTIAL IMPACTS

7.1 Equalities: Equality Impact Assessments are published on the [council's website](#)
N/A

7.2 Climate change/sustainability: N/A

7.3 Data Protection/GDPR. N/A

8. CONSULTATION

8.1 Not applicable.

9. TIMETABLE FOR IMPLEMENTATION

9.1 Not applicable.

10. APPENDICES

10.1 This report is supported by 0 appendices

11. BACKGROUND DOCUMENTS

11.1 This report is supported by 0 background documents.

12. CONSULTATION (MANDATORY)

Name of consultee	Post held	Date issued for comment	Date returned with comments
<i>Mandatory</i>	<i>Statutory officers (or deputy)</i>		
Adele Taylor	Executive Director of Resources/S151 Officer		
Emma Duncan	Deputy Director of Law and Strategy / Monitoring Officer		
<i>Deputies:</i>			
Andrew Vallance	Head of Finance (Deputy S151 Officer)		
Elaine Browne	Head of Law (Deputy Monitoring Officer)		
Karen Shepherd	Head of Governance (Deputy Monitoring Officer)		
<i>Others:</i>			

Cllr. Julian Sharpe	Chairman – Berkshire Pension Fund Committee		
Damien Pantling	Head of Pension Fund		

REPORT HISTORY

Decision type:	Urgency item?	To follow item?
Pension Fund Committee decision	Yes/No	Yes/No

Report Author: Kevin Taylor, Pension Services Manager 07992 324393
--

DRAFT



**THE ROYAL COUNTY OF
BERKSHIRE
PENSION FUND**

ADMINISTRATION REPORT

QUARTER 1 – 2022

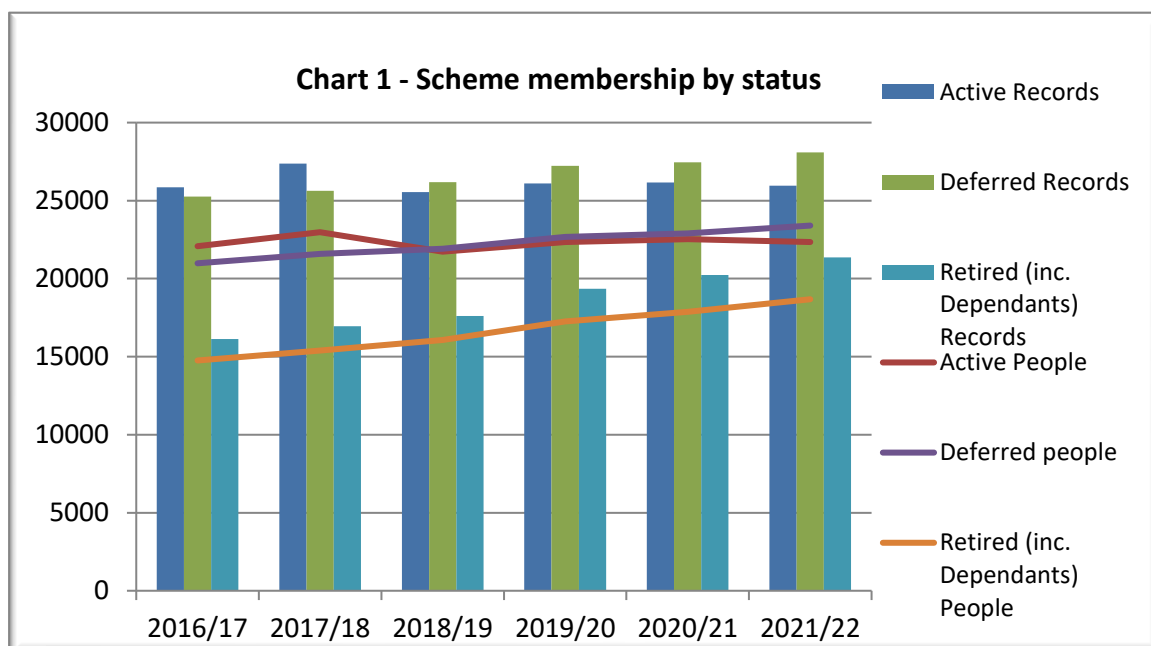
1 January 2022 to 31 March 2022

Contents

- 1. ADMINISTRATION 3
 - 1.1 Scheme Membership 3
 - 1.2 Membership by Employer..... 3
 - 1.3 Scheme Employers..... 4
 - 1.4 Scheme Employer Key Performance Indicators 5
 - 1.5 Key Performance Indicators..... 6
 - 1.6 Communications..... 8**
 - 1.7 Stakeholder Feedback 8
- 2 SPECIAL PROJECTS 9
 - 2.1 McCloud Judgement 9
 - 2.2 Pensions Dashboard Programme 10
 - 2.3 Overseas Pension Payments.....10
 - 2.4 Year End 202211

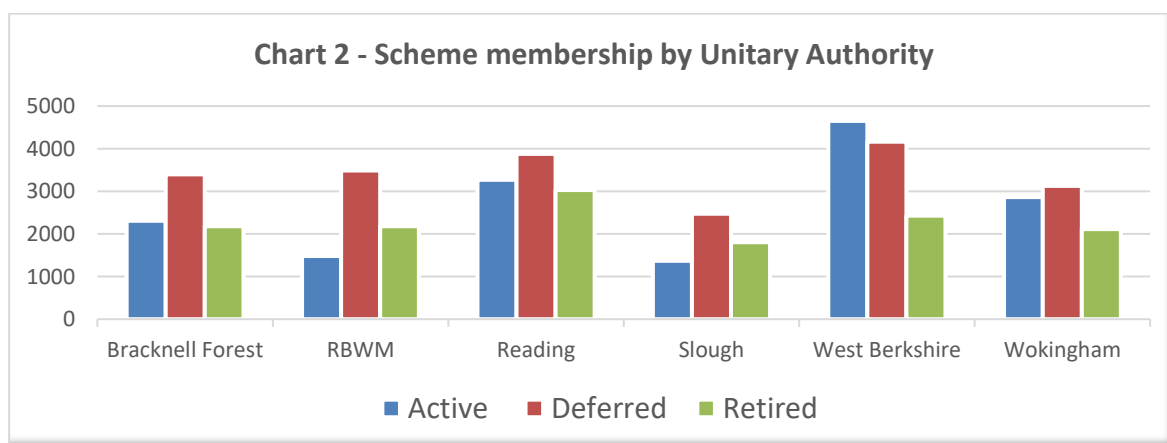
1. ADMINISTRATION

1.1 Scheme Membership



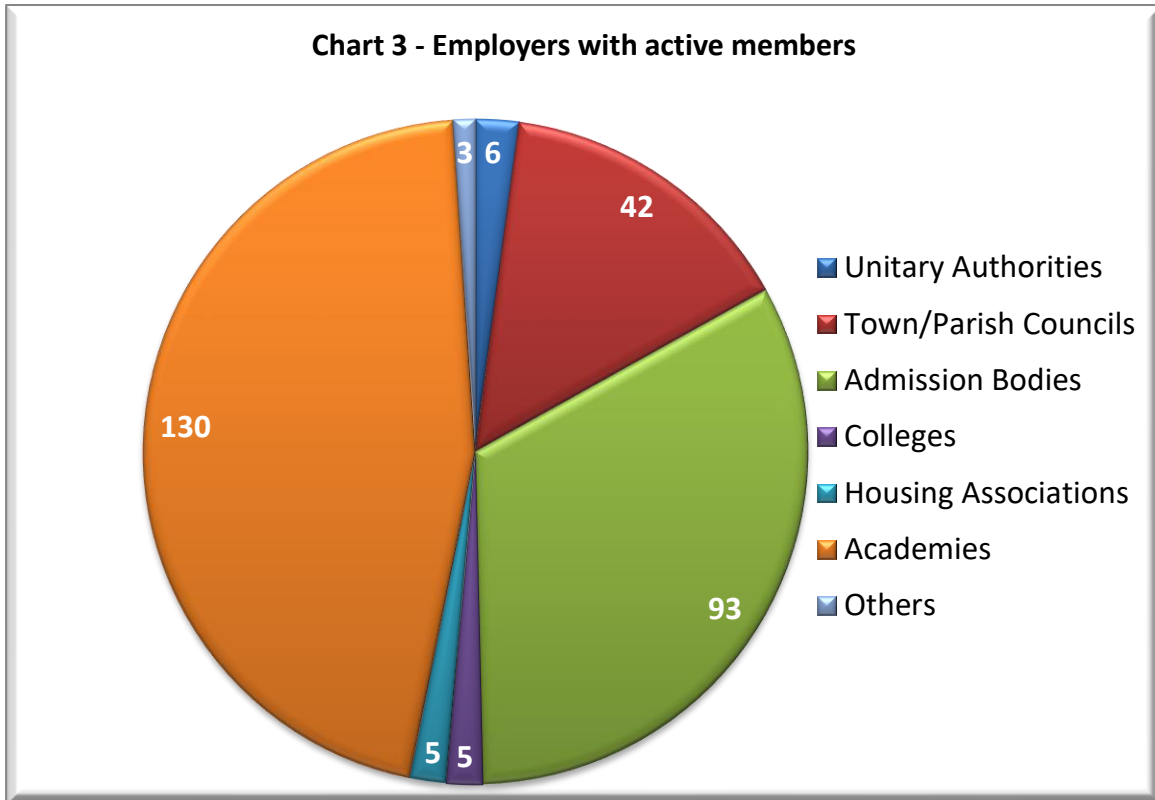
TOTAL MEMBERSHIP			
Active Records	25,959	Active People	22,342
Deferred Records	28,087	Deferred People	23,402
Retired Records	21,356	Retired People	18,680
TOTAL	75,402	TOTAL	64,424

1.2 Membership by Employer



Membership movements in this Quarter (and previous Quarter)						
	Bracknell	RBWM	Reading	Slough	W Berks	Wokingham
Active	-38 -20	19 -38	-44 45	24 -40	73 -2	-54 34
Deferred	-7 +4	10 -2	26 +9	+13 -4	+24 +71	+5 24
Retired	+43 +25	+15 +17	+40 +37	+13 +38	+23 +44	+34 +35

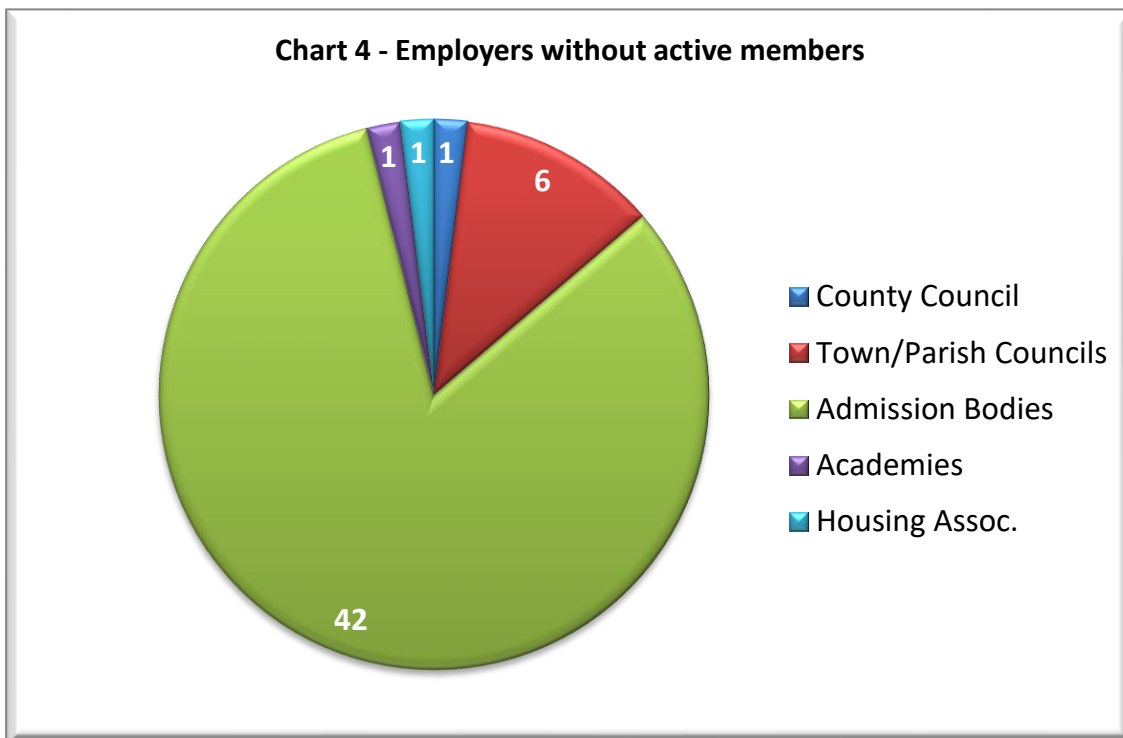
1.3 Scheme Employers



New employers since last report:

Admission Bodies: Impact Food Group (Arbib Academy Trust), Turn It Ion Limited (Maiden Erleigh Trust)

Academies: None



Exiting employers: None

1.4 Scheme Employer Key Performance Indicators

Table 1A – i-Connect users Quarter 1 (1 January 2022 to 31 March 2022)					
Employer	Starters	Leavers	Changes	Total	Submission Received Within Specification
Bracknell Forest Cncl	199	171	602	972	100%
RBWM	125	73	381	579	66.67%
Reading BC	246	139	680	1,065	100%
Slough BC	61	85	221	367	100%
West Berks Council	340	269	1,214	1,823	100%
Wokingham BC	113	128	849	1,090	100%
Academy/ School	346	169	2,683	3,198	86.57%
Others	97	81	326	504	86.00%

NOTES: Table 1A above shows all transactions through i-Connect Software for the first quarter of 2022. Changes include hours/weeks updates, address amendments and basic details updates.

The benefits of i-Connect are:

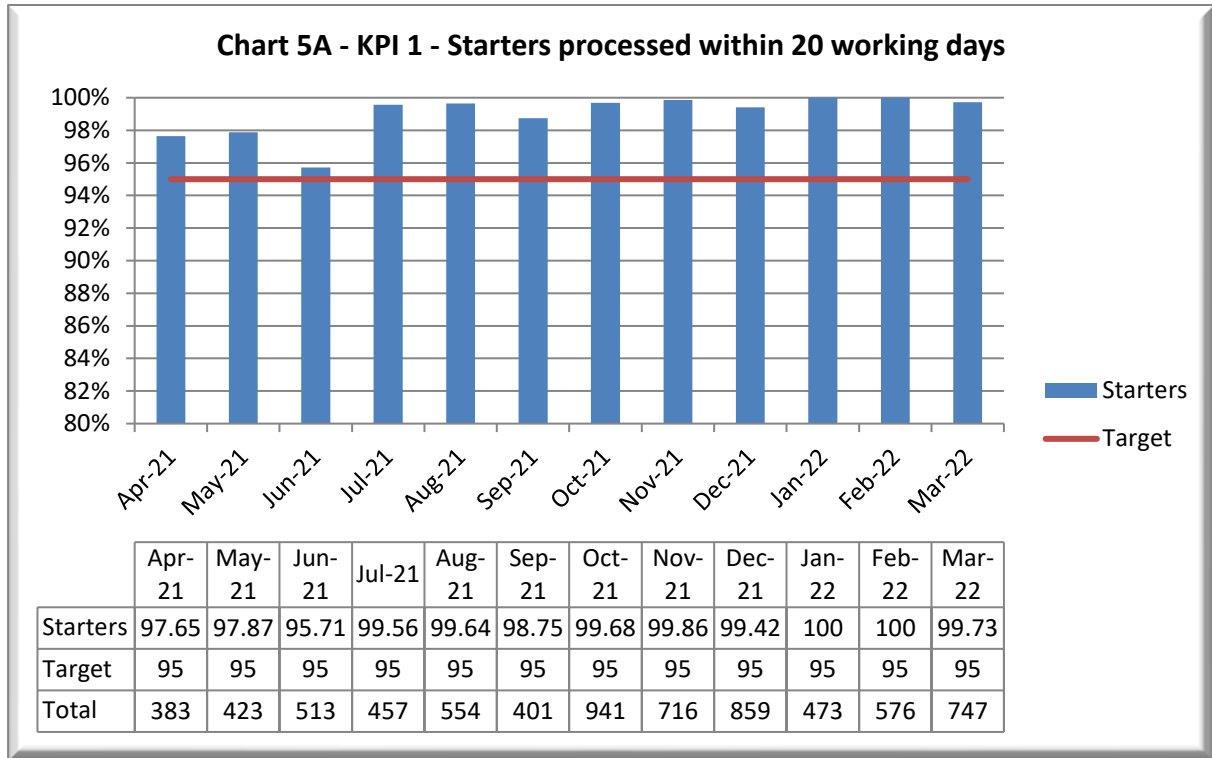
- Pension records are maintained in ‘real-time’;
- Scheme members are presented with the most up to date and accurate information through “my pension ONLINE” (Member self-service);
- Pension administration data matches employer payroll data;
- Discrepancies are dealt with as they arise each month;
- Employers are not required to complete year end returns;
- Manual completion of forms and input of data onto systems is eradicated removing the risk of human error.

Since the 1 January 2022 Officers are pleased to report the following scheme employers have on boarded i-connect Software with scheme member data received monthly:

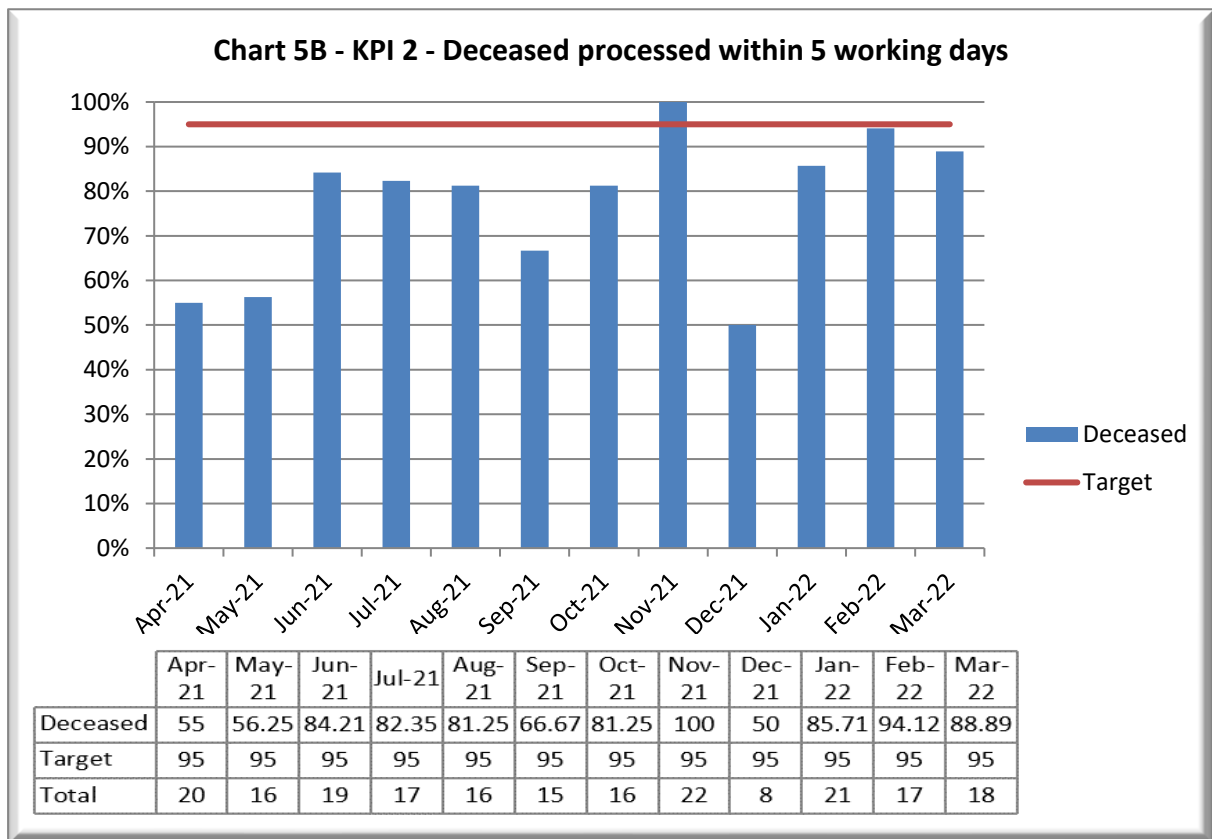
- Glyn Learning Foundation
- The Circle Trust

133 scheme employers are yet to on board i-Connect Software and the Pension Fund remains committed to continuing to work with these scheme employers to help them to onboard, where it is possible for them to do so. Scheme employers with fewer than 10 scheme members (77 employers) have the option of using an on-line portal version of i-Connect Software rather than submitting via “.csv”.

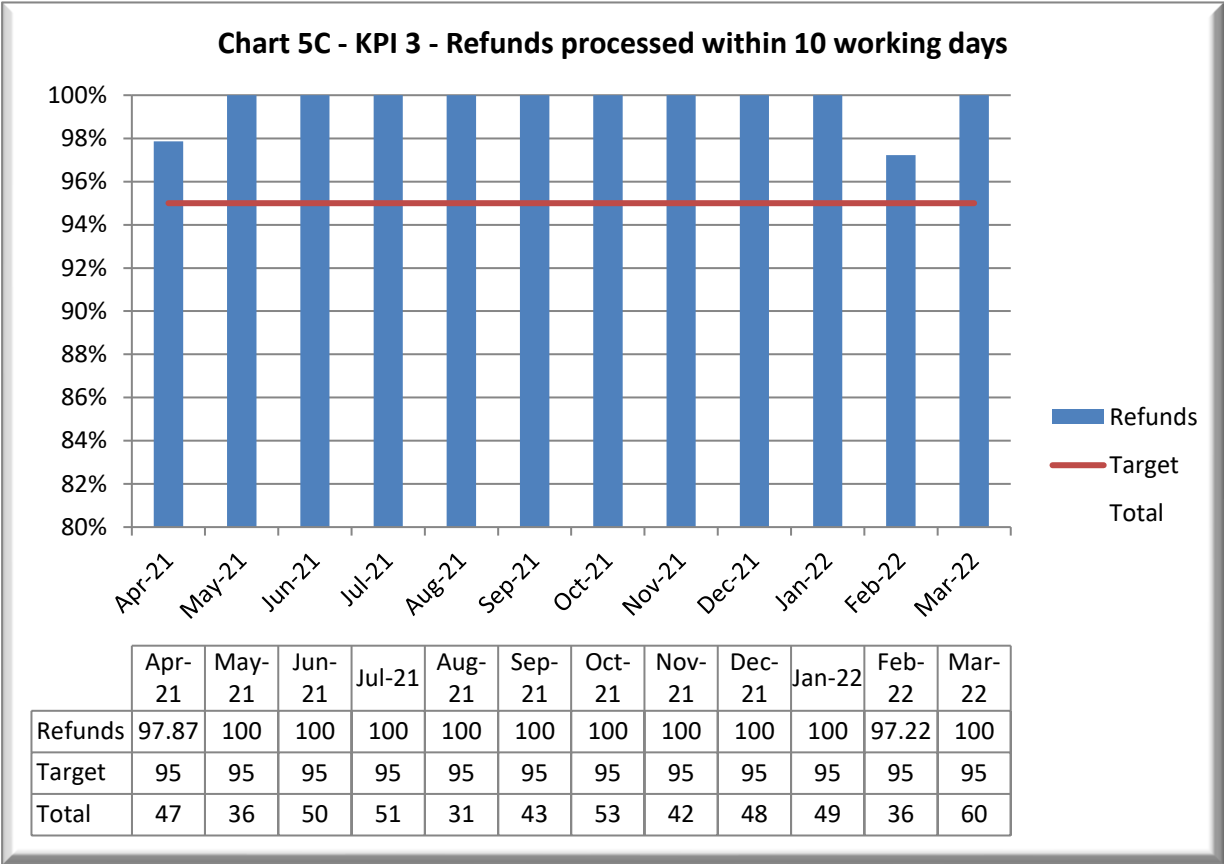
1.5 Key Performance Indicators



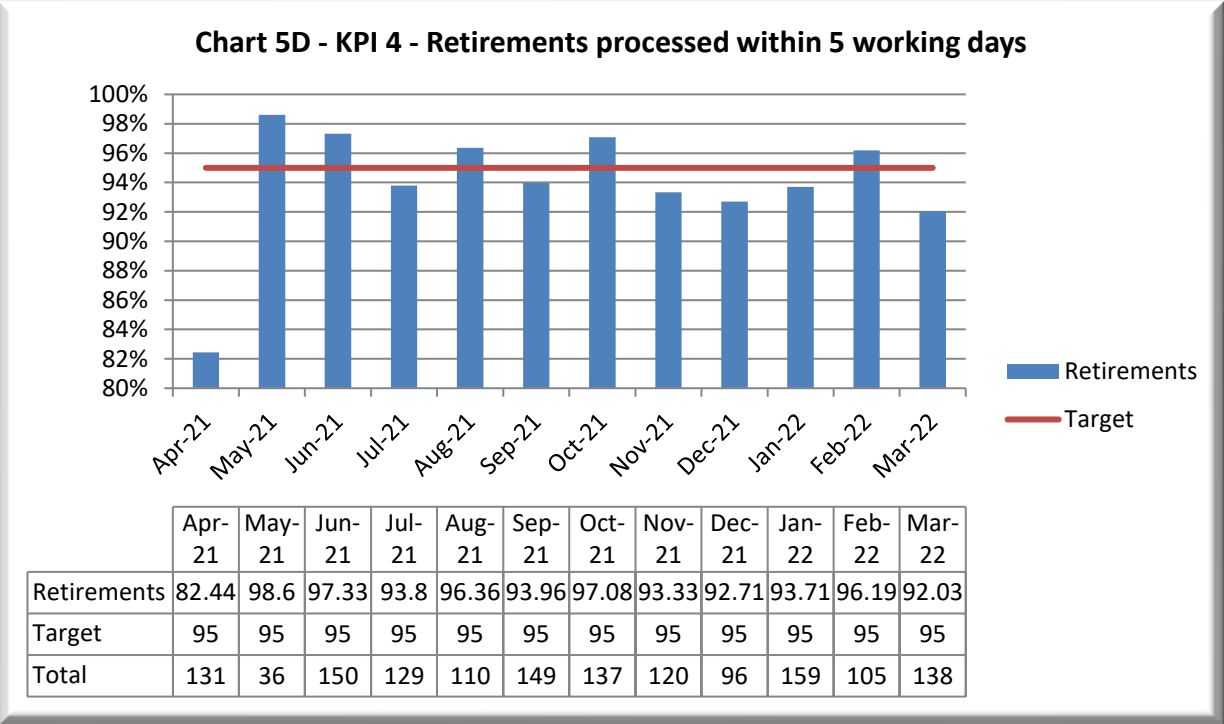
CIPFA Benchmark: Two months from date of joining the scheme or if earlier within one month of receiving jobholder information.



CIPFA Benchmark: As soon as practicable and no more than two months from date of notification of death from scheme employer or deceased’s representative.



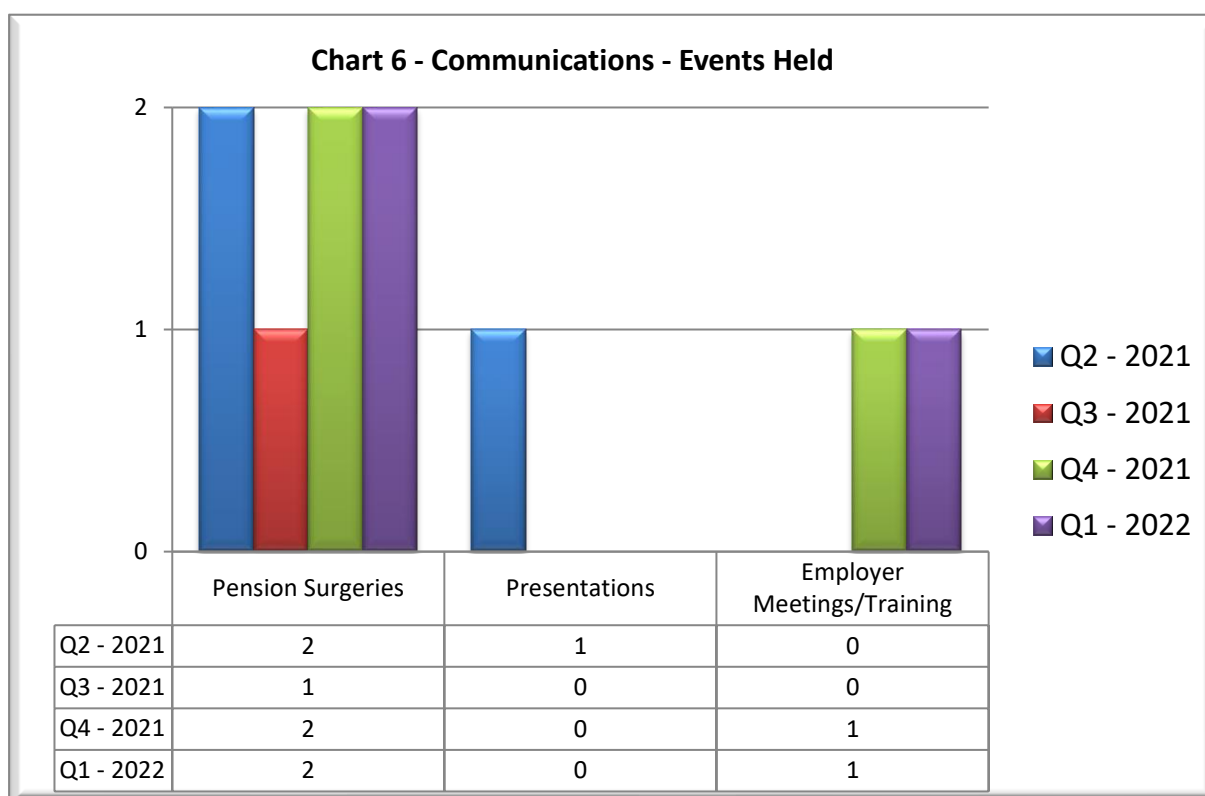
CIPFA Benchmark: To be confirmed.



CIPFA Benchmark: One month from date of retirement if on or after normal pension age or two months from date of retirement if before normal pension age.

1.6 Communications

All events shown have been held remotely.



1.7 Stakeholder Feedback

As part of the Pension Fund's aim to achieve Pension Administration Standards Association (PASA) accreditation it is a requirement to report to Members the comments and complaints received from scheme employers and their scheme members on a periodic basis. Please see below feedback received from stakeholders during the fourth quarter:

Date Received	Method	Feedback
14/01/2022	Email	<p>I wish you to know that I have had outstanding service this morning from one of your Pension Administrators, [NAME]. When I called this morning, I was very anxious and worried about a pension issue. Within moments her calm and courteous manner reduced my concerns. She consulted with another colleague and returned my call with the information required within a very acceptable timeframe. She was able to explain, what to me is a complicated issue, with clarity.</p> <p>It is very unusual these days to receive a service from someone with these qualities. [NAME] was respectful and knowledgeable without making me feel out of my depth.</p>

		I hope that you will find a way to acknowledge [NAME] talent.
24/03/2022	Letter	I would just like to take this opportunity to thank you personally for all your help and patience on every phone call I have made to you. Nothing was ever too much trouble and if you had to go off to find something out for me you always came back to me in a timely manner. I really appreciated it. Kind Regards.
29/03/2022	Email	I have received the Death Grant, so a big thank you to you and your team for the compassion and understanding during this difficult time for me and the professional communication in dealing with necessary legal procedures.
06/04/2022	Email	I would like to compliment one of your staff by the name of [NAME]. I called this morning regarding the above. I am a real novice when it comes to dealing with paperwork. [NAME] was amazing, she went through all of the forms with me step by step. Please tell her I am so grateful for her help and support she certainly needs recognition.

2 SPECIAL PROJECTS

2.1. *McCloud Judgement*

In 2014 the Government introduced reforms to public service pensions, meaning most public sector workers were moved into new pension schemes in 2014 and 2015.

In December 2018, the Court of Appeal ruled that the ‘transitional protection’ offered to some members of the judges’ and firefighters’ pension schemes, as part of the reforms, gave rise to unlawful discrimination.

On 15 July 2019 the Chief Secretary to the Treasury made a written ministerial statement confirming that, as ‘transitional protection’ was offered to members of all the main public service pension schemes, the difference in treatment will need to be removed across all those schemes for members with relevant service.

The changes to the LGPS include transitional protection for members who were within 10 years of their Final Salary Scheme normal pension age on 1 April 2012, ensuring that they would receive a pension that was at least as high as they would have received had the scheme not been reformed to a Career Average Revalued Earnings scheme from 1 April 2014.

Following a recent Southern Area Pension Officer Group (SAPOG) meeting attended by Officers of Berkshire Pension Fund, Buckinghamshire Pension Fund (BPF), East Sussex Pension Fund, Hampshire Pension Fund (HPF), Isle of Wight Pension Fund, Oxfordshire Pension Fund, Surrey Pension Fund, West Sussex Pension Fund it was been identified only BPF and HPF have begun collecting historical hour and week data from their respective scheme employers and contracted third party payroll providers.

It has so far proven to be very challenging for BPF and HPF to collect the historical data needed dating back to 1 April 2014 due to a) a lack of scheme employer engagement, b) it only being necessary to retain data for a period of seven financial years and c) scheme employers changing contracted third-party payroll providers.

Since 2019 all SAPOG Pension Funds have kept in touch with their scheme employers about this judgement. The Local Government Association did inform SAPOG that Regulations will be laid before Parliament during July or August 2022 and come into force from 1 October 2023.

In preparation of the extensive work that will be involved to bring scheme member records up to date including the re-calculation of early leaver, pensioner, dependant and transfer out events that have occurred since 1 April 2014, Pension Funds are planning to increase the size of their administration teams with BPF and HPF having done so already by four and three Pension Officers respectively with the need for potential further resource as the project progresses.

2.3 Pensions Dashboard Programme

A national pensions dashboard has been on the horizon for some time, but now the Pension Schemes Act 2021 has received Royal Assent it is anticipated the Department for Work and Pensions (DWP) will begin to consult on detailed dashboards regulations and work with regulators to begin supporting both private and public sector pension providers and pension schemes to comply with their dashboards compulsion duties. It is anticipated the Pensions Dashboards Programme (PDP) will publish further detailed instructions on how a scheme administrator must operate with the dashboards ecosystem.

Officers recognise it is important not to wait for all this consultation and guidance. Almost every aspect of administering a pension scheme is easier to achieve if data is actively managed and incorporates both Common and Scheme Specific data activities, an area officers have successfully improved over the last three years.

Officers acknowledge Pensions Dashboards, if done well, could be a game changer in getting individuals to better engage with their pensions and a better efficiency of pension scheme management. Officers understand the Pensions Dashboard will go live during 2023 and officers will provide further details to Members in due course.

2.4 Overseas Pension Payments

During March 2022 officers worked together with the Pension Fund's current overseas payment provider, Western Union (WU), resulting in the issue of a "Pre-Existence Letter" to 168 pensioner and dependant scheme members ("the payee") who receive their monthly pension payment to an account in the country and currency of their residence.

The Pension Fund currently pays in the region of £782,000 of annual pension payments to overseas accounts using the services of WU. In an effort to detect and prevent any fraudulent payments this project will require the payee to present themselves in person at their nearest local WU Bureau Station together with a form of photographic identification.

The "Pre-existence Letter" set out to the payee the reasons for the project being undertaken and to make them aware a further letter will follow during week commencing Monday, 18 April 2022 and confirming the nearest local WU Bureau Station to their address.

The project described will run alongside a nil cost exercise, checking the live status of payees who reside overseas but choose to have their monthly pension paid to a UK account. The Pension Fund currently pays approximately £822,500 of annual pension to this type of payee.

Officers understand the monthly pension payment is a key part of the payee's quality of life and will therefore always take careful and considered action before suspending the monthly pension payments of those payees who do not provide photographic identification.

2.5 *Year End 2022*

Officers are pleased to report all year end processes remain on target to be completed by no later than the statutory deadline of 31 August 2022. Details in respect of Active Contributors, Deferred Pensioners and In Payment Pensioner and Dependant scheme members is shown below:

- **Active Scheme Members**

During week commencing 7 February 2022 officers contacted, by e-mail, 108 scheme employers not yet onboarded to use i-connect Software. The e-mail attached "Scheme Employer Guidance Notes" setting out how an accompanying "Year End File Template" needed to be completed and returned to the Pension Fund by no later than 30 April 2022. This deadline was met by 92 scheme employers with the remaining 16 scheme employers still outstanding.

For those scheme employers onboarded to use i-connect Software, officers began the Year End process immediately following receipt of March 2022 i-connect file submission.

Annual Benefit Statements (ABS) began to be made available as soon as each scheme employers' Year End reconciliation was complete, with the first ABS being made available through the 'my pension ONLINE' facility on 11 April 2022. To date all active scheme members belonging to 99 of 200 scheme employers have access to their ABS, Officers have until no later than the statutory deadline of 31 August 2022 to make all ABS available to all active scheme members.

- **Deferred Pensioner Scheme Members**

Deferred benefits are subject to increase under the Pensions (Increase) Act 1971, which provides that pensions may be increased periodically to take account of rises in the cost of living. Since 2010 the rate of Pension Increase awarded every April has been measured in line with the Consumer Price Index (CPI). Prior to this the rate awarded every April was measured in line with the Retail Price Index (RPI).

The CPI increase, of up to 3.1%, awarded on 11 April 2022, was applied by officers to all deferred pensioner scheme member records together with all Annual Benefit Statements made available through the 'my pension ONLINE' facility on the same date.

- **In Payment Pensioner and Dependant Scheme Members**

As referred to directly above, the value of in payment pensioner and dependant benefits are also subject to increase under the Pensions (Increase) Act 1971.

As early as January 2022 officers began to test applying a CPI increase from 11 April 2022 to avoid a repeat of the unforeseen problems experienced during the application of 2021 CPI increase. All testing proved successful with officers able to apply the actual CPI increase, of up to 3.1%, to all in payment pensioner and dependant scheme member records quickly and efficiently in time for April 2022 pension payment.

This page is intentionally left blank

Report Title:	Risk Reporting
Contains Confidential or Exempt Information	No - Part I
Lead Member:	Councillor Julian Sharpe, Chairman Pension Fund Committee and Advisory Panel
Meeting and Date:	Pension Fund Committee and Advisory Panel – 4 July 2022
Responsible Officer(s):	Damien Pantling, Head of Pension Fund
Wards affected:	None

REPORT SUMMARY

On 6 December 2021, the Pension Fund Committee adopted an updated risk management process based on the 2018 CIPFA framework “Managing risk in the Local Government Pension Scheme”.

A risk register is now brought to the Pension Fund Committee quarterly for consideration of all known risks and their respective controls/mitigations, this report firstly deals with the regular reporting of the revised risk register to the Committee.

This report also deals with an updated risk management policy to provide detailed guidance on the adoption of the new CIPFA framework, to set out the Fund’s risk appetite and to bring together several approaches to managing and monitoring various risks into one prescriptive policy document.

1. DETAILS OF RECOMMENDATION(S)

RECOMMENDATION: That the Pension Fund Committee notes the report and;

- i) Approves the updated risk register including any changes since the last approval date, putting forward any suggested amendments as may be necessary;**
- ii) Approves the updated risk management policy;**
- iii) Approves publication of the updated risk register and risk policy on the Pension Fund website;**

2. REASON(S) FOR RECOMMENDATION(S) AND OPTIONS CONSIDERED

- 2.1. The Scheme Manager (The Royal Borough of Windsor and Maidenhead as the Administering Authority for the Fund) has a legal duty to establish and operate internal controls. Failure to implement an adequate and appropriate risk assessment policy and risk register could lead to breaches of law. Where the effect and wider implications of not having in place adequate internal controls are likely to be materially significant, the Pension Regulator (tPR) must be

notified in accordance with the Scheme Manager's policy on reporting breaches of the law.

2.2. As a live document, this risk register is kept under constant review and shall be presented to the Committee (appended to this report) quarterly, however, key changes from the last Committee meeting to this one (additions, removals, significant changes to mitigations and/or risk scores) shall be brought to the Committee's attention and are summarised as follows (noting that minor re-wording has not been included in the summary below):

2.2.1. PEN001 – Moved from trending down to trending sideways as future expected returns are reducing and recession fears are growing.

2.2.2. PEN002 – Moved from trending sideways to trending up because of growing influence of Russia conflict on global markets. Also added mitigation around examination of portfolio at individual investment level and reacting as appropriate.

2.2.3. PEN003 – Reduced risk impact score as COVID-19 is less of a threat than in previous reporting periods.

2.2.4. PEN012 – Moved from trending up to trending sideways following updated mortality expectations.

2.2.5. PEN013 – Re-worded to focus on longer-term inflation expectations which are expected to be more impactful than in the short term.

2.2.6. PEN014 – Moved from trending down to trending sideways as inflation (therefore long term pay expectations) looks higher for longer than in prior reporting periods.

2.2.7. PEN018 – Moved from trending down to trending sideways as the recent SAA adjustment has reduced target cash exposure.

2.2.8. PEN020 – Moved from trending down to trending sideways and re-worded to included bulk transfers out, mindful of upcoming large AFC transfer out at an uncertain time in 2022/23.

2.2.9. PEN0023/24 – added reference to DDA and DSA policies as a mitigation measure, following the approval of these policies in July 2022.

2.2.10. PEN0030 – added reference to reporting suspected breaches of the law as a mitigation measure, following the approval of these policies in July 2022.

2.3. The RCBPF's risk management policy was last approved on 12 November 2018, since this date there have been several piecemeal changes to the way the Fund manages risk. Two key examples of changes in approach since the last approval date are the implementation of four key investment and funding

risk appetite statements, and the implementation of the CIPFA framework “Managing risk in the Local Government Pension Scheme”.

- 2.4. The revised risk management policy (appendix 2) sets out all of these changes and provides guidance on their implementation in one clear single document for future reference.
- 2.5. The Committee received a training and review session on 21 April 2022 specifically on the investment and funding risk appetite statements which were last approved in March 2019. Some minor tweaks have been made to these statements following the review session with LPPI and these are presented in the revised risk management policy. The aim is for a major review of these risk appetite statements alongside the conclusion of the triennial valuation towards the end of 2022/23.

3. KEY IMPLICATIONS

- 3.1. Failure to maintain and keep under review the Pension Fund’s key risks could lead to a loss in confidence and sanctions being imposed by the Pensions Regulator where failings are deemed to be materially significant for the Pension Fund and its stakeholders.

4. FINANCIAL DETAILS / VALUE FOR MONEY

- 4.1. Failure to monitor identified risks and to implement appropriate strategies to counteract those risks could lead to an increased Fund deficit resulting in employers having to pay more.

5. LEGAL IMPLICATIONS

- 5.1. The Administering Authority is required to govern and administer the Pension Scheme in accordance with the Public Service Pensions Act 2013 and associated Local Government Pension Scheme Regulations. Failure to do so could lead to challenge.

6. RISK MANAGEMENT

- 6.1. The risk register is attached at Appendix 1 to this report, it is reviewed quarterly by the Pension Board and the Pension Fund Committee and updated regularly by officers to ensure all risks are appropriately documented and mitigated where possible.

7. POTENTIAL IMPACTS

- 7.1. Failure to comply with pension legislation could result in the Administering Authority being reported to the Pensions Regulator where failure is deemed to be of a material significance.

7.2. Equalities: Equality Impact Assessments are published on the council's website: There are no EQIA impacts as a result of taking this decision. A completed EQIA has been attached at Appendix 3 to this report

7.3. Climate change/sustainability: N/A

7.4. Data Protection/GDPR. GDPR compliance is included as a specific risk on the register in regard to processing and handling personal data, this is dealt with in the appendix along with the relevant mitigations.

8. CONSULTATION

8.1. Committee members and Pension Board members undertook a detailed annual review session in January 2022 followed by a risk appetite statement review and training session on 21 April 2022.

9. TIMETABLE FOR IMPLEMENTATION

9.1. Ongoing.

10. APPENDICES

10.1. This report is supported by 2 Appendices:

- Appendix 1 – Risk Register
- Appendix 2 – Risk Management Policy
- Appendix 3 - EQIA

11. BACKGROUND DOCUMENTS

11.1. This report is supported by 0 background documents:

12. CONSULTATION (MANDATORY)

Name of consultee	Post held	Date sent	Date returned
<i>Mandatory:</i>			
<i>Statutory Officers (or deputy)</i>			
Adele Taylor	Executive Director of Resources/S151 Officer		
Emma Duncan	Deputy Director of Law and Strategy / Monitoring Officer		
<i>Deputies:</i>			
Andrew Vallance	Head of Finance (Deputy S151 Officer)		
Elaine Browne	Head of Law (Deputy Monitoring Officer)		
Karen Shepherd	Head of Governance (Deputy Monitoring Officer)		
<i>Other consultees:</i>			

Cllr Julian Sharpe	Chairman – Berkshire Pension Fund Committee		
--------------------	---	--	--

13. REPORT HISTORY

Decision type:	Urgency item?	To follow item?
Pension Fund Committee decision	Yes/No	Yes/No

Report Author: Damien Pantling, Head of Pension Fund
--

DRAFT



Review Date: 04/07/2022

Author: Damien Pantling, Head of Pension Fund

Adele Taylor - Director of Resources (S.151 Officer)

Status: FINAL

GREEN = Score of 3 to 15

AMBER = Score of 16 to 25

RED = Score of 26 - 75

Risk Calculation Key

IMPACT (Total) = IMPACT (Fund) + IMPACT (Employers) + IMPACT (Reputation)

Gross Risk Score = IMPACT (Total) x Likelihood

Net Risk Score = IMPACT (Total) x Revised Likelihood

Scores all ranked 1 to 5

Please refer to final page for CIPFA guidance, Scoring Matrix and full column heading breakdown

Risk Group	Risk Ref.	Trending	Risk Description	IMPACT			TOTAL	Likelihood	Gross Risk	Mitigating Actions	Revised Likelihood	Net Risk	Owner	Reviewed
				Fund	Employers	Reputation								
ASSET AND INVESTMENT RISKS														
Asset & Investment Risk	PEN001		Investment managers fail to achieve returns of at least the actuarial discount rate over the longer term.	5	4	3	12	3	36	TREAT 1) The Advisory Management Agreement (AMA) clearly states expectations in terms of investment performance targets. 2) Investment manager performance is reviewed by LPPI and the committee on a quarterly basis. 3) The Pension Fund Committee should be positioned to move quickly in regards to asset allocation and strategy if it is felt that targets will not be achieved. 4) Portfolio rebalancing is considered on a regular basis by the Pension Fund Committee. 5) The Fund's investment management structure is highly diversified, which lessens the impact of manager risk compared with less diversified structures. 6) Target return benchmark to be developed in due course, expected to be above the actuarial discount rate	2	24	Damien Pantling	04/05/2022
Asset & Investment Risk	PEN002		Significant volatility and negative sentiment in global investment markets following disruptive geo-political uncertainty. Increased risk to global economic stability.	4	4	1	9	3	27	TREAT 1) Maintaining a well diversified portfolio with significant allocation to both public and private markets. 2) Maintaining a well diversified investment portfolio with significant allocations across a variety of asset classes such as (but not limited to) credit, equity and real-assets. 3) Routinely receiving market updates from independent advisors and acting upon the recommendations where appropriate - such as issuing additional/new guidance/instruction to LPPI. 4) Examining portfolio at an individual investment level to fully understand exposure to effected regions and reacting as appropriate.	2	18	Damien Pantling	04/05/2022
Asset & Investment Risk	PEN003		The global outbreak of COVID-19 poses economic uncertainty across the global investment markets.	4	3	2	9	3	27	TREAT 1) Routinely receiving market updates from independent advisors and acting upon the recommendations as appropriate TOLERATE 1) Global investment market returns in aggregate for our SAA have thus far not been adversely affected by the COVID-19 pandemic, therefore, no significant changes to the investment strategy or strategic asset allocation are recommended	1	9	Damien Pantling	04/05/2022
Asset & Investment Risk	PEN004		Volatility caused by uncertainty with regard to the withdrawal of the UK from the European Union and the economic after effects such as labour and supply chain shortages.	4	4	1	9	3	27	TREAT 1) Volatility is reduced through having a relatively low exposure to UK equities and is well diversified with a significant safe-haven focus. 2) Fund has removed the significant GBP hedge and is not undergoing any strategic currency hedging from 6th December 2021, but will seek to review in Summer 2022	2	18	Damien Pantling	04/05/2022
Asset & Investment Risk	PEN005		Increased scrutiny on environmental, social and governance (ESG) issues, leading to reputational damage if not compliant. The administering authority declared an environmental and climate emergency in June 2019, effect on Pension Fund is currently unknown. TCFD regulations impact on LGPS schemes currently unknown but expected to come into force during 2022/23.	3	2	4	9	3	27	TREAT 1) Review ISS in relation to published best practice (e.g. Stewardship Code) . 2) Ensure fund managers are encouraged to engage and to follow the requirements of the published ISS. 3) The Fund is a member of the Local Authority Pension Fund Forum (LAPFF) and Pensions and Lifetime Savings Association (PLSA), which raises awareness of ESG issues and facilitates engagement with fund managers and company directors. 4) An ESG statement and RI Policy was drafted for the Pension Fund as part of the ISS and approved in March 2021. 5) Officers regularly attend training events on ESG and TCFD regulations to ensure stay up to date with latest guidance. 6) LPPI manage the funds investments and have their own strict ESG policies in place which align with those of the fund.	2	18	Damien Pantling	04/05/2022
Asset & Investment Risk	PEN006		A change in government or existing government policy may result in new wealth sharing policies which could negatively impact the value of the pension fund assets.	5	5	1	11	2	22	TREAT 1) Maintain links with central government and national bodies to keep abreast of national issues. Respond to all consultations and lobby as appropriate to ensure consequences of changes to legislation are understood by (external) policy makers and the Fund.	1	11	Damien Pantling	04/05/2022
Asset & Investment Risk	PEN007		Financial failure of third party supplier results in service impairment and financial loss.	5	4	1	10	2	20	TREAT 1) Performance of third parties (other than fund managers) regularly monitored by Fund officers and the Pension Fund Committee. 2) Regular meetings and conversations with global custodian (currently JP Morgan) take place. 3) Actuarial services and investment management are provided by two different providers.	1	10	Damien Pantling	04/05/2022
Asset & Investment Risk	PEN008		Failure of global custodian or counterparty.	5	3	2	10	2	20	TREAT 2) Review of internal control reports on an annual basis. 3) Credit rating kept under review.	1	10	Damien Pantling	04/05/2022
Asset & Investment Risk	PEN009		Financial failure of a fund manager leads to value reduction, increased costs and impairment.	4	3	3	10	2	20	TREAT 1) Fund is reliant upon current adequate contract management activity overseen by our investment managers LPPI. 2) Fund is reliant upon alternative suppliers at similar prices being found promptly.	1	10	Damien Pantling	04/05/2022
Asset & Investment Risk	PEN010		Global investment markets fail to perform in line with expectations leading to deterioration in funding levels and increased contribution requirements from employers.	3	5	2	10	2	20	TREAT 1) Proportion of total asset allocation made up of equities, bonds, property funds, infrastructure and fixed income, limiting exposure to one asset category - this diversification generally reduces risk of any particular market underperformance. 2) The investment strategy is continuously monitored and periodically reviewed to ensure optimal risk asset allocation. 3) Full holistic strategy review takes place every three years in line with the actuarial valuation. 4) Investment strategy reviewed every year and LPPI undertake a health-check bi-annually. 5) The actuarial assumptions regarding asset performance are regarded as achievable over the long term in light of historical data.	1	10	Damien Pantling	04/05/2022



Review Date: 04/07/2022

Author: Damien Pantling, Head of Pension Fund
Adele Taylor - Director of Resources (S.151 Officer)

Status: FINAL

GREEN = Score of 3 to 15

AMBER = Score of 16 to 25

RED = Score of 26 - 75

Risk Calculation Key

IMPACT (Total) = IMPACT (Fund) + IMPACT (Employers) + IMPACT (Reputation)

Gross Risk Score = IMPACT (Total) x Likelihood

Net Risk Score = IMPACT (Total) x Revised Likelihood

Scores all ranked 1 to 5

Please refer to final page for CIPFA guidance, Scoring Matrix and full column heading breakdown

Risk Group	Risk Ref.	Trending	Risk Description	IMPACT				TOTAL	Likelihood	Gross Risk	Mitigating Actions	Revised Likelihood	Net Risk	
				Fund	Employers	Reputation							Owner	04/05/2022
LIABILITY RISKS														
Liability Risk	PEN011		Scheme members live longer than expected leading to higher than expected liabilities.	5	5	1	11	2	22	TREAT 1) A longevity swap insurance contract was entered into in 2009 which effectively hedged the risk of longevity rates increasing for all of the retired scheme members (c11,000 members) at that point in time. 2) All scheme members that were not part of the longevity swap contract group in 2009 (i.e. all active or deferred members as at 2009 or that have since joined the scheme) have liabilities exposed to longevity risk. Whilst longevity risk in isolation cannot be hedged without further consideration of another longevity contract, it is managed through regular review of the investment strategy (risk profile, cashflows, liability matching)	1	11	Damien Pantling	04/05/2022
Liability Risk	PEN012		Mortality rates decreasing, or increasing at a lower rate than those assumed in the 2009 longevity contract, leading to an increased contractual liability at present value.	3	4	4	11	2	22	TOLERATE 1) The opportunity cost in entering into the longevity contract was the loss of upside benefits associated with decreasing longevity rates - this was an active decision previously taken. 2) At present, the cost or even the option of exiting the contract has not been explored and may not be possible contractually. Any cost of exit if applicable is likely to far exceed the benefits.	2	22	Damien Pantling	04/05/2022
Liability Risk	PEN013		Long-term price inflation is significantly more than anticipated in the actuarial assumptions.	5	5	1	11	3	33	TREAT 1) Ensure sizeable holding in real assets (infrastructure and property) which generally act as protection against inflation. 2) The fund's material allocation to equity will provide a degree of protection against inflation. 3) The actuary will take a prudent view on inflation through the valuation process. 4) Material deviations (unexpected increases in inflation) and their impacts are modelled by the actuary through stress test analysis.	2	22	Damien Pantling	04/05/2022
Liability Risk	PEN014		Employee pay increases are significantly more than anticipated for employers within the Fund.	3	4	2	9	2	18	TOLERATE 1) Fund employers should monitor own experience. 2) Assumptions made on pay and price inflation (for the purposes of IAS19/FRS102 and actuarial valuations) should be long term assumptions. Any employer specific assumptions above the actuary's long term assumption would lead to further review. 3) Employers to be made aware of generic impact that salary increases can have upon the final salary linked elements of LGPS benefits (accrued benefits before 1 April 2014). 4) Employee pay rises currently remain below inflation. 5) Employer decisions to increase pay more than anticipated would result in increased contributions for that employer at the next triennial valuation	2	18	Damien Pantling	04/05/2022
Liability Risk	PEN015		Impact of economic and political decisions on the Pension Fund's employer workforce and government funding level affecting the Councils spending decisions. For example scheme matures more quickly than expected due to public sector spending cuts, resulting in contributions reducing and pension payments increasing.	5	2	1	8	3	24	TREAT 1) Barnet Waddingham uses prudent assumptions on future of employees within the workforce. Employer responsibility to flag up potential for major bulk transfers outside of the fund. The potential for a significant reduction in the workforce as a result of the public sector financial pressures may have a future impact on the Fund. 2) Barnet Waddingham will make prudent assumptions about diminishing workforce when carrying out the triennial actuarial valuation in 2022. 3) Review maturity of scheme at each triennial valuation. Secondary deficit contributions specified as lump sums, rather than percentage of payroll to maintain monetary value of contributions and mitigate risk of reducing workforce on cashflow. 4) Cashflow position monitored monthly.	2	16	Damien Pantling	04/05/2022
Liability Risk	PEN016		Ill health costs may exceed "budget" allocations made by the actuary resulting in higher than expected liabilities particularly for smaller employers.	4	2	1	7	2	14	TOLERATE 1) Review "budgets" at each triennial valuation and challenge actuary as required. Charge capital cost of ill health retirements to admitted bodies at the time of occurring. Occupational health services provided by the unitaries and other large employers to address potential ill health issues early.	2	14	Damien Pantling	04/05/2022
Liability Risk	PEN017		Impact of increases to employer contributions following the actuarial valuation.	4	5	3	12	3	36	TREAT 1) Officers to consult and engage with employer organisations in conjunction with the actuary. 2) Actuary will assist where appropriate with stabilisation and phasing in processes.	2	24	Damien Pantling	04/05/2022
Liability Risk	PEN018		There is insufficient cash available in the Fund to meet pension payments leading to investment assets being sold at sub-optimal prices to meet pension payments.	5	4	3	12	2	24	TREAT 1) Cashflow forecast maintained and monitored. 2) Cashflow requirement is a factor in current investment strategy review. 3) Maintain a material level of cash held within a short duration bond fund, which allows access at short notice.	1	12	Damien Pantling	04/05/2022
Liability Risk	PEN019		Mismatching of assets and liabilities, inappropriate long-term asset allocation or investment strategy, mistiming of investment strategy.	5	3	3	11	2	22	TREAT 1) Active investment strategy and asset allocation monitoring by LPPI, overseen by Pension Fund Committee, officers and independent advisors. 2) Strategic asset allocation review was approved in September 2021 with a move out of diversifying strategies and an increase in equities. 3) Setting of Fund specific benchmark relevant to the current position of fund liabilities to be approved in March 2022. 4) Fund manager targets set and based on market benchmarks or absolute return measures. Overall investment benchmark and out-performance target is fund specific.	1	11	Damien Pantling	04/05/2022
Liability Risk	PEN020		Transfers out increase significantly as members transfer to DC funds to access cash through new pension freedoms, this also includes bulk transfers out.	4	4	2	10	2	20	TREAT 1) Monitor numbers and values of transfers out being processed. If required, commission transfer value report from Fund Actuary for application to Treasury for reduction in transfer values.	1	10	Damien Pantling	04/05/2022
Liability Risk	PEN021		Inadequate, inappropriate or incomplete investment or actuarial advice is actioned leading to a financial loss or breach of legislation.	5	3	2	10	2	20	TREAT 1) At time of appointment, ensure advisers have appropriate professional qualifications and quality assurance procedures in place. Committee, Board and officers scrutinise and challenge advice provided by all parties.	1	10	Damien Pantling	04/05/2022
Liability Risk	PEN022		Changes to LGPS Scheme moving from Defined Benefit to Defined Contribution	5	3	2	10	1	10	TOLERATE 1) Political will required to effect the change - this would be a major change to the LGPS, and a significant lead in time, probably with protection for almost all existing benefits, so there would be considerable time to assess the likely impact. 2) Significant and sustained political will be required to make such a change, with likely opposition of existing members to be managed.	1	10	Damien Pantling	04/05/2022



Review Date: 04/07/2022

Author: Damien Pantling, Head of Pension Fund
Adele Taylor - Director of Resources (S.151 Officer)

Status: FINAL

GREEN = Score of 3 to 15

AMBER = Score of 16 to 25

RED = Score of 26 - 75

Risk Calculation Key

IMPACT (Total) = IMPACT (Fund) + IMPACT (Employers) + IMPACT (Reputation)

Gross Risk Score = IMPACT (Total) x Likelihood

Net Risk Score = IMPACT (Total) x Revised Likelihood

Scores all ranked 1 to 5

Please refer to final page for CIPFA guidance, Scoring Matrix and full column heading breakdown

Risk Group	Risk Ref.	Trending	Risk Description	IMPACT			TOTAL	Likelihood	Gross Risk	Mitigating Actions	Revised Likelihood	Net Risk	Owner	04/05/2022
				Fund	Employers	Reputation								
EMPLOYER RISK														
Employer Risk	PEN023		Last active employee of scheduled or admitted body retires leading to cessation valuation liability calculated either on an ongoing or minimum risk basis, the latter applies to community admission type bodies without a bond or appropriate financial security in place. The full cessation at minimum risk could challenge the employer as a going concern and lead to failure.	3	5	4	12	3	36	<p>TREAT</p> <p>1) Employer covenant risk assessment was conducted by LPP in 2019 and presented to committee (<i>formerly panel</i>) on 19 December 2019 based on 2019 valuation results. This identified a number of key at-risk employers in the fund, those were all community admission body type employers at risk of cessation in the near future and without security in place.</p> <p>2) A further review is to be commissioned by the actuary to re-evaluate these risks based on 2022 triennial figures, from this a number of employers can be contacted to discuss possible options and plans.</p> <p>3) A number of employers have either had cessation arrangement decisions taken already through committee or have approached officers to discuss options, demonstrating the proactive rather than reactive nature of treating this risk.</p> <p>4) Where appropriate seek to agree support from the relevant Local Authority.</p> <p>5) Proper use of employer flexibilities introduced in the 2020 amended regulations (deferred debt and debt spreading agreements) to ensure that employer debts are managed appropriately in a way that benefits both the fund and the employer</p>	2	24	Damien Pantling	04/05/2022
Employer Risk	PEN024		Failure of an admitted or scheduled body leads to unpaid liabilities being left in the Fund to be met by others.	5	3	3	11	2	22	<p>TREAT</p> <p>1) Transferee admission bodies (term no longer used) were required to have bonds or guarantees in place at time of signing the admission agreement.</p> <p>2) Regular monitoring of employers and follow up of expiring bonds.</p> <p>3) Regular reviews of what were formally referred to as community admission bodies, which are deemed high risk as no bond or guarantee was put in place at the time of admission.</p> <p>4) Proper use of employer flexibilities introduced in the 2020 amended regulations (deferred debt and debt spreading agreements) to ensure that employer debts are managed appropriately in a way that benefits both the fund and the employer</p>	1	11	Damien Pantling	04/05/2022
RESOURCE AND SKILL RISK														
Resource & Skill Risk	PEN025		Change in membership of Pension Fund Committee or Local Pensions Board leads to dilution of member knowledge and understanding - as such, Committee or Board members do not have appropriate skills or knowledge to discharge their responsibility leading to inappropriate decisions.	2	2	1	5	4	20	<p>TREAT</p> <p>1) Succession planning process to be considered.</p> <p>2) Ongoing training of Pension Fund Committee members, training plan in place.</p> <p>3) Pension Fund Committee new member induction programme.</p> <p>4) Training to be based on the requirements of CIPFA Knowledge and Skills Framework under designated officer.</p> <p>5) Training to be supported by external parties including but not limited to the actuary, auditor, investment advisor and independent advisors.</p> <p>6) External professional advice is sought where required</p>	2	10	Damien Pantling	04/05/2022
Resource & Skill Risk	PEN026		Officers do not have appropriate skills and knowledge to perform their roles resulting in the service not being provided in line with best practice and legal requirements. Succession planning is not in place leading to reduction of knowledge when an officer leaves.	4	3	3	10	2	20	<p>TREAT</p> <p>1) Person specifications are used in recruitment processes to appoint officers with relevant skills and experience.</p> <p>2) Training plans are in place for all officers as part of the performance appraisal arrangements.</p> <p>3) Officers maintain their CPD by attending training events and conferences.</p>	1	10	Damien Pantling	04/05/2022
Resource & Skill Risk	PEN027		Concentration of knowledge in a small number of officers and risk of departure of key staff. Loss of technical expertise and experience. Risk identified in 2023 of key personnel potentially leaving the Fund.	4	3	3	10	3	30	<p>TREAT</p> <p>1) Practice notes in place.</p> <p>2) Development of team members and succession planning improvements to be implemented.</p> <p>3) Officers and members of the Pension Fund Committee to be mindful of the proposed CIPFA Knowledge and Skills Framework when setting objectives and establishing training needs for senior fund officers.</p> <p>4) Training plans in place for all officers.</p>	2	20	Damien Pantling	04/05/2022
Resource & Skill Risk	PEN028		McCloud remedy will generate considerable additional workloads for the team resulting in potential resource concerns.	3	4	2	9	4	36	<p>TREAT</p> <p>1) Statutory guidance to be issued by government setting out how remedy is to be managed.</p> <p>2) All Pension Committee, Advisory Panel and Board Members receive regular updates and actions will be taken by officers once guidance is issued.</p> <p>3) If necessary, consider the recruitment of temporary staff.</p>	3	27	Damien Pantling	04/05/2022
ADMINISTRATIVE AND COMMUNICATIVE RISK														
Administrative & Communicative Risk	PEN029		Structural changes in an employer's membership or an employer fully/partially closing the scheme. Employer bodies transferring out of the pension fund or employer bodies closing to new membership. An employer ceases to exist with insufficient funding or adequacy of bond placement.	2	4	4	10	3	30	<p>TREAT</p> <p>1) Administering Authority actively monitors prospective changes in membership.</p> <p>2) Maintain knowledge of employer future plans through regular communication.</p> <p>3) Contribution rates and deficit recovery periods set to reflect the strength of the employer covenant.</p> <p>4) Periodic reviews of the covenant strength of employers are undertaken and indemnity applied where appropriate.</p> <p>5) Risk categorisation of employers exercise undertaken by LPP in December 2019, further work to be undertaken by Actuary as part of 2022 Triennial Valuation.</p> <p>6) Monitoring of gilt yields for assessment of pensions deficit on a minimum risk basis.</p>	2	20	Kevin Taylor	04/05/2022
Administrative & Communicative Risk	PEN030		Failure to comply with Scheme regulations and associated pension law leading to incorrect pension payments being made. Risk of fines, adverse audit reports and breaches of the law.	5	4	4	13	1	13	<p>TREAT</p> <p>1) Training provided as and when Regulations are updated.</p> <p>2) Competent software provider maintains up to date systems.</p> <p>3) Competent external consultants.</p> <p>4) Comprehensive policy in place on reporting suspected breaches of the law, informing internal stakeholders on process to minimise legal challenge in unlikely event of breach or suspected breach</p>	1	13	Kevin Taylor	04/05/2022
Administrative & Communicative Risk	PEN031		Administrators do not have sufficient staff or skills to manage the service leading to poor performance and complaints.	3	2	3	8	3	24	<p>TREAT</p> <p>1) Review of administration roles and responsibilities to be undertaken in 2022/23.</p> <p>2) Establishment of key training and development budget from 2022/23.</p> <p>3) Key staff movements to be monitored closely.</p> <p>4) Ongoing monitoring of administration statistical outcomes and KPI's via Local Pensions Board and Pension Fund Committee.</p>	2	16	Kevin Taylor	04/05/2022
Administrative & Communicative Risk	PEN032		Failure of pension payroll system resulting in pensioners not being paid in a timely manner.	5	5	5	15	2	30	<p>TREAT</p> <p>1) System hosted and backed up in two separate locations.</p> <p>2) Re-issue previous months BACS file in extreme circumstances.</p>	1	15	Kevin Taylor	04/05/2022



Review Date: 04/07/2022

Author: Damien Pantling, Head of Pension Fund

Adele Taylor - Director of Resources (S.151 Officer)

Status: FINAL

GREEN = Score of 3 to 15

AMBER = Score of 16 to 25

RED = Score of 26 - 75

Risk Calculation Key

IMPACT (Total) = IMPACT (Fund) + IMPACT (Employers) + IMPACT (Reputation)

Gross Risk Score = IMPACT (Total) x Likelihood

Net Risk Score = IMPACT (Total) x Revised Likelihood

Scores all ranked 1 to 5

Please refer to final page for CIPFA guidance, Scoring Matrix and full column heading breakdown

Risk Group	Risk Ref.	Trending	Risk Description	IMPACT				TOTAL	Likelihood	Gross Risk	Mitigating Actions	Revised Likelihood	Net Risk	Owner	Date
				Fund	Employers	Reputation									
ADMINISTRATIVE AND COMMUNICATIVE RISK (CONTINUED)															
Administrative & Communicative Risk	PEN033		Failure to maintain a high quality member database leading to loss in member confidence, incorrect calculations of benefits, increased number of complaints, poor performance and loss of reputation.	5	5	3	13	1	13	TREAT 1) Fund undertakes annual data quality exercise required by and reported to TPR. 2) Implementation of I-Connect to enable employers to submit membership data in real time. 3) Fund makes further data checks as part of year end processing. 4) Fund undertakes additional data cleansing exercise with the actuary ahead of the triennial valuation. 5) Mortality screening checks undertaken as reported in Risk PEN037	1	13	Kevin Taylor	04/05/2022	
Administrative & Communicative Risk	PEN034		Failure to hold data securely due to poor processing of data transfers, poor system security, poor data retention and disposal, poor data backup and recovery of data.	4	4	4	12	1	12	TREAT 1) Database hosted off-site and backed up in 2 separate locations every day. 2) Access to systems is limited to a defined number of users via dual password and user identification. 3) Data transferred is encrypted. 4) Compliant with RBWM data protection and IT policies. 5) No papers files all managed via image and system documentation generation. 6) Confidential waste disposed of in line with RBWM policy.	1	12	Kevin Taylor	04/05/2022	
Administrative & Communicative Risk	PEN035		Failure of cyber security measures following a cyber attack or data breach, including information technology systems and processes, leading to the accidental or unlawful destruction, loss, alteration, unauthorised disclosure of, or access to, personal scheme membership data.	4	2	5	11	3	33	TREAT 1) Fund to develop its own cyber security risk policy. 2) System provider has robust accredited solutions in place to ensure any cyber-attack can be identified and prevented. 3) Fund shares cyber security systems with the administering authority, these are well funded and up to date. 4) Fund to engage consultancy in due course to independently test systems and recommend any further cyber security measures to implement. 5) Administering authority engages in system penetration checks annually, fund to utilise this service going forward with specific penetration checks in fund IT systems. 6) New internal auditors appointed by administering authority, major focus on IT security going forward and recommendations to come out of internal audits.	2	22	Kevin Taylor	04/05/2022	
Administrative & Communicative Risk	PEN036		Loss of funds through fraud or misappropriation by an employer, agent or contractor leading to negative impact on reputation of the Fund as well as financial loss.	3	2	5	10	2	20	TREAT 1) Fund undertakes National Fraud Initiative (NFI) biannually. 2) Fund is subject to external audit and ad hoc internal audit which can be more frequent than annually - this tests the resilience and appropriateness of controls. New internal audit service is expected to enhance scrutiny in this regard. 3) Regulatory control reports from investment managers and the custodian are obtained. 4) New regulatory controls are in place to avoid pension transfer scams occurring	1	10	Kevin Taylor	04/05/2022	
Administrative & Communicative Risk	PEN037		Payments continue to be made incorrectly at a potential cost to the Pension Fund. Distress caused to dependents.	3	3	4	10	2	20	TREAT 1) The fund undertakes a monthly mortality screening exercise. 2) Additional validation measures are put in place with our overseas payments provider to check the information held in regards to payments to non-UK bank accounts. 3) The fund participates in the biannual national fraud initiative (NFI).	1	10	Kevin Taylor	04/05/2022	
Administrative & Communicative Risk	PEN038		Inability to respond to a significant event leads to prolonged service disruption and damage to reputation.	1	2	5	8	2	16	TREAT 1) Fund has a business continuity plan. 2) Systems hosted and backed up off-site in 2 locations. 3) All officers have the ability to work from home or any location where secure internet access is available.	1	8	Kevin Taylor	04/05/2022	
Administrative & Communicative Risk	PEN039		Late or non-receipt of pension contributions from Scheme employers within statutory deadlines leading to loss of Fund investment. Risk of being reported to the Pensions Regulator with actions and fines being imposed if regulation breach is considered to be materially significant.	4	5	4	13	1	13	TREAT 1) Fund closely monitors receipts of contributions and will chase any employer that is late in making a payment. 2) A notice of unsatisfactory performance will be sent to a Scheme employer who regularly misses the statutory deadline for payment. 3) Fund has power to report a Scheme employer to the Pensions Regulator if it deems the potential loss of investment as a result of the late payment of contributions to be materially significant. 4) Large employers (unitaries) have opted to pay secondary contributions in advance.	1	13	Kevin Taylor	04/05/2022	
Administrative & Communicative Risk	PEN040		Failure to communicate properly with stakeholders leading to Scheme members being unaware of the benefits the Scheme provides so take bad decisions and Scheme employers being unaware of their statutory responsibilities and duties in maintaining the Scheme for their employees.	4	4	2	10	2	20	TREAT 1) Fund has a Communication policy and a dedicated Communications Manager. 2) Pension Fund website is maintained to a high quality standard. 3) Quarterly bulletins issued to Scheme employers providing details of any and all scheme updates. 4) Training provided for Scheme employers. 5) Newsletters available to all active, deferred and retired scheme members. 6) Guides, factsheets and training notes are provided as relevant.	1	10	Kevin Taylor	04/05/2022	
Administrative & Communicative Risk	PEN041		Lack of guidance and process notes leads to inefficiency and errors.	3	3	1	7	2	14	TREAT 1) Desktop procedures have been written for all administrative tasks and are kept under review. 2) All Committee, Advisory Panel and Board Members have received a 'Member Handbook' and are required to undertake the Pension Regulator's online Public Sector toolkit.	1	7	Kevin Taylor	04/05/2022	
Administrative & Communicative Risk	PEN042		Failure to identify GMP liability leads to ongoing costs for the pension fund.	5	2	1	8	2	16	TREAT 1) Fund has carried out and completed a GMP reconciliation against all pensions in payment. 2) Ongoing action is being taken to complete a reconciliation of all GMPs held on active and deferred member records.	1	8	Kevin Taylor	04/05/2022	
Administrative & Communicative Risk	PEN043		Loss of office premises due to fire, bomb, flood etc. leading to temporary loss of service.	5	5	4	14	2	28	TREAT 1) All staff are now able to work remotely. 2) A business continuity plan is in place. 3) Systems are cloud hosted and backed up.	1	14	Kevin Taylor	04/05/2022	



Review Date: 04/07/2022

Author: Damien Pantling, Head of Pension Fund
Adele Taylor - Director of Resources (S.151 Officer)

Status: FINAL

GREEN = Score of 3 to 15

AMBER = Score of 16 to 25

RED = Score of 26 - 75

Risk Calculation Key

IMPACT (Total) = IMPACT (Fund) + IMPACT (Employers) + IMPACT (Reputation)

Gross Risk Score = IMPACT (Total) x Likelihood

Net Risk Score = IMPACT (Total) x Revised Likelihood

Scores all ranked 1 to 5

Please refer to final page for CIPFA guidance, Scoring Matrix and full column heading breakdown

Risk Group	Risk Ref.	Trending	Risk Description	Fund	Employers	Reputation	TOTAL	Likelihood	Gross Risk	Mitigating Actions	Revised		Net Risk	Date
											Likelihood	Score		
REPUTATIONAL RISK														
Reputational Risk	PEN044	↔	Financial loss of cash investments from fraudulent activity.	3	3	5	11	2	22	TREAT 1) Policies and procedures are in place which are regularly reviewed to ensure risk of investment loss is minimised. Strong governance arrangements and internal controls are in place in respect of the Pension Fund. Internal Audit assist in the implementation of strong internal controls. Fund Managers have to provide annual SSAE16 and ISAE3402 or similar documentation (statement of internal controls) that are reviewed by auditors.	1	11	Damien Pantling	04/05/2022
Reputational Risk	PEN045	↘	Financial loss and/or reputation damage associated with poor investment decision making. - through failure of governance and oversight as opposed to fraud	4	3	4	11	3	33	TREAT 1) Specific manager/investment decisions are delegated to, and undertaken by LPPI and are thus subject to rigorous investment manager selection processes involving a team of appropriately qualified and experienced investment professionals 2) LPPI's investment recommendations are presented to the Pension Fund committee for scrutiny by officers, members and independent advisors 3) Where appropriate, additional opinions may be called in i.e. LAPFF, PIRC, or other LGPS funds on matters that are either controversial or non-straightforward. 4) Good governance recommendations regularly reviewed following governance review in 2020, also new Internal Audit team to engage on governance matters and propose additional recommendations where appropriate	2	22	Damien Pantling	04/05/2022
Reputational Risk	PEN046	↔	Inaccurate information in public domain leads to reputation damage and loss of confidence.	1	1	3	5	3	15	TREAT 1) Ensure that all requests for information (Freedom of Information, member and public questions at Council, etc.) are managed appropriately and that Part 2 Exempt items remain so. 2) Maintain constructive relationships with employer bodies, our communications team and LPPI's press team to ensure that news is well managed. 3) Hold AGM every year.	2	10	Damien Pantling	04/05/2022
REGULATORY AND COMPLIANCE RISK														
Regulatory & Compliance Risk	PEN047	↗	Failure to process (Collect, retain, use and disclose) personal data in accordance with relevant data protection legislation including UK GDPR and DPA 2018	3	3	5	11	3	33	TREAT 1) Data sharing with partners is end to end encrypted. 2) IT data security policy adhered to. 2) Implementation of and adherence to RBWM information governance policies and data retention schedules 3) Mandatory staff training for new joiners on GDPR data processing which is annually refreshed 4) Administering Authority has an assigned data protection officer responsible for advising on data protection obligations. 5) Data protection compliance checks to be part of internal audit workplan going forward 6) Staff are aware of data breach process	2	22	Damien Pantling	04/05/2022
Regulatory & Compliance Risk	PEN048	↔	Implementation of proposed changes to the LGPS (pooling) does not conform to plan or cannot be achieved within laid down timescales.	3	2	1	6	3	18	TOLERATE 1) Officers consult and engage with DLUHC, LGPS Scheme Advisory Board, advisors, LPPI, peers, various seminars and conferences. 2) Officers engage in early planning for implementation against agreed deadlines. 3) Uncertainty surrounding new DLUHC pooling guidance.	3	18	Damien Pantling	04/05/2022
Regulatory & Compliance Risk	PEN049	↔	Changes to LGPS Regulations along with failure to comply with legislation leads to ultra-vires actions resulting in financial loss and/or reputational damage - and pensions legislation or regulation changes resulting in an increase in the cost of the scheme or increased administration.	3	3	1	7	3	21	TREAT 1) Fund will respond to all consultations and lobby as appropriate to ensure consequences of changes to legislation are understood. 2) Impact of LGPS (Management of Funds) Regulations 2016 to be monitored. Impact of Regulation on compulsory pooling to be monitored. 3) Officers maintain knowledge of legal framework for routine decisions. 4) Eversheds retained for consultation on non-routine matters. 5) Maintain links with central government and national bodies to keep abreast of national issues. 6) Fund officers to ensure there are regular internal audits and that both internal and external audit recommendations are adhered to	2	14	Damien Pantling	04/05/2022
Regulatory & Compliance Risk	PEN050	↔	Failure to comply with legislative requirements e.g. ISS, FSS, Governance Policy, Freedom of Information requests.	3	3	4	10	2	20	TREAT 1) Publication of all documents on external website and all appointed managers expected to comply with ISS and investment manager agreements. 2) Local Pensions Board is an independent scrutiny and assistance function. 3) Compliance with the legislative requirements are reviewed annually through the audit process.	1	10	Damien Pantling	04/05/2022
Regulatory & Compliance Risk	PEN051	↔	Failure to comply with recommendations from the Local Pensions Board, resulting in the matter being escalated to the scheme advisory board and/or the pensions regulator.	1	3	5	9	2	18	TREAT 1) Ensure that a co-operative, effective and transparent dialogue exists between the Pension Fund Committee and Local Pensions Board. 2) Chair of Pension Board normally attends the committee and speaks as appropriate.	1	9	Damien Pantling	04/05/2022
Regulatory & Compliance Risk	PEN052	↘	Loss of flexibility to engage with Fund Managers and loss of elective professional status with any or all of the existing Fund managers and counterparties resulting in reclassification. (The Fund is a retail client to counterparties unless opted up).	3	2	2	7	2	14	TREAT 1) More reliance on LPPI to keep Officers and Committee updated. 2) Maintaining up to date information about the fund on relevant platforms. 3) Fund can opt up with prospective managers. 4) Existing and new Officer appointments subject to requirements for professional qualifications and CPD. 5) MIFID2 regulations to be monitored by fund officers and LPPI.	1	7	Damien Pantling	04/05/2022
Regulatory & Compliance Risk	PEN053	↔	Procurement processes may be challenged if seen to be non-compliant with OJEU rules. Poor specifications lead to dispute. Unsuccessful fund managers may seek compensation following non compliant process.	2	2	3	7	2	14	TOLERATE 1) Pooled funds are not subject to OJEU rules, and most of our funds are in LPPI's pooled vehicles. TREAT 1) For those that are held directly, ensure that assessment criteria remains robust and that full feedback is given at all stages of the procurement process.	1	7	Damien Pantling	04/05/2022

Column Heading	Calculation	Explanation
Risk Group		One of the seven risk categories specified by CIPFA
Risk Ref.		Unique reference "PEN" and unique risk number; i.e.. PEN001
Trending		Illustration identifies trend from the last time the risk register was reviewed (usually the last quarter)
Risk Description		Description of the risk before any treatment or mitigation - the "naked" risk.
Impact: Fund	A	(Score 1 to 5) - This is the impact the "naked" or un-treated risk has on the overall fund - usually referring to all assets, all liabilities or the entire fund as a separate legal entity
Impact: Employers	B	(Score 1 to 5) - This is the impact the "naked" or un-treated risk has on the individual employers, or groups of employers if applicable - This could be the Unitaries, scheduled bodies, admitted bodies, or a specific individual employer.
Impact: Reputation	C	(Score 1 to 5) - This is the impact the "naked" or un-treated risk has on the reputation of the Royal County of Berkshire Pension Fund as an entity in its own right, the Royal Borough of Windsor and Maidenhead as the administering authority, or the LGPS as a whole depending on the nature of the risk.
Impact: Total	A + B + C	(Score 3 to 15) - A sum of the Impact on Fund, Employers and Reputation
Likelihood	D	(Score 1 to 5) - This is the likelihood of the "naked" or un-treated risk occurring, or it's probability of occurrence in the absence of any mitigating action
Gross risk score	(A + B + C) x D	(Score 3 to 75) - This is a sum total of the Impact of the risk on the Fund, Employers and Reputation multiplied by the Likelihood of the "naked" or untreated risk occurring
Mitigation actions		These are the actions taken by all interested parties to reduce the likelihood of a risk occurring or eliminate it entirely
Revised Likelihood	E	(Score 1 to 5) - This is the revised likelihood of the risk occurring, or it's probability of occurrence following the implementation of any documented mitigation action
Net risk score	(A + B + C) x E	(Score 3 to 75) - This is a sum total of the Impact of the risk on the Fund, Employers and Reputation multiplied by the revised likelihood of the risk occurring following the implementation of any mitigation action
Risk Owner		For the avoidance of doubt, this is the officer responsible for monitoring, reviewing and reporting any changes to the impact or likelihood of the risk allocated to the officers name. Risks are technically all "owned" by the Pension Fund Committee
Reviewed		Date of last review - to be updated following officer review to ensure regular monitoring and tracking of risk impacts and likelihood.

CIPFA risk categories	Types of risk for category	Description of risk
Asset and Investment Risk	<ul style="list-style-type: none"> Asset/liability mismatch risk inflation risk concentration risk investment pooling risk illiquidity risk currency risk manager underperformance risk transition risk counterparty default risk 	<p>the risk that pension fund assets do not grow in line with the developing cost of pension fund liabilities due to unexpected inflation increases the fund is unable to grow at the same rate as the increasing liabilities</p> <p>fund not sufficiently diversified and therefore has large exposure to one asset category/sub category/fund/security brings with it several new risks, one of the major risks being transition risk</p> <p>fund cannot meet short term liabilities due to not being sufficiently liquid</p> <p>incurring unexpected costs when moving funds between managers. Losing value on assets whilst held in cash after being sold down to be used to subscribe elsewhere</p>
Liability Risk	<ul style="list-style-type: none"> financial demographic 	<p>assumptions based on inflation, discount rate, or salary increases turns out to be different to expected resulting in increased liabilities</p> <p>longevity, early retirement, ill-health retirement, regulatory risk</p>
Employer Risk	<ul style="list-style-type: none"> participating bodies 	<p>risks may arise related to individual bodies within the overall pension fund - funding risks, security risks, membership risks</p>
Resource and Skill Risk	<ul style="list-style-type: none"> inadequate staffing levels for the roles required inadequate knowledge and skills for the roles required inadequate resources to support staff in their roles turnover amongst elected members and hence membership of pension committees 	
Administrative and Communicative Risk	<ul style="list-style-type: none"> failure of ICT over reliance on/loss of key staff data quality collaboration third party provider under-performance data protection cyber threats 	<p>may result in inability to make payments, monitor investments, collect income, communicate with stakeholders</p> <p>especially important is to note that bad data can lead to inefficiencies and waste</p> <p>working across different teams/partnerships fails or become inefficient</p> <p>payroll/pensions administrator/investment advisor/consultant not performing to expected standards leading to problems around inefficiencies or poor decision making</p> <p>GDPR</p>
Reputational Risk		
Regulatory and Compliance Risk	<ul style="list-style-type: none"> non-compliance with new or old piece of legislation or guidance that is issued 	

RCBPF Risk Management Scoring Matrix		
Scoring (Impact)		
Impact Description	Category	Description
1 Very Low	Cost/Budgetary Impact	£0 to £25,000
	Impact on life	Temporary disability or slight injury or illness less than 4 weeks (internal) or affecting 0-10 people (external)
	Environment	Minor short term damage to local area of work.
	Reputation	Decrease in perception of service internally only – no local media attention
	Service Delivery	Failure to meet individual operational target – Integrity of data is corrupt no significant effect
2 Low	Cost/Budgetary Impact	£25,001 to £100,000
	Impact on life	Temporary disability or slight injury or illness greater than 4 weeks recovery (internal) or greater than 10 people (external)
	Environment	Damage contained to immediate area of operation, road, area of park single building, short term harm to the immediate ecology or community
	Reputation	Localised decrease in perception within service area – limited local media attention, short term recovery
	Service Delivery	Failure to meet a series of operational targets – adverse local appraisals – Integrity of data is corrupt, negligible effect on indicator
3 Medium	Cost/Budgetary Impact	£100,001 to £400,000
	Impact on life	Permanent disability or injury or illness
	Environment	Damage contained to Ward or area inside the borough with medium term effect to immediate ecology or community
	Reputation	Decrease in perception of public standing at Local Level – media attention highlights failure and is front page news, short to medium term recovery
	Service Delivery	Failure to meet a critical target – impact on an individual performance indicator – adverse internal audit report prompting timed improvement/action plan - Integrity of data is corrupt, data falsely inflates or reduces outturn of indicator
4 High	Cost/Budgetary Impact	£400,001 to £800,000
	Impact on life	Individual Fatality
	Environment	Borough wide damage with medium or long term effect to local ecology or community
	Reputation	Decrease in perception of public standing at Regional level – regional media coverage, medium term recovery
	Service Delivery	Failure to meet a series of critical targets – impact on a number of performance indicators – adverse external audit report prompting immediate action - Integrity of data is corrupt, data falsely inflates or reduces outturn on a range of indicators
5 Very High	Cost/Budgetary Impact	£800,001 and over
	Impact on life	Mass Fatalities
	Environment	Major harm with long term effect to regional ecology or community
	Reputation	Decrease in perception of public standing nationally and at Central Government – national media coverage, long term recovery
	Service Delivery	Failure to meet a majority of local and national performance indicators – possibility of intervention/special measures – Integrity of data is corrupt over a long period, data falsely inflates or reduces outturn on a range of indicators

Scoring (Likelihood)	
Descriptor	Likelihood Guide
1. Improbable, extremely unlikely.	Virtually impossible to occur 0 to 5% chance of occurrence.
2. Remote possibility	Very unlikely to occur 6 to 20% chance of occurrence
3. Occasional	Likely to occur 21 to 50% chance of occurrence
4. Probable	More likely to occur than not 51% to 80% chance of occurrence
5. Likely	Almost certain to occur 81% to 100% chance of occurrence

Control	Details required
Terminate	Stop what is being done.
Treat	Reduce the likelihood of the risk occurring.
Take	Circumstances that offer positive opportunities
Transfer	Pass to another service best placed to deal with mitigations but ownership of the risk still lies with the original service.
Tolerate	Do nothing because the cost outweighs the benefits and/or an element of the risk is outside our control.

Column Heading	Explanation
Risk Group	One of the seven risk categories specified by CIPFA.
Risk Ref.	Unique reference "PEN" and unique risk number; i.e.. PEN001.
Trending	Illustration identifies trend from the last time the risk register was reviewed (usually the last quarter).
Risk Description	Description of the risk before any treatment or mitigation - the "naked" risk.
Impact: Fund (A)	(Score 1 to 5) - This is the impact the "naked" or un-treated risk has on the overall fund - usually referring to all assets, all liabilities or the entire fund as a separate legal entity.
Impact: Employers (B)	(Score 1 to 5) - This is the impact the "naked" or un-treated risk has on the individual employers, or groups of employers if applicable - This could be the Unitaries, scheduled bodies, admitted bodies, or a specific individual employer.
Impact: Reputation (C)	(Score 1 to 5) - This is the impact the "naked" or un-treated risk has on the reputation of the Royal County of Berkshire Pension Fund as an entity in its own right, the Royal Borough of Windsor and Maidenhead as the administering authority, or the LGPS as a whole depending on the nature of the risk.
Impact: Total (A+B+C)	(Score 3 to 15) - A sum of the Impact on Fund, Employers and Reputation.
Likelihood (D)	(Score 1 to 5) - This is the likelihood of the "naked" or un-treated risk occurring, or it's probability of occurrence in the absence of any mitigating action.
Gross risk score ((A+B+C)xD)	(Score 3 to 75) - This is a sum total of the Impact of the risk on the Fund, Employers and Reputation multiplied by the Likelihood of the "naked" or untreated risk occurring.
Mitigation actions	These are the actions taken by all interested parties to reduce the likelihood of a risk occurring or eliminate it entirely.
Revised Likelihood (E)	(Score 1 to 5) - This is the revised likelihood of the risk occurring, or it's probability of occurrence following the implementation of any documented mitigation action.
Net risk score ((A+B+C)xD)	(Score 3 to 75) - This is a sum total of the Impact of the risk on the Fund, Employers and Reputation multiplied by the revised likelihood of the risk occurring following the implementation of any mitigation action.
Risk Owner	For the avoidance of doubt, this is the officer responsible for monitoring, reviewing and reporting any changes to the impact or likelihood of the risk allocated to the officers name. Risks are technically all "owned" by the Pension Fund Committee.
Reviewed	Date of last review - to be updated following officer review to ensure regular monitoring and tracking of risk impacts and likelihood.



THE ROYAL COUNTY OF
BERKSHIRE
PENSION FUND

DRAFT

Risk Management Policy – July 2022

CONTENTS

1	INTRODUCTION	3
2	RISK MANAGEMENT POLICY	3
3	PENSION FUND OBJECTIVES	4
	<i>Operational objectives</i>	<i>4</i>
	<i>Strategic objectives.....</i>	<i>5</i>
4	PENSION FUND RISKS	Error! Bookmark not defined.
	<i>Operational risks.....</i>	<i>Error! Bookmark not defined.</i>
	<i>Strategic risks</i>	<i>Error! Bookmark not defined.</i>
5	RISK MANAGEMENT PROCESS	Error! Bookmark not defined.
	<i>Stage 1 – Identification</i>	<i>Error! Bookmark not defined.</i>
	<i>Stage 2 - Assessment.....</i>	<i>1</i>
	<i>Stage 3 - Control.....</i>	<i>1</i>
	<i>Stage 4 - Monitoring.....</i>	<i>1</i>
6	RISK APPETITE.....	2
7	RISK MANAGEMENT ROLES AND RESPONSIBILITIES ..	Error! Bookmark not defined.
8	CORPORATE RISK FINANCING STRATEGY	Error! Bookmark not defined.

1. INTRODUCTION

A Scheme Manager (Administering Authority) of a public service pension scheme must establish and operate internal controls which must be adequate for the purpose of securing that the scheme is administered and managed in accordance with the scheme rules and with the requirements of the law. The Royal Borough of Windsor & Maidenhead (RBWM), as the Administering Authority to the Royal County of Berkshire Pension Fund (RCBPF), has a risk management policy and the Fund's operational and strategic risks are integrated into RBWM's risk management framework. Great emphasis is placed on risk management and the reason why the Pension Fund differentiates between operational and strategic risks is to secure the effective governance and administration of the Local Government Pension Scheme.

Risk can be identified as "*the chance of something happening which may have an impact on the achievement of an organisation's objectives*". The difference between a risk and an issue is one of timing:

- A risk event has not happened yet;
- An issue is a result of an event that is happening right now or has already happened;
- As the risk event is a future event, the task is to assess its probability of occurring and estimate the impact that would be caused if it did occur;
- An issue event has already happened so there is no need to assess its likelihood of occurrence but what must be considered is the impact and what reaction is required to deal with it;
- There is a possibility for a risk to turn into an issue if it is realised.

The main internal controls for the Pension Fund are:

- Arrangements and procedures to be followed in administration, governance and management of the scheme;
- Systems and arrangements for monitoring that administration, governance and management; and
- Arrangements and procedures to be followed for the safe custody and security of the assets of the scheme.

2. RISK MANAGEMENT POLICY

Risk management decisions and practices will be in accordance with appropriate codes of best practice, ethical standards and values applicable to the governance and administration of the LGPS and as applied to the officers of the RCBPF.

To deliver this policy it is necessary for Pension Fund Officers, Elected Members of the Pension Fund Committee, members of the Pension Fund Advisory Panel and members of the Local Pension Board to adopt a consistent and systematic approach to monitoring and managing risks. The way in which risk is managed can have a major impact on the Pension Fund's key objectives and service delivery to its stakeholders.

The foundations of this policy are based upon a common understanding and application of the following principles:

- The informed acceptance of risk is an essential element of good business strategy;
- Risk management is an effective means to enhance and protect the RCBPF over time;
- Common definition and understanding of risks is necessary in order to better manage those risks and make more consistent and informed decisions;
- All risks are to be identified, assessed, measured, monitored and reported on in accordance with the RCBPF's risk management policy;
- All business activities are to adhere to risk management practices which reflect effective and appropriate internal controls.

3. PENSION FUND OBJECTIVES

3.1. Operational objectives

- To manage the scheme in accordance with scheme regulations and associated relevant UK LGPS law, and to maintain a high level of governance of the Pension Fund in line with the LGPS Regulations and associated legislation;
- To ensure that the appropriate knowledge and experience is maintained within the RCBPF so that all duties are discharged properly, as well as an appropriate level of staff to administer the scheme effectively and efficiently;
- To maintain a high-quality pension member database;
- To ensure that all pension payments are made on the correct pay date;
- To ensure that payments do not continue to be made to deceased members of the scheme;
- To have continuous access to the pension administration software during normal working hours and extended hours as required;
- To ensure that pension contributions are received from Scheme employers by the Pension Fund within required timescales;
- To maintain a pension administration strategy and service level agreement and ensure that key performance indicators are achieved and reported to the Pension Fund Committee, Pension Fund Advisory Panel and Local Pension Board;
- To communicate effectively and efficiently with all scheme members;
- To ensure that third party operations are controlled and operate effectively and cost efficiently;

- To monitor and review the performance of the Local Pensions Partnership Investment Limited (LPPI) as the Investment Fund Manager to ensure maximum benefit for the Pension Fund.

3.2. Strategic objectives

- Ensure that over the long term the Fund will have sufficient assets to meet all pension liabilities as they fall due;
- Contribute towards achieving and maintaining a future funding level of 100% over the medium-term and long-term;
- Optimise the returns from investments whilst keeping risk within acceptable levels and ensuring liquidity requirements are at all times met;
- Enable employer contribution rates to be kept as stable as possible;
- To ensure employer covenants are sufficient to meet employer obligations;
- To set the Investment Strategy and Strategic Asset Allocation (within the Investment Strategy Statement), and to set the Funding Strategy for the RCBPF at the latest every 3 years, as well as to ensure that the fund is fully compliant with both of these strategy statements at all times.

The above strategic objectives are summarised and condensed, picking out the most salient objectives and compressing where appropriate. A full suite of investment objectives can be found in the Investment Strategy Statement and a full suite of funding objectives can be found in the Funding Strategy Statement along with all required detail for each objective.

4. RISK MANAGEMENT PROCESS

4.1. Framework

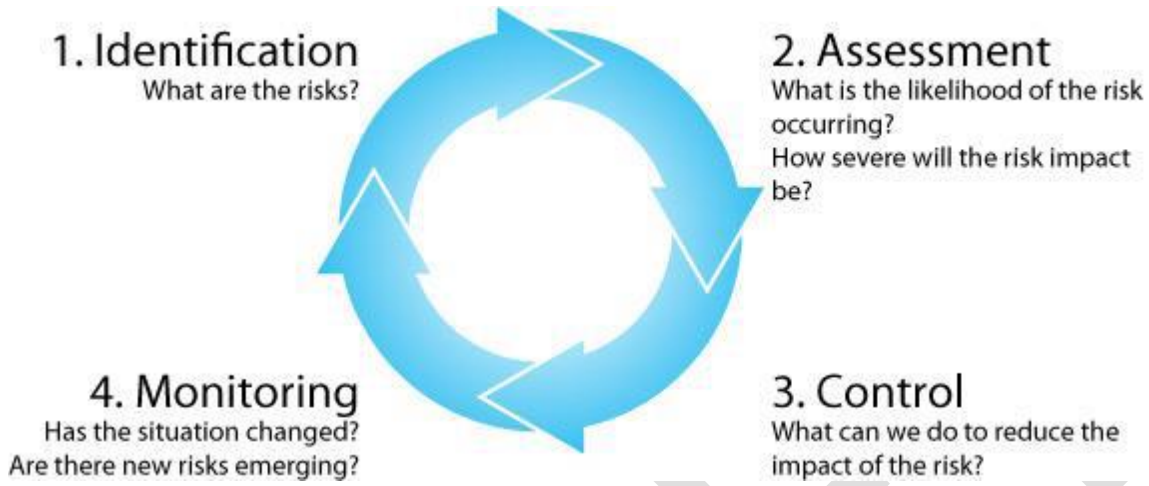
If a risk is not properly managed it can have a significant impact on the Pension Fund. The effective management of risk is a critical part of the Pension Fund's approach to delivering sound governance and administration performance so that provides better outcomes for all of its stakeholders. The RCBPF has identified several risks associated with the achievement of its operational and strategic objectives.

The objective of risk management is not to completely eliminate all possible risks but to recognise risks and deal with (or mitigate) them appropriately. All personnel connected to the Pension Fund should understand the nature of risk and systemically identify, analyse, control, monitor and review those risks.

Risk management requires:

- A consistent management framework for making decisions on how best to manage risk;
- Relevant legislative requirements to be considered in managing risks;
- Integration of risk management with existing planning and operational processes;
- Leadership to empower staff in the management of risk;
- Good quality information.

From December 2021, the Pension Fund Committee adopted the CIPFA framework “Managing Risk in The Local Government Pension Scheme (2018 Edition)” as its revised approach to risk management. The RCBPF combines the use of this framework with RBWM’s 4 step risk management process as outlined in the infographic below.



DRAFT

4.2. Stage 1 – Identification

This stage involves identifying the risks faced by the Fund in undertaking its operational and strategic objectives, followed by categorising and organising them based on the CIPFA framework. The adopted framework enables clear categorisation into seven distinct CIPFA risk categories.

The CIPFA framework splits risks into seven distinct categories. This differs to the previous approach taken by the RCBPF to identify risks in just two categories (Operational and Strategic). Despite the change in risk management approach, all risks identified by the Fund still take full consideration of the operational and strategic objectives identified in section 3.

The seven risk categories are included in the table overleaf, as well as a breakdown of the types of risk which fall within each category, and some high-level descriptions of some of these risks for illustration purposes.

Table 1: CIPFA Risk Categorisation

CIPFA risk categories	Types of risk for category	Description of risk
Asset and Investment Risk 48	Asset/liability mismatch risk	the risk that pension fund assets do not grow in line with the developing cost of Pension Fund liabilities
	inflation risk	due to unexpected inflation increases the fund is unable to grow at the same rate as the increasing liabilities
	concentration risk	Fund not sufficiently diversified and therefore has large exposure to one asset category/sub category/fund/security
	investment pooling risk	brings with it several new risks, one of the major risks being transition risk
	illiquidity risk	Fund cannot meet short term liabilities due to not being sufficiently liquid
	currency risk	
	manager underperformance risk	
	transition risk counterparty default risk	incurring unexpected costs when moving funds between managers. Losing value on assets whilst held in cash after being sold down to be used to subscribe elsewhere
Liability Risk	financial	assumptions based on inflation, discount rate, or salary increases turns out to be different to expected resulting in increased liabilities
	demographic	longevity, early retirement, ill-health retirement, regulatory risk
Employer Risk	participating bodies	risks may arise related to individual bodies within the overall Pension Fund - funding risks, security risks, membership risks
Resource and Skill Risk	inadequate staffing levels for the roles required	
	inadequate knowledge and skills for the roles required	
	inadequate resources to support staff in their roles	
	turnover amongst Elected Members and hence membership of pension committees	
Administrative and Communicative Risk	failure of ICT	may result in inability to make payments, monitor investments, collect income, communicate with stakeholders
	over reliance on/loss of key staff	
	data quality	especially important is to note that bad data can lead to inefficiencies and waste
	collaboration	working across different teams/partnerships fails or become inefficient

	third party provider under-performance	payroll/pensions administrator/investment advisor/consultant not performing to expected standards leading to problems around inefficiencies or poor decision making
	data protection	GDPR
	cyber threats	
Reputational Risk		
Regulatory and Compliance Risk	non-compliance with new or old piece of legislation or guidance that is issued	

DRAFT

4.3. Stage 2 - Assessment

Focusing firstly on the identified risks before any mitigations or controls are considered, this stage assesses the impact of the identified risk on three key areas, scoring 1 – 5 for each:

- Fund (1-5)
- Employers (1-5)
- Reputation (1-5)

The above impact scores are then totalled, giving a “total impact” score of 3 (minimum) to 15 (maximum)

The likelihood of the risk transpiring into an issue, or the probability of the identified risk occurring as an issue is then assessed and scored 1-5, before any mitigations or controls are considered.

The total impact score is then multiplied by the likelihood score to compute a “gross risk score”, producing a total score anywhere between 3 (minimum) and 75 (maximum).

This Gross Risk Score is then flagged using a RAG rating as follows:

GREEN = Score of 3 to 15
AMBER = Score of 16 to 25
RED = Score of 26 - 75

The aim of the RAG rating is to firstly draw the attention of the reader to those risks that have the highest impact and likelihood (red rating), followed by those with lower impact and likelihood scores.

A breakdown of the impact and likelihood scoring matrix along with guidance of how each score is assessed is provided overleaf.

Table 2: RCBPF Risk Management Scoring Matrix

Scoring (Impact)		
Impact Description	Category	Description
1 Very Low	Cost/Budgetary Impact	£0 to £25,000
	Impact on life	Temporary disability or slight injury or illness less than 4 weeks (internal) or affecting 0-10 people (external)
	Environment	Minor short-term damage to local area of work.
	Reputation	Decrease in perception of service internally only – no local media attention
	Service Delivery	Failure to meet individual operational target – Integrity of data is corrupt no significant effect
2 Low	Cost/Budgetary Impact	£25,001 to £100,000
	Impact on life	Temporary disability or slight injury or illness greater than 4 weeks recovery (internal) or greater than 10 people (external)
	Environment	Damage contained to immediate area of operation, road, area of park single building, short term harm to the immediate ecology or community
	Reputation	Localised decrease in perception within service area – limited local media attention, short term recovery
	Service Delivery	Failure to meet a series of operational targets – adverse local appraisals – Integrity of data is corrupt, negligible effect on indicator
51 3 Medium	Cost/Budgetary Impact	£100,001 to £400,000
	Impact on life	Permanent disability or injury or illness
	Environment	Damage contained to Ward or area inside the Borough with medium term effect to immediate ecology or community
	Reputation	Decrease in perception of public standing at Local Level – media attention highlights failure and is front page news, short to medium term recovery
	Service Delivery	Failure to meet a critical target – impact on an individual performance indicator – adverse internal audit report prompting timed improvement/action plan - Integrity of data is corrupt, data falsely inflates or reduces outturn of indicator
4 High	Cost/Budgetary Impact	£400,001 to £800,000
	Impact on life	Individual Fatality
	Environment	Borough wide damage with medium or long-term effect to local ecology or community
	Reputation	Decrease in perception of public standing at regional level – regional media coverage, medium term recovery
	Service Delivery	Failure to meet a series of critical targets – impact on a number of performance indicators – adverse external audit report prompting immediate action - Integrity of data is corrupt, data falsely inflates or reduces outturn on a range of indicators
5 Very High	Cost/Budgetary Impact	£800,001 and over
	Impact on life	Mass Fatalities
	Environment	Major harm with long term effect to regional ecology or community
	Reputation	Decrease in perception of public standing nationally and at Central Government – national media coverage, long term recovery
	Service Delivery	Failure to meet a majority of local and national performance indicators – possibility of intervention/special measures – Integrity of data is corrupt over a long period, data falsely inflates or reduces outturn on a range of indicators

Scoring (Likelihood)	
Descriptor	Likelihood Guide
1. Improbable, extremely unlikely.	Virtually impossible to occur 0 to 5% chance of occurrence.
2. Remote possibility	Very unlikely to occur 6 to 20% chance of occurrence

3. Occasional	Likely to occur 21 to 50% chance of occurrence
4. Probable	More likely to occur than not 51% to 80% chance of occurrence
5. Likely	Almost certain to occur 81% to 100% chance of occurrence

DRAFT

Stage 3 - Control

This stage seeks to focus on all of the identified risks in stage 2. Mitigation actions are then identified for each risk which will either reduce or eliminate the risk from turning into a live issue. The CIPFA framework suggests the “5 T’s” approach to controlling, managing and mitigating risks, which the Fund has adopted and is outlined below.

Table 3: 5 T’s of risk control

Control		Details required
Terminate	Stop what is being done.	A clear description of the specific actions to be taken to control the risk or opportunity
Treat	Reduce the likelihood of the risk occurring.	
Take	Circumstances that offer positive opportunities	
Transfer	Pass to another service best placed to deal with mitigations but ownership of the risk still lies with the original service.	The name of the service that the risk is being transferred to and the reasons for the transfer.
Tolerate	Do nothing because the cost outweighs the benefits and/or an element of the risk is outside our control.	A clear description of the specific reasons for tolerating the risk.

For the avoidance of doubt, each risk can have several controls and may have several categories of controls under the “5 T’s”.

Once these controls or mitigations have been identified and documented, the post-mitigation likelihood (or probability) of occurrence is then re-assessed. This takes the same methodology as documented in section 2 (rating of 1-5) but this time is only considered after the controls are in place or assumed to be in place. The post-control likelihood score (or revised likelihood score) is then multiplied by the total impact score as previously identified in section 2 to derive a “net risk score”:

(Total Impact x Revised Likelihood = Net-Risk Score).

Much like the Gross Risk Score, the Net Risk Score is then assessed using the same RAG rating scores as set out in stage 2.

As per the CIPFA framework and guidance, the focus of risk controls and risk mitigations should primarily seek to reduce the likelihood of occurrence, as such the post-control score seeks to keep the total impact as a constant and just re-assess the likelihood of occurrence. This is in fact a simplified approach as controls will inevitably also reduce the impact of said risks, but in line with the framework, risk impacts are not re-assessed after controls/mitigation are in place (or assumed to be in place).

Stage 4 - Monitoring

Finally, this stage focuses on the regular monitoring of the Fund’s known risks, the responsibilities for managing, monitoring and mitigating these risks, and the continuous development of a dynamic risk framework over time.

For the avoidance of doubt, all risks are owned by the Pension Fund Committee, however, each identified risk is allocated to a responsible officer who is responsible for monitoring, managing and reporting their respective risks back to the Committee on a regular basis.

A detailed risk register is presented the Pension Fund Committee on a quarterly basis containing all information listed in section 5 of this policy document.

On an ongoing basis, the risk register is kept up to date by the Head of Pension Fund, in consultation with the relevant parties and risk owners where applicable.

All changes to the risk register from one meeting to the next are reported back to the Pension Fund Committee in a publicly accessible report on a quarterly basis, having been first reviewed and approved by Fund officers, statutory officers and the Local Pension Board.

Finally, in addition to the CIPFA framework, the Fund has added an additional monitoring process to the Risk Register, which seeks to track the risk over time reporting via three colour-coded infographics (example below) indicating whether the identified risk is increasing, decreasing or has stayed the same. For the avoidance of doubt, this tracking process looks at each risk from one quarterly cycle to the next and how it has developed over the two reporting periods.



6 RISK APPETITE

Risk appetite is the phrase used to describe where the Pension Fund considers itself to be on the spectrum ranging from willingness to take or accept risks through to an unwillingness or aversion to taking risks.

The Pension Fund has a set of core strategic and operational objectives and so its risk appetite can be set within appropriate limits whilst considering these.

A defined risk appetite reduces the likelihood of unpleasant surprises and considers:

- Risk capacity: the actual physical resources available and physical capability of the Pension Fund. The Fund's capacity will have limits and therefore its capacity is finite and breaching those limits may cause the Pension Fund problems that it cannot deal with;
- Risk tolerance: the factors that the Pension Fund can determine, can change and is prepared to bear. Risks falling within the Fund's tolerances for governance and administration services can be accepted.

For most categories, risk appetite is subjective, is difficult or impossible to measure and is not prescriptive. Therefore, as a general rule, the Pension Fund Committee seeks to prioritise attention to those risks with a higher net-risk score (usually Red/Amber net RAG score), with "net-risk score" referring to the revised score after mitigation have been considered. Whether or not any particular risk is seen as acceptable is a subjective matter that is considered on a case-by-case basis rather than through a prescriptive framework.

8 RISK APPETITE STATEMENT

The Royal County of Berkshire Pension Fund seeks to take all necessary action to minimise all risks to the achievement of its strategic and operational objectives as defined in section 3 of this risk management policy.

For many of the Fund's risks, the goal is to simply minimise the likelihood and impact of occurrence where possible (ultimately aiming to produce as low a net-risk score as possible) and this is reflected in the risk appetite statement above.

However, for several of the Fund's risks (mainly those concerning investment and funding) where these can be reliably measured, the Fund has taken a bespoke approach to address these with 4 specific risk appetite statements. These are referred to as **risk appetite statements for Investment and Funding risk** which seek to support the RCBPF's risk appetite statement specifically investment and funding strategic objectives through the monitoring of bespoke investment and funding risk measures.

The primary measures used are aligned with the main strategic objectives in section 3 of this document as well as those objectives in both the Investment Strategy Statement and Funding Strategy Statement.

The following four risk appetite statements for investment and funding risk were first set in March 2019 (based on 2016 triennial valuation outputs), have been adapted during the development of this policy document (May 2022) and are to be reviewed again in greater detail once the 2022 triennial valuation is finalised.

The following four risk appetite statements for investment and funding risk are set by the Pension Fund Committee and monitored quarterly by LPPI.

1. Funding Level

Risk Appetite Statement:

RCBPF will seek to achieve and maintain an expected triennial funding level above 100% and will seek to take action to prevent it falling below 70%.

Measurement:

- The expected triennial funding level is measured over the period to the target recovery date as used in the triennial valuation.
- It is measured assuming there is no increase in total contributions as a percentage of pensionable salary from current levels. The expected funding level will change if different contribution or target recovery assumptions are used.
- 100% will be identified as the amber warning level while 70% will be the red limit level

2. Liquidity

Risk Appetite Statement:

A sufficient buffer of cash and cash equivalent instruments will be maintained to meet more than 3 months of peak liability outflows and no less than 1 month of peak liability outflows.

Measurement:

- The peak liability outflow is measured as the maximum monthly actual liability outflows observed over the past 12 months.
- It is assumed there are no investment (including loans) inflows or outflows which are difficult to forecast.
- 1 month will be identified as the red limit while 3 months as the amber warning level

3. Employer Contributions

Risk Appetite Statement:

The Fund shall seek to limit expected employer contributions (assessed on the triennial valuation basis at whole Fund level) to 30% of pensionable salary while aiming for a total expected contribution rate of no more than 25% of pensionable salary

Measurement:

- Total Contributions shall include both employer service cost and employer deficit recovery;
- In the event of a deficit at a triennial valuation date, it is assumed that employers will be responsible for recovery contributions to achieve full funding (given the assumptions made) by the target recovery date as used in the most recent triennial valuation;
- 30% will be identified as the limit while 25% as the warning level.

4. Asset Allocation

Risk Appetite Statement:

The Fund shall aim to maintain investments within +/- 70% of agreed strategic asset allocation while observing agreed maximum and minimum levels at all times.

Measurement:

- The strategic asset allocation (within the Investment Strategy Statement) has been formulated to support the long-term investment objectives of the Fund;
- Any deviations between the current and strategic asset allocation may cause deviations from the long-term objectives;
- Maximum and minimum asset allocation levels as agreed in the Asset Management Agreement (AMA) will be identified as the limit while +/- 70% variation from the SAA benchmark will be the warning level.

ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

EQUALITY IMPACT ASSESSMENT

EqIA : Governance Compliance Statement

Essential information

Items to be assessed: (please mark 'x')

Strategy		Policy	x	Plan		Project		Service/Procedure	x
----------	--	--------	---	------	--	---------	--	-------------------	---

Responsible officer	Damien Pantling	Service area	Pension Fund	Directorate	Finance
---------------------	-----------------	--------------	--------------	-------------	---------

Stage 1: EqIA Screening (mandatory)	Date created: 05/05/2022	Stage 2 : Full assessment (if applicable)	N/A
--	--------------------------	--	-----

Approved by Head of Service / Overseeing group/body / Project Sponsor:

"I am satisfied that an equality impact has been undertaken adequately."

Signed by (print):

Dated:

ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

EQUALITY IMPACT ASSESSMENT

EqlA : Governance Compliance Statement

Guidance notes

What is an EqlA and why do we need to do it?

The Equality Act 2010 places a 'General Duty' on all public bodies to have 'due regard' to:

- Eliminating discrimination, harassment and victimisation and any other conduct prohibited under the Act.
- Advancing equality of opportunity between those with 'protected characteristics' and those without them.
- Fostering good relations between those with 'protected characteristics' and those without them.

EqlAs are a systematic way of taking equal opportunities into consideration when making a decision, and should be conducted when there is a new or reviewed strategy, policy, plan, project, service or procedure in order to determine whether there will likely be a detrimental and/or disproportionate impact on particular groups, including those within the workforce and customer/public groups. All completed EqlA Screenings are required to be publicly available on the council's website once they have been signed off by the relevant Head of Service or Strategic/Policy/Operational Group or Project Sponsor.

What are the "protected characteristics" under the law?

The following are protected characteristics under the Equality Act 2010: age; disability (including physical, learning and mental health conditions); gender reassignment; marriage and civil partnership; pregnancy and maternity; race; religion or belief; sex; sexual orientation.

What's the process for conducting an EqlA?

The process for conducting an EqlA is set out at the end of this document. In brief, a Screening Assessment should be conducted for every new or reviewed strategy, policy, plan, project, service or procedure and the outcome of the Screening Assessment will indicate whether a Full Assessment should be undertaken.

Openness and transparency

RBWM has a 'Specific Duty' to publish information about people affected by our policies and practices. Your completed assessment should be sent to the Strategy & Performance Team for publication to the RBWM website once it has been signed off by the relevant manager, and/or Strategic, Policy, or Operational Group. If your proposals are being made to Cabinet or any other Committee, please append a copy of your completed Screening or Full Assessment to your report.

Enforcement

Judicial review of an authority can be taken by any person, including the Equality and Human Rights Commission (EHRC) or a group of people, with an interest, in respect of alleged failure to comply with the general equality duty. Only the EHRC can enforce the specific duties. A failure to comply with the specific duties may however be used as evidence of a failure to comply with the general duty.

ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD
EQUALITY IMPACT ASSESSMENT
EqlA : Governance Compliance Statement

Stage 1 : Screening (Mandatory)

1.1 What is the overall aim of your proposed strategy/policy/project etc and what are its key objectives?

A risk register is now brought to the Pension Fund Committee quarterly for consideration of all known risks and their respective controls/mitigations, this report firstly deals with the regular reporting of the revised risk register to the Committee.

This report also deals with an updated risk management policy to provide detailed guidance on the adoption of the new CIPFA framework, to set out the Fund's risk appetite and to bring together several approaches to managing and monitoring various risks into one prescriptive policy document.

1.2 What evidence is available to suggest that your proposal could have an impact on people (including staff and customers) with protected characteristics? Consider each of the protected characteristics in turn and identify whether your proposal is Relevant or Not Relevant to that characteristic. If Relevant, please assess the level of impact as either High / Medium / Low and whether the impact is Positive (i.e. contributes to promoting equality or improving relations within an equality group) or Negative (i.e. could disadvantage them). Please document your evidence for each assessment you make, including a justification of why you may have identified the proposal as "Not Relevant".

ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

EQUALITY IMPACT ASSESSMENT

EqlA : Governance Compliance Statement

Protected characteristics	Relevance	Level	Positive/negative	Evidence
Age			N/A	Key data: The estimated median age of the local population is 42.6yrs [Source: ONS mid-year estimates 2020]. An estimated 20.2% of the local population are aged 0-15, and estimated 61% of the local population are aged 16-64yrs and an estimated 18.9% of the local population are aged 65+yrs. [Source: ONS mid-year estimates 2020 , taken from Berkshire Observatory]
Disability			N/A	
Gender re-assignment			N/A	
Marriage/civil partnership			N/A	
Pregnancy and maternity			N/A	
Race			N/A	Key data: The 2011 Census indicates that 86.1% of the local population is White and 13.9% of the local population is BAME. The borough has a higher Asian/Asian British population (9.6%) than the South East (5.2%) and England (7.8%). The forthcoming 2021 Census data is expected to show a rise in the BAME population. [Source: 2011 Census, taken from Berkshire Observatory]
Religion and belief			N/A	Key data: The 2011 Census indicates that 62.3% of the local population is Christian, 21.7% no religion, 3.9% Muslim, 2% Sikh, 1.8% Hindu, 0.5% Buddhist, 0.4% other religion, and 0.3% Jewish. [Source: 2011 Census, taken from Berkshire Observatory]
Sex			N/A	Key data: In 2020 an estimated 49.6% of the local population is male and 50.4% female. [Source: ONS mid-year estimates 2020 , taken from Berkshire Observatory]
Sexual orientation			N/A	

ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

EQUALITY IMPACT ASSESSMENT

EqIA : Governance Compliance Statement

Outcome, action and public reporting

Screening Assessment Outcome	Yes / No / Not at this stage	Further Action Required / Action to be taken	Responsible Officer and / or Lead Strategic Group	Timescale for Resolution of negative impact / Delivery of positive impact
Was a significant level of negative impact identified?	No	No	Damien Pantling	N/A
Does the strategy, policy, plan etc require amendment to have a positive impact?	No	No	Damien Pantling	N/A

61

If you answered **yes** to either / both of the questions above a Full Assessment is advisable and so please proceed to Stage 2. If you answered “No” or “Not at this Stage” to either / both of the questions above please consider any next steps that may be taken (e.g. monitor future impacts as part of implementation, re-screen the project at its next delivery milestone etc).

ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

EQUALITY IMPACT ASSESSMENT

EqlA : Governance Compliance Statement

Stage 2 : Full assessment

2.1 : Scope and define

2.1.1 Who are the main beneficiaries of the proposed strategy / policy / plan / project / service / procedure? List the groups who the work is targeting/aimed at.

N/A – No full assessment required

2.1.2 Who has been involved in the creation of the proposed strategy / policy / plan / project / service / procedure? List those groups who the work is targeting/aimed at.

N/A – No full assessment required

ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

EQUALITY IMPACT ASSESSMENT

EqIA : Governance Compliance Statement

2.2 : Information gathering/evidence

2.2.1 What secondary data have you used in this assessment? *Common sources of secondary data include: censuses, organisational records.*

N/A – No full assessment required

2.2.2 What primary data have you used to inform this assessment? *Common sources of primary data include: consultation through interviews, focus groups, questionnaires.*

N/A – No full assessment required

ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

EQUALITY IMPACT ASSESSMENT

EqlA : Governance Compliance Statement

Eliminate discrimination, harassment, victimisation

Protected Characteristic	Advancing the Equality Duty : Does the proposal advance the Equality Duty Statement in relation to the protected characteristic (Yes/No)	If yes, to what level? (High / Medium / Low)	Negative impact : Does the proposal disadvantage them (Yes / No)	If yes, to what level? (High / Medium / Low)	Please provide explanatory detail relating to your assessment and outline any key actions to (a) advance the Equality Duty and (b) reduce negative impact on each protected characteristic.
Age					
Disability					
Gender reassignment					
Marriage and civil partnership					
Pregnancy and maternity					
Race					
Religion and belief					
Sex					
Sexual orientation					

64

ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

EQUALITY IMPACT ASSESSMENT

EqlA : Governance Compliance Statement

Advance equality of opportunity

Protected Characteristic	Advancing the Equality Duty : Does the proposal advance the Equality Duty Statement in relation to the protected characteristic (Yes/No)	If yes, to what level? (High / Medium / Low)	Negative impact : Does the proposal disadvantage them (Yes / No)	If yes, to what level? (High / Medium / Low)	Please provide explanatory detail relating to your assessment and outline any key actions to (a) advance the Equality Duty and (b) reduce negative impact on each protected characteristic.
Age					
Disability					
Gender reassignment					
Marriage and civil partnership					
Pregnancy and maternity					
Race					
Religion and belief					
Sex					
Sexual orientation					

65

ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

EQUALITY IMPACT ASSESSMENT

EqlA : Governance Compliance Statement

Foster good relations

Protected Characteristic	Advancing the Equality Duty : Does the proposal advance the Equality Duty Statement in relation to the protected characteristic (Yes/No)	If yes, to what level? (High / Medium / Low)	Negative impact : Does the proposal disadvantage them (Yes / No)	If yes, to what level? (High / Medium / Low)	Please provide explanatory detail relating to your assessment and outline any key actions to (a) advance the Equality Duty and (b) reduce negative impact on each protected characteristic.
Age					
Disability					
Gender reassignment					
Marriage and civil partnership					
Pregnancy and maternity					
Race					
Religion and belief					
Sex					
Sexual orientation					

99

2.4 Has your delivery plan been updated to incorporate the activities identified in this assessment to mitigate any identified negative impacts? If so please summarise any updates.

These could be service, equality, project or other delivery plans. If you did not have sufficient data to complete a thorough impact assessment, then an action should be incorporated to collect this information in the future.

N/A – No full assessment required

ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

EQUALITY IMPACT ASSESSMENT

EqIA : Governance Compliance Statement

This page is intentionally left blank

Report Title:	Statutory Policies
Contains Confidential or Exempt Information	No - Part I
Lead Member:	Councillor Julian Sharpe, Chairman Pension Fund Committee and Advisory Panel
Meeting and Date:	Pension Fund Committee and Advisory Panel – 4 July 2022
Responsible Officer(s):	Damien Pantling, Head of Pension Fund
Wards affected:	None

REPORT SUMMARY

The government amended the Local Government Pension Scheme (LGPS) Regulations 2013 in September 2020 introducing new powers for administering authorities to review employer contributions, set up Debt Spreading Agreements (DSA) and set up Deferred Debt Agreements (DDA), often referred to as ‘Employer Flexibilities’.

These policies were last approved by the Pension Fund Committee on 14 June 2021 alongside the requisite changes to the Funding Strategy Statement (FSS). This report addresses the periodic review and refresh of these policies now one year on, noting that no material changes have been made other than presentational.

1. DETAILS OF RECOMMENDATION(S)

RECOMMENDATION: That the Pension Fund Committee notes the report and;

- i) Approves the updated policies set out in the Appendices to this report; and**
- ii) Approves publication of the policies on the Pension Fund website.**

2. REASON(S) FOR RECOMMENDATION(S) AND OPTIONS CONSIDERED

- 2.1. The Royal County of Berkshire Pension Fund has a large and diverse employer base covering both public and private sector employers. As a result, employers join and leave the scheme every year and the circumstances of employers may change significantly between valuations, affecting both funds and employers.
- 2.2. New employer flexibilities were introduced in The Local Government Pension Scheme (Amendment) (No. 2) Regulations 2020 and the Pension Fund Committee approved several policies on 14 June 2021 to put these into practice. The Funding Strategy Statement was also amended to enable implementation of these policies as per the regulations. This paper addresses

the period review of these policies in line with good governance, which are briefly summarised below.

- 2.3. For some employers, a significant issue has been the cost of exiting the Scheme, which can be prohibitive. Prior to September 2020, the LGPS Regulations 2013 required an exit payment to be made when the last active member of a Fund employer left the Scheme, or an employer otherwise ceased to be an employer in the Fund and the employer was in deficit at the time of their exit. The introduction of deferred employer status allowed an administering authority to defer the triggering of an exit payment for a Fund employer where the authority deems this appropriate. The Fund has adopted the discretionary use of Deferred Debt Agreements and its full policy on this is set out in Appendix 1.
- 2.4. Additionally, a new alternative power of spreading an exit payment allows an administering authority to recover an employer's exit payment over a period of time. This may be of use where an administering authority does not consider that granting deferred employer status is in the interests of the Fund and other employers. The Fund has adopted the discretionary use of Debt Spreading Agreements and its full policy on this is set out in Appendix 1.
- 2.5. Administering authorities and employers may also face issues created by changes in the circumstances of employers. The contribution rates of Fund employers are normally assessed and set at triennial valuations. The administering authority, working with its actuary, will consider a variety of factors in setting an employer's contribution rate during valuations, but there may be significant changes between Fund valuations. The Fund has adopted the policy of making a discretionary change to employers' contribution rates between valuations should certain conditions apply and its full policy on this is set out in Appendix 2.
- 2.6. The introduction of the new powers was intended to help administering authorities manage their liabilities, ensuring that employer contribution rates are set at an appropriate level and that exit payments are managed, with steps taken to mitigate risks, where appropriate. Whilst there was no requirement on an administering authority to use any of the new powers, the amendments to the LGPS Regulations 2013 made by the 2020 Regulations required that an authority may do so only where it has set out its policy in its Funding Strategy Statement (FSS). The Fund made the required amendment to its FSS in June 2021 so this does not need further review.

3. KEY IMPLICATIONS

- 3.1. Back in June 2021, the Fund ensured that the policy was set out in a way that was clear and transparent to all Fund employers along with ensuring it would be applied consistently to all employers within the Fund. This required an amendment to the FSS which was already applied in June 2021 to ensure consistency and transparency.
- 3.2. There are no material changes to the underlying policies already approved in 2021, therefore no further implications for the Committee to consider

4. FINANCIAL DETAILS / VALUE FOR MONEY

4.1. As was considered in 2021, adopting these polices was, and still is, in the best financial interests of the Fund. Ensuring that employers can afford to meet their contributions after a change in circumstances requires a bespoke approach and these policies enable the Fund to take such an approach that serves all stakeholders best interests.

5. LEGAL IMPLICATIONS

5.1. The administering authority is required to govern and administer the Pension Scheme in accordance with the Public Service Pensions Act 2013 and associated Local Government Pension Scheme Regulations. Failure to do so could lead to challenge. Discretionary policies were introduced following the regulation amendments, this periodic review ensures that these policies still remain compliant as well as fit for purpose.

6. RISK MANAGEMENT

6.1. Two risks identified in the July 2022 risk-register (PEN0023 and PEN0024) are relevant to this report. The mitigation action(s) for these risks include the appropriate use of the two appended policies to this report

Risk Description	Mitigating Action(s)
<p>PEN0023 (July 2022) Last active employee of scheduled or admitted body retires leading to cessation valuation liability calculated either on an ongoing or minimum risk basis, the latter applies to community admission type bodies without a bond or appropriate financial security in place. The full cessation at minimum risk could challenge the employer as a going concern and lead to failure.</p>	<p>TREAT 1) Employer covenant risk assessment was conducted by LPP in 2019 and presented to committee (<i>formerly panel</i>) on 19 December 2019 based on 2019 valuation results. This identified a number of key at-risk employers in the fund, those were all community admission body type employers at risk of cessation in the near future and without security in place. 2) A further review is to be commissioned by the actuary to re-evaluate these risks based on 2022 triennial figures, from this a number of employers can be contacted to discuss possible options and plans. 3) A number of employers have either had cessation arrangement decisions taken already through committee or have approached officers to discuss options, demonstrating the proactive rather than reactive nature of treating this risk. 4) Where appropriate seek to agree support from the relevant Local Authority. 5) Proper use of employer flexibilities introduced in the 2020 amended regulations (deferred debt and debt spreading agreements) to ensure that employer debts are managed appropriately in a way that benefits both the fund and the employer</p>
<p>PEN0024 (July 2022) Failure of an admitted or scheduled body leads to unpaid liabilities being left in the Fund to be met by others.</p>	<p>TREAT 1) Transferee admission bodies (term no longer used) were required to have bonds or guarantees in place at time of signing the admission agreement. 2) Regular monitoring of employers and follow up of expiring bonds. 3) Regular reviews of what were formally referred to as community admission bodies, which are deemed high risk as no bond or guarantee was put in place at the time of admission. 4) Proper use of employer flexibilities introduced in the 2020 amended regulations (deferred debt and debt spreading agreements) to ensure that employer debts are managed appropriately in a way that benefits both the fund and the employer</p>

7. POTENTIAL IMPACTS

- 7.1. Failure to comply with Pension legislation could result in the Administering Authority being reported to the Pensions Regulator where failure is deemed to be of a material significance.
- 7.2. Equalities: Equality Impact Assessments are published on the council’s website: There are no EQIA impacts as a result of taking this decision. A completed EQIA has been attached at Appendix 3 to this report
- 7.3. Climate change/sustainability: N/A
- 7.4. Data Protection/GDPR. GDPR compliance is included as a specific risk on the register in regard to processing and handling personal data, this is dealt with in the appendix along with the relevant mitigations.

8. CONSULTATION

- 8.1. Employers were appropriately consulted in the initial development of these policies. No further consultation is required given the immaterial changes made to the policies since.

9. TIMETABLE FOR IMPLEMENTATION

- 9.1. Ongoing.

10. APPENDICES

- 10.1. This report is supported by 3 Appendices:
 - Appendix 1 – Deferred Debt Agreement and Debt Spreading Agreement Policies.
 - Appendix 2 – Employer Contribution Review Policy
 - Appendix 3 - EQIA

11. BACKGROUND DOCUMENTS

- 11.1. This report is supported by 1 background document:
- 11.2. The following link provides guidance from the LGA’s Scheme Advisory Board on understanding and implementing these new employer flexibility policies: [LGPS Scheme Advisory Board - Employer Flexibilities \(lgpsboard.org\)](http://lgpsboard.org)

12. CONSULTATION (MANDATORY)

Name of consultee	Post held	Date sent	Date returned
<i>Mandatory: Statutory Officers (or deputy)</i>			

Adele Taylor	Executive Director of Resources/S151 Officer		
Emma Duncan	Deputy Director of Law and Strategy / Monitoring Officer		
<i>Deputies:</i>			
Andrew Vallance	Head of Finance (Deputy S151 Officer)		
Elaine Browne	Head of Law (Deputy Monitoring Officer)		
Karen Shepherd	Head of Governance (Deputy Monitoring Officer)		
<i>Other consultees:</i>			
Cllr Julian Sharpe	Chairman – Berkshire Pension Fund Committee		

13. REPORT HISTORY

Decision type:	Urgency item?	To follow item?
Pension Fund Committee decision	Yes/No	Yes/No

Report Author: Damien Pantling, Head of Pension Fund
--



**DEFERRED DEBT AGREEMENT
(DDA) and DEBT SPREADING
AGREEMENT (DSA) POLICIES**

Contents

Introduction.....	3
Approach for exiting employers.....	4
Choosing a DDA or DSA.....	4
Managing of costs.....	5
Internal dispute resolutions.....	5
Deferred Debt Agreements (DDAs).....	6
Entering into a DDA.....	6
Information required from the employer.....	6
Assessing the proposal.....	6
Setting up a DDA.....	7
Monitoring a DDA.....	8
Terminating a DDA.....	9
Events that may terminate a DDA.....	9
Process of termination.....	9
Debt Spreading Agreements (DSAs).....	10
Entering a DSA.....	10
Information required from the employer.....	10
Assessing the proposal.....	10
Setting up a DSA.....	11
Monitoring a DSA.....	11
Terminating a DSA.....	12
Events that may terminate a DSA.....	12
Process of termination.....	12

Introduction

This document sets out The Royal County of Berkshire Pension Fund's policy on deferred debt agreements (DDAs) and debt spreading agreements (DSAs) for exiting employers, these may be referred to elsewhere as employer flexibilities policies.

The Royal County of Berkshire Pension Fund (the Fund) is part of the Local Government Pension Scheme (LGPS), a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 (the Regulations) as amended.

When a Scheme employer becomes an exiting employer under Regulation 64, the Fund Actuary is required to carry out a valuation to determine the exit payment due from the exiting employer to the Fund, or the excess of assets in the Fund relating to that employer. Where an exit payment is due, the expectation is that the employer settles this debt immediately through a single cash payment. However, if the employer provides evidence that this is not possible, there are two alternatives available: Regulation 64(7A) enables the administering authority to enter into a deferred debt agreement with the employer while Regulation 64(7B) enables the administering authority to enter into a debt spreading agreement.

Under a DDA, the exiting employer becomes a deferred employer in the Fund (i.e. they remain as a Scheme employer but with no active members) and remains responsible for paying the secondary rate of contributions to fund their deficit. The secondary rate of contributions will be reviewed at each actuarial valuation until the termination of the agreement.

Under a DSA, the cessation debt is crystallised and spread, with interest, over a period deemed reasonable by the administering authority having regard to the views of the Fund Actuary.

Whilst a DSA involves crystallising the cessation debt and the employer's only obligation is to settle this set amount, in a DDA the employer remains in the Fund as a Scheme employer and is exposed to the same risks (unless agreed otherwise with the administering authority) as active employers in the Fund (e.g. investment, interest rate, inflation, longevity and regulatory risks) meaning that the deficit will change over time.

This policy document sets out the administering authority's policy for entering into, monitoring and terminating a DDA or DSA.

These policies have been prepared by the administering authority following advice from the Fund Actuary and following consultation with the Fund's Scheme employers. In drafting this policy document, the administering authority has taken into consideration the statutory guidance on preparing and maintaining policies on employer exit payments and deferred debt agreements which was issued by the Department for Levelling Up, Housing and Communities, and the Scheme Advisory Board's guide to employer flexibilities.

Approach for exiting employers

If an employer becomes an exiting employer and an exit payment is identified, the Fund should seek to receive a payment from the exiting employer equal to the exit payment in full.

The administering authority makes the exiting employer aware an exit payment is due by providing a cessation valuation report produced by the Fund Actuary. Details of the Fund's cessation policy can be found in the Fund's Funding Strategy Statement (FSS).

The default position is that the employer is required to make an exit payment in full immediately. However, if required, the exiting employer can inform the administering authority, along with evidence, that they are unable to do so and may request to enter either a DDA or DSA. If the administering authority is satisfied with the evidence provided, the DDA or DSA process may proceed.

Requests should be submitted within 21 days of receiving confirmation of the exit payment required, or otherwise the exit payment should be paid to the Fund in full within 28 days as per the Fund's Pension Administration Strategy.

Where possible, the administering authority encourages employers who are approaching exit and suspect they will have a deficit to engage with the administering authority in advance in order to understand the options that may be available. An indicative cessation report can be produced to form the basis of discussions.

Choosing a DDA or DSA

Consideration needs to be given as to which approach is the most appropriate in each case. A DDA may be appropriate if:

- The employer temporarily has no active members but expects it may return to active employer status in future. However, please note that if the plan is for active members to join within three years, then perhaps a suspension notice may be more appropriate;
- The employer wants to minimise costs by potentially benefitting from the upside of the pensions risks it would remain exposed to and therefore does not want to crystallise its debt by becoming an exiting employer. In this case the administering authority may be willing to defer crystallisation of the cessation debt for an appropriately significant period of time, subject to the strength of the employer's covenant or security provided;
- Initial affordability of the full exit payment is low but there is a prospect of increased affordability in the future, or the payment can only be afforded over a long period and therefore a DDA enables the position to be updated over time in light of changing funding positions; and/or,
- The employer has a weak covenant but is not faced with imminent insolvency and must rely on future investment returns to fully or partially fund the exit payment. The administering authority may agree that doing so over an appropriate long period is better for the Fund than risking immediate insolvency of the employer.

On the other hand, it may be more appropriate to enter a DSA if:

- The employer does not intend to employ any more active members and therefore is not expected to resume active employer status;
- The employer wishes to crystallise its debt to the Fund and therefore not be subject to any of the pension risks that could cause the amounts payable to the Fund increasing (or decreasing) in future;
- The employer has ample resources to make the payment within the near future but not immediately; and/or,

- The employer is deemed to have a very weak covenant and so the administering authority will want to try to recoup as much of the exit payment as possible before the employer becomes insolvent.

The administering authority has the right to refuse a DSA or DDA request if they believe it is not in the best interests of the Fund or the other participating employers, for example if entering a DSA or DDA increases the risk of a deficit falling to the other employers.

In considering each request for a DDA or DSA arrangement from an exiting employer the administering authority will take actuarial, covenant, legal and other advice as necessary. Proposed DDAs/DSAs will always be discussed with the employer, whether the arrangement was at the exiting employer's request or not.

Employers who may be party to either a DSA or a DDA are encouraged to discuss any potential impact on their accounting treatment with their auditors.

Managing of costs

On receiving a request, the administering authority will make the employer aware that any costs associated with setting up the DDA or DSA will be the responsibility of the Scheme employer, regardless of whether the administering authority agrees to enter into the agreement or not. This may include the cost of actuarial advice, legal advice, administrative costs and any additional advice required in relation to a covenant assessment or any other specialist adviser costs. If costs deviate from those initially anticipated the administering authority will keep the exiting employer up to date with any increases. The administering authority will provide information on how and when payments should be made.

Internal dispute resolutions

Whether a DDA or DSA arrangement is agreed or not is ultimately the decision of the administering authority. In the event of any dispute from the employer, please refer to the Fund's internal dispute resolution procedures document which is available from the Pension Fund's [website](#).

Deferred Debt Agreements (DDAs)

Entering into a DDA

Under a DDA, the exiting employer becomes a deferred employer in the Fund (i.e. they remain as a Scheme employer but with no active members) and remains responsible for paying the secondary rate of contributions to fund their deficit.

Information required from the employer

When making a request to enter a DDA, the employer should demonstrate that they are unable to settle their exit payment immediately and provide any relevant information to support their request e.g. in relation to their covenant/ability to continue to make payments to the Fund on a continuing basis. Examples of information the employer may provide as evidence include the exiting employer's:

- most recent annual report and accounts
- latest management accounts
- financial forecasts
- details of position of other creditors

This is not an exhaustive list and the administering authority may request further evidence. In particular, the administering authority may commission a covenant assessment if insufficient evidence is provided.

Assessing the proposal

The administering authority will make a decision on whether to enter into a DDA within the sooner of 21 days of receiving a request or when the Pension Fund Committee are next scheduled to sit to take such a decision, but this may vary to reflect specific circumstances, for example if the administering authority chooses to request a covenant assessment then the process may take longer.

To reach a decision the administering authority will consider:

- The size of the exiting employer's residual liabilities relative to the size of the Fund;
- The size of the exit payment relative to the costs associated with entering into a DDA;
- Whether a debt spreading agreement or suspension notice would be more appropriate (see specific circumstances below);
- Any information provided by the exiting employer to support their covenant strength, including any information on a guarantor or other form of security that the employer may be able to put forward to support their covenant;
- The results of any covenant review carried out by the Fund Actuary or a covenant specialist;
- The exiting employer's accounts;
- The potential impact on the other employers in the Fund; and
- The opinion of the Fund Actuary.

The administering authority is not obliged to accept an exiting employer's request for a DDA. For example, in the following circumstances the administering authority may consider a DDA not to be appropriate:

- the exiting employer could reasonably be expected to settle their exit payment in a single amount;
- it is known or likely that another active member will come into employment in the three years following the cessation date (in these cases a suspension notice would be considered more appropriate than a DDA); or
- the administering authority is concerned that where a DDA is entered, that the employer could not afford the impact of any negative experience which would result in an increase in the

required secondary rate of contributions and an increase in the employer's overall deficit (in these cases a debt spreading agreement would be considered more appropriate as the payments are fixed throughout the term of the agreement).

Once all information has been considered the administering authority will consult with the exiting employer as required under the Regulations. If the administering authority does not wish to enter into a DDA they will explain to the exiting employer their reasoning and any alternatives (e.g. a debt spreading agreement, suspension notice or indeed require the exit payment in full). If the administering authority accepts the request to enter into a DDA, they will notify their legal advisers and Fund Actuary. If the administering authority has concerns about the level of risk arising due to the DDA, the administering authority may only accept the request subject to a one-off cash injection being made by the exiting employer or security being provided as an additional guarantee.

Setting up a DDA

Once agreed that a DDA is permitted, the terms of the DDA will be agreed between the administering authority and the exiting employer and will be set out in a formal legal agreement.

The administering authority and the exiting employer (with the assistance of the Fund Actuary) will negotiate an appropriate duration of the agreement which will consider the exiting employer's affordability and anticipated strength of covenant over the agreement period. If the exiting employer has sufficient reserves, the administering authority may require an immediate cash payment so that the DDA can start from an acceptably stronger funding position.

The Fund Actuary will calculate secondary contributions on an appropriate basis as agreed with the administering authority and following consultation with the exiting employer, taking into account any cash payments made in advance. The secondary contributions will be reviewed at each actuarial valuation and certified as part of the Fund's Rates and Adjustments Certificate until the termination of the agreement. Therefore, payments throughout the agreement are not known in advance and may increase or decrease at each valuation to reflect changes in the employer's funding position.

The timeline from consultation with the exiting employer to entering into a DDA to the signing of the agreement will vary. Where possible all parties will aim to have the agreement signed within 3 months, although there may be circumstances where timings may vary.

Once finalised, the employer will become a deferred employer in the Fund and will have an obligation to pay their secondary contributions as certified by the Fund Actuary. The responsibilities of the deferred employer will be set out in the legal agreement, and these will include the requirements to:

- comply with all the requirements on Scheme employers under the Regulations except the requirement to pay a primary rate of contributions but including any additional applicable costs, such as strain costs as a result of ill health retirements;
- adopt the relevant practices and procedures relating to the operation of the Scheme and the Fund as set out in any employer's guide produced by the administering authority;
- comply with all applicable requirements of data protection law relating to the Scheme and with the provisions of any data-sharing protocol produced by the administering authority and provided to the deferred employer;
- promptly provide all such information that the administering authority may reasonably request in order to administer and manage the agreement; and
- give notice to the administering authority, of any actual or proposed change in its status, including take-over, change of control, reconstruction, amalgamation, insolvency, winding up, liquidation or receivership or a material change to its business or constitution.

The deferred employer should consult with their auditors about any impacts the DDA is expected to have on their accounting requirements.

Monitoring a DDA

A deferred debt agreement is subject to the ongoing approval of the administering authority. The administering authority reserves the right to terminate the agreement should they become concerned about a significant weakening in the deferred employer's covenant or a significant change in funding position. Conversely, if there was an improvement in the employer's circumstance then the administering authority and employer may agree to amend the terms of the agreement.

The administering authority will monitor a DDA in the following ways:

Changing funding position

The administering authority will request regular, and at least annual, updates of the deferred employer's funding position in order to review the progress of the DDA. The costs of the regular reviews will fall to the deferred employer as part of the terms for putting in place a DDA.

If the funding position changes by more than 10% (in absolute terms) from the previous review, then the administering authority may engage with the deferred employer to discuss a possible review of the DDA.

Changing employer covenant

The administering authority monitors the level of covenant of its Scheme employers on an ongoing basis. In particular, the administering authority commissions an employer risk review report from the Fund Actuary each actuarial valuation cycle which includes obtaining credit ratings from credit rating agencies.

Once an employer enters into a DDA, the administering authority will review the employer's covenant on a regular basis and details of this will be agreed for each DDA on an individual basis. If a deferred employer's covenant deteriorates, the administering authority may issue a notice to review and possibly terminate the agreements.

In addition, if a deferred employer requests an extension to the duration of the DDA the administering authority will consider an updated covenant review, amongst other factors, in assessing the proposal.

As a condition of entering into a DDA, the deferred employer is required to engage with the administering authority to assist with monitoring the level of covenant, for example by providing information requested by the administering authority in a timely manner.

Timeliness of payments

The agreement will set out whether payments are made on a monthly or annual basis, and the administering authority will monitor if contributions are paid on time. Successive late or in particular missing payments would contribute towards a notice being issued to the deferred employer to review and possibly terminate the agreement.

Strength of guarantee or security

If a particular funding basis has been used by the Fund Actuary on the understanding that there is a particular security in place (e.g. another employer in the Fund willing to underwrite the residual deferred and pensioner liabilities when the employer formally exits) then the administering authority will check there has been no change to the security at agreed regular intervals and as a minimum at each valuation cycle. The Fund Actuary may change the funding basis used to set the deferred employer's contributions depending on the strength of the security in place.

Notifiable events from the deferred employer

The deferred employer has a responsibility to make the administering authority aware of any changes in their ability to make payments or of a change in circumstance (e.g. a change of the guarantee in place mentioned above). Information should be shared with the administering authority at any time throughout the agreement to enable the administering authority to consider whether a review of the agreement should be carried out.

Terminating a DDA

Events that may terminate a DDA

As set out in Regulation 64(7E), the DDA terminates on the first of the following events:

- The deferred employer enrolls new active members;
- The duration of the agreement has elapsed;
- The take-over, amalgamation, insolvency, winding up or liquidation of the deferred employer;
- The administering authority serves a notice on the deferred employer that it is reasonably satisfied that the employer's ability to meet the contributions payable under the DDA has weakened materially (or is likely to in the next 12 months); or,
- A review of the funding position of the deferred employer is carried out at an updated calculation date and the Fund Actuary assesses that the deferred employer has paid sufficient secondary contributions to cover what would be due if the deferred employer terminated at the updated calculation date; in other words, the review reveals no deficit remains on the relevant calculation basis.

The deferred employer can also choose to terminate the DDA at any point. Notice should be given to the administering authority at the earliest opportunity.

Termination clauses will be included in the formal DDA legal agreement.

Process of termination

Once a termination of the DDA has been triggered, the deferred employer becomes an exiting employer under Regulation 64(1). The administering authority will obtain from the Fund Actuary an exit valuation calculated at the date the DDA terminates, and a revised rates and adjustments certificate setting out the exit payment due from the exiting employer or the excess of assets in the Fund relating to the exiting employer (which would then be subject to the Fund's exit credit policy).

Once the exit payment has been made in full, the exiting employer has no further obligation to the Fund.

If the termination has been triggered because the deferred employer has enrolled new active members, then the deferred employer becomes an active employer in the Fund and an immediate exit payment may not be required; this may instead be incorporated in the revised rates and adjustments certificate that will be provided in respect of the active employer. The employer remains responsible for all previously accrued liabilities and the revised contributions required from the active employer will be calculated in line with the Fund's FSS.

If the termination has been triggered because a review of the funding position of the deferred employer reveals that the secondary contributions paid to date by the deferred employer are sufficient to cover what would be due if the deferred employer terminated at the updated calculation date, then the deferred employer becomes an exiting employer and no further payments are required. The exiting employer has no further obligation to the Fund. Where there is a surplus, an exit credit may be payable as determined by the administering authority and in line with the Fund's exit credit policy.

Debt Spreading Agreements (DSAs)

Entering a DSA

Under a DSA, the cessation debt is crystallised and spread, with interest, over a period deemed reasonable by the administering authority having regard to the views of the Fund Actuary and following discussion with the exiting employer. The payments are fixed and are not reviewed at each actuarial valuation.

Information required from the employer

When making a request to enter a DSA, the exiting employer should demonstrate that they are unable to settle their exit payment immediately and provide any relevant information to support their request e.g. in relation to their covenant/ability to continue to make payments to the Fund. Examples of information the exiting employer may provide as evidence include the employer's:

- Most recent annual report and accounts
- Latest management accounts
- Financial forecasts
- Details of position of other creditors

This is not an exhaustive list and the administering authority may request further evidence. In particular, the administering authority may commission a covenant assessment if insufficient evidence is provided.

Assessing the proposal

The administering authority will make a decision on whether to enter into a DSA within 21 days of receiving a request or when the Pension Fund Committee are next scheduled to sit to take such a decision, but this may vary to reflect specific circumstances, for example if the administering authority chooses to request a covenant assessment then the process may take longer.

To reach a decision the administering authority will consider:

- The size of the exit payment relative to the exiting employer's business cashflow;
- The size of the exit payment relative to the costs associated with entering into a DSA;
- Whether a deferred debt agreement or suspension notice would be more appropriate;
- Any information provided by the employer to support their covenant strength;
- The results of any covenant review carried out by the Fund Actuary or a covenant specialist;
- The merit of any guarantees from another source and whether this is deemed sufficient to cover the outstanding payments should the exiting employer fail;
- The exiting employer's accounts;
- The potential impact on the other employers in the Fund; and
- The opinion of the Fund Actuary.

The administering authority is not obliged to accept an exiting employer's request for a DSA. For example, in the following circumstances the administering authority may consider a DSA not to be appropriate:

- The exiting employer could reasonably be expected to settle their exit payment in a single amount;
- There is doubt that the exiting employer can operate as a going concern during the spreading period; or
- The exiting employer cannot afford the speeded payments over the maximum spreading period or is requesting a spreading period longer than the maximum (see below).

The structure of the DSA is at the discretion of the administering authority having taken advice from the Fund Actuary and consulted with the exiting employer. The structure should protect all other employers in the Fund whilst being achievable for the exiting employer. The structure of the DSA will take into consideration:

- The period that the payments will be spread. This is expected to be no more than 5 years. For longer periods it may be more appropriate to consider a deferred debt agreement but the administering authority reserves the right to set whatever spreading period they deem appropriate provided they are satisfied with the exiting employer's ability to meet the payments over that period. The length of the spreading period will be set as to be as short as possible whilst remaining affordable for the exiting employer;
- The interest rate applicable to the spread payments. In general, this will be set with reference to the discount rate in the exiting employer's cessation valuation report;
- The regularity of the payments and when they fall due;
- Other costs payable; and
- The responsibilities of the exiting employer during the spreading period (for example, to make payments on time and to notify the administering authority of a change in circumstances that could affect their ability to make payments).

Once all information has been considered the administering authority will consult with the exiting employer as required under the Regulations. If the administering authority does not wish to accept the exiting employer's request to enter into a DSA they will explain their reasoning and any alternatives (e.g. a DDA, suspension notice or indeed require the exit payment in full). If the administering authority accepts the request to enter into a DSA, they will notify their legal advisers and Fund Actuary. If the administering authority has concerns about the level of risk arising due to the DSA, the administering authority may only accept the request subject to a one-off cash injection being made by the exiting employer or security being provided as an additional guarantee.

Setting up a DSA

The administering authority and the exiting employer, with the assistance of the Fund Actuary, will then negotiate the structure of the schedule of payments which takes into consideration the exiting employer's affordability and an appropriate period of the spreading.

The schedule of payments will be set out in a revised rates and adjustments certificate prepared by the Fund Actuary. There may be circumstances where timings may vary, however, in general the certificate will be prepared and provided to the exiting employer within 14 days of agreeing the structure of the schedule of payments with the exiting employer.

Monitoring a DSA

Over the term that the cessation debt payment is spread, the administering authority will monitor the ability and willingness of the exiting employer to pay the schedule of contributions in the revised rates and adjustments certificate. While it is expected the schedule of payments would be fixed for the spreading period, the administering authority may alter the structure of the schedule at any time if there is a change in the exiting employer's circumstances or indeed, if the exiting employer wanted to pay the remaining balance. This will be agreed on a case-by-case basis and set out in a side agreement as required.

The administering authority will be in regular contact with the exiting employer until their obligations to the Fund are removed when all payments set out in the schedule of payments are made.

Examples of factors which will be monitored are set out below. Should any of these raise any concerns with the administering authority then the DSA may be reviewed and/or terminated.

Changing employer covenant

The administering authority will monitor the ability of the exiting employer to make their set payments by monitoring publicly available information such as credit ratings and/or company accounts as well as keeping in regular contact, at least annually, with the exiting employer to ensure that the payments can be met.

As a condition of entering into a DSA, the exiting employer is required to engage with the administering authority to assist with monitoring the level of covenant, for example by providing information requested by the administering authority in a timely manner.

Timeliness of payments

The DSA will set out whether payments are made on a monthly or annual basis and how long for, and the administering authority will monitor if contributions are paid on time. Successive late or in particular missing payments would contribute towards further interest charges or the spreading agreement may be reviewed and/or terminated.

Strength of guarantee or security

If a particular schedule of payments has been agreed between the administering authority and the exiting employer on the understanding that there is a particular security in place (e.g. another employer in the Fund willing to pay the remaining balance or a fixed charge on property that covers the remaining balance) then the administering authority will check there has been no change to the security regularly. The frequency of these reviews may reduce as the level of outstanding debt reduces. The administering authority with advice from the Fund Actuary may change the schedule of payments depending on the strength of the security in place. The exiting employer would be consulted prior to any changes.

Notifiable events from the exiting employer

The exiting employer has a responsibility to make the administering authority aware of any changes in their ability to make payments or of a change in circumstance that affects their ability to make payments. Information should be shared with the administering authority at any time throughout the agreement to enable the administering authority to consider whether a review of the agreement should be carried out.

Terminating a DSA

Events that may terminate a DSA

On paying all the payments set out in the revised rates and adjustments certificate the exiting employer will no longer have any obligations to the Fund.

If the administering authority believes that the exiting employer may not be able to make any of their remaining payments, the administering authority reserves the right to review and/or terminate the DSA to ensure it is appropriate for the Fund and does not adversely impact the other participating employers.

The exiting employer may also request to terminate the DSA early, in which case an immediate payment of the outstanding amounts set out in the contribution schedule should be paid.

Process of termination

In the event of a DSA being amended or terminated the administering authority will communicate this to the exiting employer along with reasons for the decision. Before the decision is made the administering authority will consult with the exiting employer about their change in circumstances and also take advice from the Fund Actuary.

If the DSA must be terminated prematurely the administering authority will seek to obtain from the exiting employer as much of the outstanding exit payments as possible or look at alternative arrangements such as a deferred debt agreement. Once the exit payment has been made in full, the exiting employer has no further obligation to the Fund.



EMPLOYER CONTRIBUTION REVIEW POLICY

Contents

Introduction.....	3
The review process.....	4
Timeline where initiation is made by the administering authority.....	4
Timeline where initiation is made by the Scheme employer.....	4
Responsibility of costs.....	4
Triggering a contribution review.....	6
(i) change in the amount of the liabilities arising or likely to arise.....	6
(ii) change in the ability of the Scheme employer to meet its obligations.....	6
(iii) request from the Scheme employer for a contribution review.....	7
Assessing the appropriateness of a review.....	9
Appropriateness of a review due to change liabilities.....	9
Appropriateness of a review due to change ability to meet its obligations to the Fund.....	9
Method used for reviewing contribution rates.....	10
Appeals process.....	12

DRAFT

Introduction

This document sets out The Royal County of Berkshire Pension Fund's policy on amending the contribution rates payable by an employer (or group of employers) between formal triennial funding valuations.

The Royal County of Berkshire Pension Fund (the Fund) is part of the Local Government Pension Scheme (LGPS), a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 (the Regulations) as amended.

Under Regulation 62, The Royal Borough of Windsor and Maidenhead, as the administering authority for the Fund, is required to obtain a formal actuarial valuation of the Fund and a rates and adjustments certificate setting out the contribution rates payable by each Scheme employer for a three-year period beginning 1 April following that in which the valuation date falls.

It is anticipated for most Scheme employers that the contribution rates certified at the formal actuarial valuation date will remain payable for the triennial period of the rates and adjustments certificate. However, there may be circumstances where a review of the contribution rates payable by an employer (or a group of employers) under Regulation 64A is deemed appropriate by the administering authority. This policy document sets out the administering authority's approach to considering the appropriateness of a review and the process in which a review will be conducted.

This policy has been prepared by the administering authority following advice from the Fund Actuary and following consultation with the Fund's Scheme employers. In drafting this policy document, the administering authority has taken into consideration the statutory guidance on drafting a contribution review policy which was issued by the Department for Levelling Up, Housing and Communities (DLUHC), and the Scheme Advisory Board's guide to employer flexibilities.

Throughout this document, any reference to the review of a Scheme employer's contribution rates will also mean the single review of the contribution rates for a group of Scheme employers (for example if the employers are pooled for funding purposes).

Note that where a Scheme employer seems likely to exit the Fund before the next actuarial valuation, then the administering authority can exercise its powers under Regulation 64(4) to carry out a review of contributions with a view to providing those assets attributable to the Scheme employer are equivalent to the exit payment that will be due from the Scheme employer. These cases do not fall under this contribution review policy.

The review process

The events that may trigger a review are set out in the 'Triggering a contribution review section. The general process for assessing and conducting a review is set out below. Timescales may vary in practice depending on each individual circumstance, but the timeline below provides a rough guide of the administering authority's general expectation.

Following completion of the review process, the administering authority may continue to monitor the Scheme employer's position to ensure the revised contribution rate remains appropriate (where a review was completed) or to ensure the Scheme employer's situation does not change such that a review previously deemed not appropriate becomes appropriate. As part of its participation in the Fund, any Scheme employer is expected to support any reasonable information requests made by the administering authority in order to allow effective monitoring.

Timeline where initiation is made by the administering authority

Where the review is initiated by the administering authority (i.e. under conditions (i) and (ii) in the 'Triggering a contribution review section), the first stage after the administering authority has conducted its analysis is to engage with the Scheme employer and provide written evidence for requiring the review.

The Scheme employer will be given 28 days from the later of the date of receipt of the evidence provided by the administering authority and the date of receipt of the results of the formal contribution review to respond to the administering authority on the proposal. Should no challenge be accepted within this period then the administering authority will treat the proposal as accepted and the revised contribution rates will come into effect from the proposed review date.

Should the Scheme employer challenge the administering authority's proposal, then the administering authority will continue to engage with the Scheme employer in order to reach an agreeable decision. If no decision has been agreed within 3 months of the initial proposal, then the administering authority may proceed with the revised contribution rates. Further details of the appeals process for the Scheme employer is set out in the 'Appeals process' section.

Although the ultimate decision for review belongs to the administering authority, the administering authority is committed to engaging with any Scheme employer following the initial proposal to ensure that any change is agreeable to all relevant parties.

Timeline where initiation is made by the Scheme employer

Where the review is initiated by the Scheme employer, the process begins once the Scheme employer has provided all the relevant documents required as set out in the 'Triggering a contribution review section.

The administering authority will aim to provide a response to the Scheme employer within 28 days from the date of receipt. This will depend on the quality of the documents provided and any need from the administering authority to request further information from the Scheme employer. The administering authority will provide a written response setting out the issues considered in reviewing the request from the Scheme employer, together with the outcome and confirming the next steps in the process.

Responsibility of costs

Where the review of contributions has been initiated by the administering authority, any costs incurred as part of the review in relation to the gathering of evidence to present to the Scheme employer and the actuarial costs to commission the contribution review will be met by the Fund. This is except for any costs incurred as a result of extra information requested by the Scheme employer which is not ordinarily anticipated to be incurred by the administering authority as part of the review. These exception costs would be recharged to the Scheme employer.

Any costs incurred as a result of a review initiated by the Scheme employer will be the responsibility of the Scheme employer, regardless of the outcome of the review proceeding or not. This may include

specialist adviser costs involved in assessing whether or not the request for review should be accepted and the costs in relation to carrying out the review.

DRAFT

Triggering a contribution review

As set out in Regulation 64(A)(1)(b), a review of an employer's contribution rate between formal actuarial valuations may only take place if one of the following conditions are met:

- (i) It appears likely to the administering authority that the amount of the liabilities arising or likely to arise has changed significantly since the last valuation;
- (ii) It appears likely to the administering authority that there has been a significant change in the ability of the Scheme employer or employers to meet the obligations of employers in the Scheme; or
- (iii) A Scheme employer or employers have requested a review of Scheme employer contributions and have undertaken to meet the costs of that review.

Conditions (i) and (ii) are triggered by the administering authority and (iii) by the Scheme employer. The key considerations under each of the conditions are detailed below.

It should be noted that the conditions are as set out in the Regulations, therefore, do not allow for a review of contributions where the trigger is due to a change in actuarial assumptions or asset values.

(i) change in the amount of the liabilities arising or likely to arise

Examples of changes which may trigger a review under this condition include, but are not limited to:

- Restructuring of a council due to a move to unitary status;
- Restructuring of a Multi Academy Trust;
- A significant outsourcing or transfer of staff;
- Any other restructuring or event which could materially affect the Scheme employer's membership;
- Changes to whether a Scheme employer is open or closed to new members, or a decision which will restrict the Scheme employer's active membership in the Fund in future;
- Significant changes to the membership of an employer, for example due to redundancies, significant salary awards, ill health retirements or a large number of withdrawals;
- Establishment of a wholly owned company by a scheduled body which does not participate in the LGPS.

As part of its participation in the Fund, Scheme employers are required to inform the administering authority of any notifiable events as set out in the Fund's Pensions Administration Strategy, service agreements and/or admission agreements. Through this notification process, the administering authority may identify events that merit a review of contributions.

In addition, the administering authority may initiate a review of contributions if they become aware of any events that they deem could potentially change the liabilities of the Scheme employer. This also applies to any employers for whom a review of contributions has already taken place as a further change in liabilities may merit another review.

(ii) change in the ability of the Scheme employer to meet its obligations

Examples of changes which may trigger a review under this condition include, but are not limited to:

- Change in employer legal status or constitution;
- Provision of, or removal of, security, bond, guarantee or some other form of indemnity by a Scheme employer;
- A change in a Scheme employer's immediate financial strength;
- A change in a Scheme employer's longer-term financial outlook;
- Confirmation of wrongful trading;

- Conviction of senior personnel;
- Decision to cease business;
- Breach of banking covenant;
- Concerns felt by the administering authority due to behaviour by a Scheme employer, for example, a persistent failure to pay contributions (at all, or on time), or to reasonably engage with the administering authority over a significant period of time.

The administering authority monitors the level of covenant of its Scheme employers on an ongoing basis. In particular, the administering authority will commission an employer risk review report from the Fund Actuary on a regular basis. Through this analysis, the administering authority can identify any Scheme employers that might be considered as high risk and whether any Scheme employers have had a significant change in riskiness. This in turn may affect the administering authority's views on whether the ability of a Scheme employer to meet its obligations to the Fund has changed significantly and therefore whether this change may merit a contribution review. This also applies to any employers for whom a review of contributions has already taken place as a further change in an employer's ability to meet its obligations may merit another review.

(iii) request from the Scheme employer for a contribution review

A request can be made by a Scheme employer for a review of contribution rates outside of the formal actuarial process. This must be triggered by one of the following two conditions:

- There has been a significant change in the liabilities arising or likely to arise; and/or
- There has been a significant change in the ability of the Scheme employer to meet its obligations to the Fund.

Any requests not arising from either of these conditions will not be considered by the administering authority. Requests by a Scheme employer are limited to one review per calendar year.

Except for any cases where the Scheme employer is expected to cease before the next rates and adjustments certificate comes into effect, the administering authority will not accept a request for a review of contributions with an effective date within the 12 months preceding the next rates and adjustments certificate. It is expected in these cases that any requests can be factored into the formal review and any benefits of carrying out a review just prior to the commencement of a new rates and adjustments certificate are outweighed by the costs and resource required. If a request is made with an effective date within the 12 months preceding the next rates and adjustments certificate, the administering authority will instead reflect these changes in the actuarial valuation and the rates being certified and taking effect the year following the valuation date.

Information required from the Scheme employer

In order to submit a request for a review of contribution rates outside of the formal actuarial valuation process, a Scheme employer must provide the following to the Fund:

- Where a review is sought due to a potential change in the Scheme employer's liabilities:
 - Membership data or details of membership changes to evidence that the liabilities have materially changed, or are likely to change;
- Where a review is sought due to a potential change in the ability of the Scheme employer to meet its obligations:
 - The most recent annual report and accounts for the Scheme employer;
 - The most recent management accounts;
 - Financial forecasts for a minimum of three years;
 - The change in security or guarantee to be provided in respect of the Scheme employer's liabilities.

The administering authority may require further evidence to support the request and this will be requested from the Scheme employer on a case-by-case basis.

DRAFT

Assessing the appropriateness of a review

The following general considerations will be considered by the administering authority, regardless of the condition under which a review is requested:

- The expected term for which the Scheme employer will continue to participate in the Fund;
- The time remaining to the next formal funding valuation;
- The cost of the review relative to the anticipated change in contribution rates and the benefit to the Scheme employer, the Fund and/or the other Scheme employers; and
- The anticipated impact on the Fund and the other Fund employers, including the relative size of the change in liabilities and contributions and any change in the risk borne by other Fund employers.

Where the review has been requested by the Scheme employer, the administering authority will also consider the information and evidence put forward by the Scheme employer. This may be with advice from the Fund Actuary where required and will include an assessment of whether there is a reasonable likelihood that a review would result in a change in the Scheme employer's contribution rates. The administering authority will also consider whether it is necessary to consult with any other Scheme employer e.g. where a guarantee may have been provided by another Scheme employer.

Whether any changes require the administering authority to exercise its powers to carry out a contribution review will be assessed on a case-by-case basis and with advice from the Fund Actuary and may involve other considerations as deemed appropriate for the situation. The final decision of whether a review of contribution rates will be carried out rests with the administering authority after, if necessary, taking advice from the Fund Actuary. Should a Scheme employer disagree with the administering authority, then details of the Appeals process is set out later in this document

Appropriateness of a review due to change in liabilities

This will be subject to the following considerations in addition to the general considerations set out above:

- The size of the Scheme employer's liabilities relative to the Fund and the extent to which they have changed;
- The size of the event in terms of membership and liabilities relative to the Scheme employer and/or the Fund; and
- The administering authority's assessment of the ability of the Scheme employer to meet its obligations.

Appropriateness of a review due to change in ability to meet its obligations to the Fund

In assessing whether or not an administering authority will exercise its powers to review a Scheme employer's contribution rates under this condition, the administering authority will take into account the general considerations set out earlier in this section and:

- The results of any employer risk analysis provided by the Fund Actuary or a covenant specialist;
- The perceived change in the value of the indemnity to the administering authority, relative to the size of the Scheme employer's liabilities.

It is acknowledged that each Scheme employer's situation may differ and therefore each decision will be made on a case-by-case basis. Further considerations to that set out above may be relevant and will be taken into account by the administering authority as required.

Method used for reviewing contribution rates

If a review of contribution rates is agreed, or if an indicative review is required to help inform the review process, the administering authority will take advice from the Fund Actuary on the calculation of the Scheme employer's revised contribution rates. This will take into account the events leading to the anticipated liability change and any impact of the changes in the Scheme employer's ability to meet its obligations to the Fund.

The starting point for reviewing a Scheme employer's contribution rates will in some cases be the most recent actuarial valuation. The table below sets out the general approach that will be used when carrying out this review.

Once a review of contribution rates has been agreed, unless the impact of amending the contribution rates is deemed immaterial by the Fund Actuary, then the results of the review will be applied with effect from the agreed review date.

	General approach
Member data	<p>In some cases, where the review is happening during or shortly after the valuation, the most recent actuarial valuation data will be used as a starting point.</p> <p>In most cases, given the review is due to an anticipated change in membership, the administering authority and Scheme employer should work together to provide updated membership data for use in calculations. There may be instances where updated membership data is not required if it is deemed proportionate to use the most recent actuarial valuation data without adjustment.</p> <p>Where the cause for a review is due to a change in a Scheme employer's ability to meet its obligations to the Fund, updated membership data may not need to be used unless any significant membership movements since the previous Fund valuation are known.</p>
Approach to setting assumptions	This will be in line with that adopted for the most recent actuarial valuation, and in line with that set out in the Fund's Funding Strategy Statement.
Market conditions underlying financial assumptions	Unless an update is deemed more appropriate by the Fund Actuary, the market conditions will be in line with those at the most recent actuarial valuation.
Conditions underlying demographic assumptions	Unless an update is deemed more appropriate by the Fund Actuary, the conditions will be in line with those at the most recent actuarial valuation.
Funding target	The funding target adopted for a Scheme employer will be set in line with the Fund's Funding Strategy Statement, which may be different from the approach adopted at the most

	recent actuarial valuation due to a change in the Scheme employer's circumstances.
Surplus/deficit recovery period	The surplus/deficit recovery period adopted for a Scheme employer will be set in line with the Fund's Funding Strategy Statement, which may be different from the approach adopted at the most recent actuarial valuation due to a change in the Scheme employer's circumstances.

The Fund Actuary will be consulted throughout the review process and will be responsible for providing revised rates and adjustments certificate. Any deviations from the general approaches set out above will be agreed by the administering authority and the Fund Actuary.

DRAFT

Appeals process

In the event of any dispute relating to this policy and the administering authority's use of the new powers set out in The Local Government Pension Scheme (Amendment) (No. 2) Regulations 2020, Scheme employers will have a right of appeal under the 'normal' Internal Dispute Resolution Procedures (IDRP) as set out in Regulations 74 to 79 of the LGPS Regulations 2013. A guide to the IDRP process along with an application form can be found [here](#). (Please note the process will be adapted to account for the nature of the appeal being made by a Scheme employer as opposed to being made directly by a Scheme member).

General Principles

A Scheme employer may appeal against any decision taken by the administering authority to change, amend or update their employer contribution rate at any time in line with this policy. The administering authority will have regard to the following principles at all times:

- (i) The process and any amendments to the appeals process will be subject to consultation with employers;
- (ii) The appellant will be granted a reasonable period to make any appeal following a decision by the administering authority in order to prepare the basis of their appeal;
- (iii) The process, including the timescales and requirements for evidence will be easily accessible, clearly signposted and transparent; and
- (iv) Any review of a decision will be considered independently from those directly involved in the original decision.

In making an appeal, the Fund employer will be required to evidence one of the following:

- (i) A deviation from the published policy or process by the administering authority that has led to their appeal; and/or
- (ii) Any further information (or interpretation of information provided) which could influence the outcome, noting new evidence to be considered at the discretion of the administering authority.

ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

EQUALITY IMPACT ASSESSMENT

EqIA : Governance Compliance Statement

Essential information

Items to be assessed: (please mark 'x')

Strategy		Policy	x	Plan		Project		Service/Procedure	
----------	--	--------	---	------	--	---------	--	-------------------	--

Responsible officer	Damien Pantling	Service area	Pension Fund	Directorate	Finance
---------------------	-----------------	--------------	--------------	-------------	---------

Stage 1: EqIA Screening (mandatory)	Date created: 05/05/2022	Stage 2 : Full assessment (if applicable)	N/A
--	--------------------------	--	-----

88

Approved by Head of Service / Overseeing group/body / Project Sponsor:

"I am satisfied that an equality impact has been undertaken adequately."

Signed by (print):

Dated:

ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

EQUALITY IMPACT ASSESSMENT

EqlA : Governance Compliance Statement

Guidance notes

What is an EqlA and why do we need to do it?

The Equality Act 2010 places a 'General Duty' on all public bodies to have 'due regard' to:

- Eliminating discrimination, harassment and victimisation and any other conduct prohibited under the Act.
- Advancing equality of opportunity between those with 'protected characteristics' and those without them.
- Fostering good relations between those with 'protected characteristics' and those without them.

EqlAs are a systematic way of taking equal opportunities into consideration when making a decision, and should be conducted when there is a new or reviewed strategy, policy, plan, project, service or procedure in order to determine whether there will likely be a detrimental and/or disproportionate impact on particular groups, including those within the workforce and customer/public groups. All completed EqlA Screenings are required to be publicly available on the council's website once they have been signed off by the relevant Head of Service or Strategic/Policy/Operational Group or Project Sponsor.

66

What are the "protected characteristics" under the law?

The following are protected characteristics under the Equality Act 2010: age; disability (including physical, learning and mental health conditions); gender reassignment; marriage and civil partnership; pregnancy and maternity; race; religion or belief; sex; sexual orientation.

What's the process for conducting an EqlA?

The process for conducting an EqlA is set out at the end of this document. In brief, a Screening Assessment should be conducted for every new or reviewed strategy, policy, plan, project, service or procedure and the outcome of the Screening Assessment will indicate whether a Full Assessment should be undertaken.

Openness and transparency

RBWM has a 'Specific Duty' to publish information about people affected by our policies and practices. Your completed assessment should be sent to the Strategy & Performance Team for publication to the RBWM website once it has been signed off by the relevant manager, and/or Strategic, Policy, or Operational Group. If your proposals are being made to Cabinet or any other Committee, please append a copy of your completed Screening or Full Assessment to your report.

Enforcement

Judicial review of an authority can be taken by any person, including the Equality and Human Rights Commission (EHRC) or a group of people, with an interest, in respect of alleged failure to comply with the general equality duty. Only the EHRC can enforce the specific duties. A failure to comply with the specific duties may however be used as evidence of a failure to comply with the general duty.

ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD
EQUALITY IMPACT ASSESSMENT
EqIA : Governance Compliance Statement

Stage 1 : Screening (Mandatory)

1.1 What is the overall aim of your proposed strategy/policy/project etc and what are its key objectives?

The government amended the Local Government Pension Scheme (LGPS) Regulations 2013 in September 2020 introducing new powers for administering authorities to review employer contributions, set up Debt Spreading Agreements (DSA) and set up Deferred Debt Agreements (DDA), often referred to as 'Employer Flexibilities'.

These policies were last approved by the Pension Fund Committee on 14 June 2021 alongside the requisite changes to the Funding Strategy Statement (FSS). This report addresses the periodic review and refresh of these policies now one year on, noting that no material changes have been made other than presentational.

1.2 What evidence is available to suggest that your proposal could have an impact on people (including staff and customers) with protected characteristics? Consider each of the protected characteristics in turn and identify whether your proposal is Relevant or Not Relevant to that characteristic. If Relevant, please assess the level of impact as either High / Medium / Low and whether the impact is Positive (i.e. contributes to promoting equality or improving relations within an equality group) or Negative (i.e. could disadvantage them). Please document your evidence for each assessment you make, including a justification of why you may have identified the proposal as "Not Relevant".

100

ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

EQUALITY IMPACT ASSESSMENT

EqlA : Governance Compliance Statement

Protected characteristics	Relevance	Level	Positive/negative	Evidence
Age			N/A	Key data: The estimated median age of the local population is 42.6yrs [Source: ONS mid-year estimates 2020]. An estimated 20.2% of the local population are aged 0-15, and estimated 61% of the local population are aged 16-64yrs and an estimated 18.9% of the local population are aged 65+yrs. [Source: ONS mid-year estimates 2020 , taken from Berkshire Observatory]
Disability			N/A	
Gender re-assignment			N/A	
Marriage/civil partnership			N/A	
Pregnancy and maternity			N/A	
Race			N/A	Key data: The 2011 Census indicates that 86.1% of the local population is White and 13.9% of the local population is BAME. The borough has a higher Asian/Asian British population (9.6%) than the South East (5.2%) and England (7.8%). The forthcoming 2021 Census data is expected to show a rise in the BAME population. [Source: 2011 Census, taken from Berkshire Observatory]
Religion and belief			N/A	Key data: The 2011 Census indicates that 62.3% of the local population is Christian, 21.7% no religion, 3.9% Muslim, 2% Sikh, 1.8% Hindu, 0.5% Buddhist, 0.4% other religion, and 0.3% Jewish. [Source: 2011 Census, taken from Berkshire Observatory]
Sex			N/A	Key data: In 2020 an estimated 49.6% of the local population is male and 50.4% female. [Source: ONS mid-year estimates 2020 , taken from Berkshire Observatory]
Sexual orientation			N/A	

ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

EQUALITY IMPACT ASSESSMENT

EqlA : Governance Compliance Statement

Outcome, action and public reporting

Screening Assessment Outcome	Yes / No / Not at this stage	Further Action Required / Action to be taken	Responsible Officer and / or Lead Strategic Group	Timescale for Resolution of negative impact / Delivery of positive impact
Was a significant level of negative impact identified?	No	No	Damien Pantling	N/A
Does the strategy, policy, plan etc require amendment to have a positive impact?	No	No	Damien Pantling	N/A

If you answered **yes** to either / both of the questions above a Full Assessment is advisable and so please proceed to Stage 2. If you answered “No” or “Not at this Stage” to either / both of the questions above please consider any next steps that may be taken (e.g. monitor future impacts as part of implementation, re-screen the project at its next delivery milestone etc).

ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

EQUALITY IMPACT ASSESSMENT

EqlA : Governance Compliance Statement

Stage 2 : Full assessment

2.1 : Scope and define

2.1.1 Who are the main beneficiaries of the proposed strategy / policy / plan / project / service / procedure? List the groups who the work is targeting/aimed at.

N/A – No full assessment required

2.1.2 Who has been involved in the creation of the proposed strategy / policy / plan / project / service / procedure? List those groups who the work is targeting/aimed at.

N/A – No full assessment required

ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

EQUALITY IMPACT ASSESSMENT

EqIA : Governance Compliance Statement

2.2 : Information gathering/evidence

2.2.1 What secondary data have you used in this assessment? *Common sources of secondary data include: censuses, organisational records.*

N/A – No full assessment required

2.2.2 What primary data have you used to inform this assessment? *Common sources of primary data include: consultation through interviews, focus groups, questionnaires.*

N/A – No full assessment required

ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

EQUALITY IMPACT ASSESSMENT

EqIA : Governance Compliance Statement

Eliminate discrimination, harassment, victimisation

Protected Characteristic	Advancing the Equality Duty : Does the proposal advance the Equality Duty Statement in relation to the protected characteristic (Yes/No)	If yes, to what level? (High / Medium / Low)	Negative impact : Does the proposal disadvantage them (Yes / No)	If yes, to what level? (High / Medium / Low)	Please provide explanatory detail relating to your assessment and outline any key actions to (a) advance the Equality Duty and (b) reduce negative impact on each protected characteristic.
Age					
Disability					
Gender reassignment					
Marriage and civil partnership					
Pregnancy and maternity					
Race					
Religion and belief					
Sex					
Sexual orientation					

105

ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

EQUALITY IMPACT ASSESSMENT

EqlA : Governance Compliance Statement

Advance equality of opportunity

Protected Characteristic	Advancing the Equality Duty : Does the proposal advance the Equality Duty Statement in relation to the protected characteristic (Yes/No)	If yes, to what level? (High / Medium / Low)	Negative impact : Does the proposal disadvantage them (Yes / No)	If yes, to what level? (High / Medium / Low)	Please provide explanatory detail relating to your assessment and outline any key actions to (a) advance the Equality Duty and (b) reduce negative impact on each protected characteristic.
Age					
Disability					
Gender reassignment					
Marriage and civil partnership					
Pregnancy and maternity					
Race					
Religion and belief					
Sex					
Sexual orientation					

106

ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

EQUALITY IMPACT ASSESSMENT

EqlA : Governance Compliance Statement

Foster good relations

Protected Characteristic	Advancing the Equality Duty : Does the proposal advance the Equality Duty Statement in relation to the protected characteristic (Yes/No)	If yes, to what level? (High / Medium / Low)	Negative impact : Does the proposal disadvantage them (Yes / No)	If yes, to what level? (High / Medium / Low)	Please provide explanatory detail relating to your assessment and outline any key actions to (a) advance the Equality Duty and (b) reduce negative impact on each protected characteristic.
Age					
Disability					
Gender reassignment					
Marriage and civil partnership					
Pregnancy and maternity					
Race					
Religion and belief					
Sex					
Sexual orientation					

2.4 Has your delivery plan been updated to incorporate the activities identified in this assessment to mitigate any identified negative impacts? If so please summarise any updates.

These could be service, equality, project or other delivery plans. If you did not have sufficient data to complete a thorough impact assessment, then an action should be incorporated to collect this information in the future.

N/A – No full assessment required

ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

EQUALITY IMPACT ASSESSMENT

EqIA : Governance Compliance Statement

Report Title:	Good Governance
Contains Confidential or Exempt Information	No - Part I
Lead Member:	Councillor Julian Sharpe, Chairman Pension Fund Committee and Advisory Panel
Meeting and Date:	Pension Fund Committee and Advisory Panel – 4 July 2022
Responsible Officer(s):	Damien Pantling, Head of Pension Fund
Wards affected:	None

REPORT SUMMARY

Good governance in the LGPS involves ensuring that the Fund is managed in line with best industry practice as opposed to simply complying with the statutory regulations. This report deals with three separate non-statutory policies that are to be reviewed by the Pension Fund Committee at regular intervals in line with best practice.

Ensuring that the Fund has a policy around assessing and reporting breaches of the law to the Pensions Regulator, a service level agreement between the Fund and the Administering Authority and a training policy and log in place enables the Fund to be managed effectively.

These three policies have been previously approved by the Pension Fund Committee and have been reviewed and refreshed as part of the Fund's periodic policy review.

1. DETAILS OF RECOMMENDATION(S)

RECOMMENDATION: That the Pension Fund Committee notes the report and;

- i) Approves the revised policy on reporting breaches of the law;**
- ii) Approves the revised Service Level Agreement between the RCBPF and RBWM;**
- iii) Approves the revised 2022/23 training plan;**
- iv) Reviews the 2021/22 training log for accuracy, identifying any training gaps if applicable.**

2. REASON(S) FOR RECOMMENDATION(S) AND OPTIONS CONSIDERED

- 2.1. Whilst the requirement for reporting breaches (or suspected breaches) of the law is a statutory requirement under Section 70 of the Pension Act 2004, having a prescriptive policy document on this is not a statutory requirement under the LGPS regulations. In line with good governance and best practice, the Fund has in place a policy setting out its approach to reporting breaches of the law in line

with the relevant regulations. This was last approved in December 2019 and is now being brought back to the Pension Fund Committee for its periodic review. No material changes have been made to the policy however it has been reviewed to ensure it is compliant with external guidance and process notes from the Pensions Regulator. The revised policy on reporting breaches of the law is attached as Appendix 1 to this report.

- 2.2. In accordance with Regulation 53 of the Local Government Pension Scheme Regulations 2013 (“the Regulations”), RBWM is an Administering Authority (Scheme Manager) required to maintain a Pension Fund for the Scheme. RBWM is therefore responsible for managing and administering the scheme. The Pension Fund Committee as set out in RBWM’s Constitution acts as the Scheme Manager and is therefore responsible for ensuring that the Administering Authority fulfils its statutory responsibilities in accordance with the Regulations and the Public Service Pension Act 2013. It is therefore in line with best practice that a service level agreement (SLA) is in place between the Administering Authority and the Pension Fund team to ensure that roles and responsibilities are appropriately executed and appropriate procedures are in place as per the regulations. This SLA is attached at Appendix 2.
- 2.3. In order for Pension Fund Committee members to be able to appropriately undertake their duties as well as provide appropriate challenge to reports and recommendations, knowledge and understanding must be kept up to date. The Fund has in place a training framework guided by the Pensions Regulator’s 7 essential modules along with a suite of additional training resources set up and run either by officers or third parties. The revised training framework for 2022/23 is attached at Appendix 3 to this report.
- 2.4. In line with best practice and following a governance recommendation in the Hymans Robertson February 2021 “Good Governance: Phase 3 Report to SAB”, the Pension Fund Committee should prepare and publish a training log documenting all training attended by Committee members. As per the governance recommendation, this training log should be appended to the Governance Compliance Statement which was last approved in March 2022. The Pension Fund Committee already approved a recommendation in March 2022 to retrospectively append the updated training log to the Governance Compliance Statement when it is complete and available. The updated Committee training log for 2021/22 is attached at Appendix 4 to this report for final review before it is published.

3. KEY IMPLICATIONS

- 3.1. Maintaining a suite of non-statutory policies and acting upon the recommendations of various good governance reviews by third parties ensures that the Pension Fund is maintained as a well governed scheme. Regular reviews of these policy documents, such as those appended to this report, ensures that the officers and Committee Members running the Pension Scheme are acting in line with best practice and making well informed decisions on behalf of the Administering Authority, scheme employers and scheme members.

4. FINANCIAL DETAILS / VALUE FOR MONEY

- 4.1. No dedicated training budget is set for 2022/23, however, training resources shall be provided in line with the training framework and managed within existing administration resources. The other policy documents have no financial implications for 2022/23.
- 4.2. Recharge arrangements between RCBPF and RBWM are not dealt with in the appended SLA,, They are, however, planned to be reviewed and agreed as part of the budget setting process through 2022 and approved in the 2023/24 business plan.

5. LEGAL IMPLICATIONS

- 5.1. Failure to report breaches (or suspected breaches) of the law to the Pensions Regulator may resort in further legal action. Approval of the Fund policy around this helps to mitigate this happening as officers and Committee Members are aware of their responsibilities in this regard.

6. RISK MANAGEMENT

- 6.1. The risk register approved by the Pension Fund Committee on 4 July 2022 contains several identified risks which are mitigated through implementation of the policies contained in this report. Such as:
 - 6.1.1. PEN030 refers to the risk of “failure to comply with Scheme regulations” and one of the 4 mitigating treatments is the implementation of the reporting suspected breaches policy. One of the other mitigations of this risk is to have appropriately trained decision makers which is supported by the training framework in this report.
 - 6.1.2. Several other risks identified in the July 2022 risk register have training as one of the mitigations, as there is common acceptance that improved knowledge and understanding drives better decision making.

7. POTENTIAL IMPACTS

- 7.1. Failure to comply with pension legislation could result in the Administering Authority being reported to the Pensions Regulator where failure is deemed to be of a material significance.
- 7.2. Equalities: Equality Impact Assessments are published on the council’s website. There are no EQIA impacts as a result of taking this decision. A completed EQIA has been attached at Appendix 5 to this report.
- 7.3. Climate change/sustainability: N/A
- 7.4. Data Protection/GDPR. GDPR compliance is included as a specific risk on the register in regard to processing and handling personal data, this is dealt with in the appendix along with the relevant mitigations.

8. CONSULTATION

8.1. Committee Members were consulted upon preparation of the training log.

9. TIMETABLE FOR IMPLEMENTATION

9.1. Ongoing.

10. APPENDICES

10.1. This report is supported by 5 Appendices:

- Appendix 1 – Reporting Breaches of the Law
- Appendix 2 – SLA Between RBWM and RCBPF
- Appendix 3 – Training Framework Update
- Appendix 4 – Training log
- Appendix 5 - EQIA

11. BACKGROUND DOCUMENTS

11.1. This report is supported by 1 background document:

11.1.1. The Committee report approved on 7 March 2022 to approve the revised governance compliance statement, which recommended that the training log be appended to the governance compliance statement once it is finalised.

12. CONSULTATION (MANDATORY)

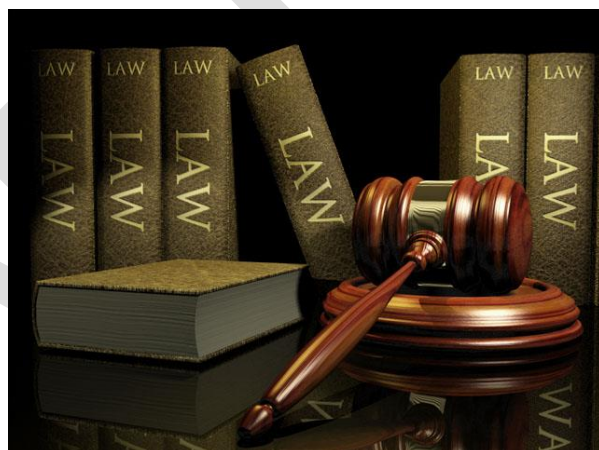
Name of consultee	Post held	Date sent	Date returned
<i>Mandatory:</i>			
<i>Statutory Officers (or deputy)</i>			
Adele Taylor	Executive Director of Resources/S151 Officer		
Emma Duncan	Deputy Director of Law and Strategy / Monitoring Officer		
<i>Deputies:</i>			
Andrew Vallance	Head of Finance (Deputy S151 Officer)		
Elaine Browne	Head of Law (Deputy Monitoring Officer)		
Karen Shepherd	Head of Governance (Deputy Monitoring Officer)		
<i>Other consultees:</i>			
Cllr Julian Sharpe	Chairman – Berkshire Pension Fund Committee		

13. REPORT HISTORY

Decision type:	Urgency item?	To follow item?
Pension Fund Committee decision	Yes/No	Yes/No

Report Author: Damien Pantling, Head of Pension Fund

DRAFT



REPORTING BREACHES OF THE LAW



The Pensions
Regulator

CONTENTS

1	INTRODUCTION.....	3
2	THE REQUIREMENT TO REPORT BREACHES OF THE LAW	3
3	WHO IS REQUIRED TO REPORT BREACHES OF THE LAW?	4
4	WHAT MUST BE REPORTED?	4
5	PROCEDURES FOR REPORTING BREACHES OF THE LAW	6
6	HOW SHOULD REPORTS BE MADE?	8
7	FAILURE TO REPORT A BREACH OF THE LAW	9
	ANNEX 1 – FLOWCHART - REPORTING BREACHES OF THE LAW TO TPR	10
	ANNEX 2 – TEMPLATE BREACHES REGISTER	12

DRAFT

1 INTRODUCTION

The Local Government Pension Scheme (LGPS) is a public service pension scheme which is highly regulated not only by scheme regulation but also by wider-reaching legislation.

In Berkshire the LGPS is governed by the Royal Borough of Windsor & Maidenhead as the administering authority (scheme manager) to the Royal County of Berkshire Pension Fund. The general powers and duties of the administering authority lie with the Pension Fund Committee as set out in the Council's Constitution. The Pension Fund Committee is assisted by the local Pension Board established in accordance with the Public Service Pensions Act 2013 and Regulation 106 of the Local Government Pension Scheme Regulations 2013 (as amended).

A Local Government Pension Fund has a different legal status when compared to trust-based schemes in the private sector and so the Royal County of Berkshire Pension Fund does not have, in the strictest meaning, trustees. However, those making decisions on behalf of the administering authority are required, in many ways, to act as if they were trustees in terms of their duty of care.

Following a review of public service pension provision by Lord Hutton of Furness in 2011, a number of recommendations were made to the Government on how to ensure that public service pension schemes remain sustainable and affordable in the future. These recommendations were carried forward into the Public Service Pensions Act 2013 resulting in changes to the LGPS regulations with effect from 1 April 2014.



The result of all of this is that the LGPS, and public service pension schemes in general, are now under greater scrutiny than ever before. The Public Service Pensions Act 2013 introduced the framework for the governance and administration of public service pension schemes and provided an extended regulatory oversight to the Pensions Regulator.

2 THE REQUIREMENT TO REPORT BREACHES OF THE LAW

Under Section 70 of the Pensions Act 2004 (see below), certain people are required to report breaches of the law to the Pensions Regulator where they consider that they have a reasonable cause to believe that a legal duty which is relevant to the administration of the scheme has not been, or is not being, complied with and that failure to comply is likely to be of material significance to the Pensions Regulator in the exercise of its functions.

Not all breaches need to be reported to the Pensions Regulator, only those where there is likely to be a material significance, but all breaches should be recorded and retained for future reference.

70. Duty to report breaches of the law.

- (1) *Subsection (2) imposes a reporting requirement on the following persons—*
- (a) *a trustee or manager of an occupational or personal pension scheme;*
 - (aa) *a member of the pension board of a public service pension scheme;*
 - (b) *a person who is otherwise involved in the administration of an occupational or personal pension scheme;*

- (c) *the employer in relation to an occupational pension scheme;*
 - (d) *a professional adviser in relation to such a scheme;*
 - (e) *a person who is otherwise involved in advising the trustees or managers of an occupational or personal pension scheme in relation to the scheme.*
- (2) *Where the person has reasonable cause to believe that—*
- (a) *a duty which is relevant to the administration of the scheme in question, and is imposed by or by virtue of an enactment or rule of law, has not been or is not being complied with, and*
 - (b) *the failure to comply is likely to be of material significance to the Regulator in the exercise of any of its functions,*
- he must give a written report of the matter to the Regulator as soon as reasonably practicable.*
- (3) *No duty to which a person is subject is to be regarded as contravened merely because of any information or opinion contained in a written report under this section. (i.e. Duty to report overrides other obligations like duty of confidentiality, except where legal professional privilege applies). This is subject to section 311 (protected items). (Deals with exemption for legal professional privilege).*
- (4) *Section 10 of the Pensions Act 1995 (c. 26) (civil penalties) applies to any person who, without reasonable excuse, fails to comply with an obligation imposed on him by this section.*

3 WHO IS REQUIRED TO REPORT BREACHES OF THE LAW?

Those people who are subject to the reporting requirement ('reporters') for public service pension schemes is set out in Section 70 of the Pensions Act 2004 but in practical terms it is necessary for a senior officer of the administering authority to have responsibility for the management and execution of these procedures. Whilst any suspected breach should, where appropriate, be reported to a Senior Officer of the Pension Fund for escalation, the designated officer with overall responsibility for reporting breaches to the Pensions Regulator is the s.151 Officer for the administering authority or where the s.151 Officer is unavailable (or in the unlikely event of being implicated in the breach) the Monitoring Officer for the administering authority.

All reporters need to take due consideration as to who could be implicated in the perceived breach of the law when reporting their findings and ensure that the perceived breach is not worsened by making any individual or individuals who may be implicated in the breach of the law aware that a report is to be made.

4 WHAT MUST BE REPORTED?

Those responsible for reporting breaches of the law to the Pensions Regulator will need to consider when they have reasonable cause to believe there has been a breach that is likely to be of material significance to the Pensions Regulator.

Reasonable Cause

Having reasonable cause means more than merely having a suspicion that cannot be substantiated. For example, a suspicion that scheme assets may have been misappropriated may in fact be a direct result of something out of the Investment Manager's control such as drop in the markets leading to investment returns being lower than anticipated.

Any reporter must ensure that they know the full facts of the suspected breach and may need to check with members of the Pension Board, the Scheme Manager or anyone else they consider to be in a position to confirm the events leading up to the suspected breach of the law. However, reporters need to take care as to who they discuss their suspicions with where they have a cause to believe that theft, fraud or other serious offences may have occurred as they would not want to alert those potentially implicated or hinder the actions of the police or a regulatory authority. In such cases the Pensions Regulator should be contacted without delay.

Whilst a reporter should endeavour to fully understand the legal position regarding a suspected breach, they do not have to gather all of the evidence that the Pensions Regulator may require before taking legal action especially where a delay in reporting the breach could exacerbate or increase the risk of the breach.

Material significance

What is of material significance can be considered from four aspects:

1. Cause – dishonesty, poor governance or administration, poor advice, acting (or failing to act) in deliberate contravention of the law;
2. Effect – if the matter appears to be the effect of non-compliance with the Public Service Pensions Act 2013, the Local Government Pension Scheme Regulations, poor administration, inaccurate payments or theft;
3. Reaction to the breach – if no prompt and effective action has been taken to deal with the breach and to identify and tackle the causes so as to minimise the risk of recurrence;
4. Wider implications – if the breach suggests wider undetected problems.

To be able to consider these aspects all people who have a legal requirement to report breaches of the law, as set out in section 3, will need to ensure that they have sufficient knowledge and understanding of the pension law and regulations that govern the LGPS.

In forming a view as to whether or not the breach is of material significance reporters will need to consider other breaches of which they are aware but be careful to ensure that any such breaches have not already been addressed and resolved.

The aim of the Pensions Regulator is to protect the benefits of pension scheme members, reduce calls upon the Pension Protection Fund and to promote good administration of work-based pension schemes. Therefore, the following are important elements that the Pensions Regulator may consider to be of material significance:

- The right money is paid into the Scheme at the right time;
- Assets are appropriately safeguarded;
- Payments out of the Scheme are legitimate, accurate and paid at the right time to the right person(s);
- The Scheme Manager is complying with the legal requirements of Scheme funding;
- The Scheme Manager is properly considering their investment policies and investing in accordance with them;
- The Scheme is being administered properly in accordance with Scheme regulations;
- Appropriate records are maintained and are accurate;
- Scheme members receive accurate, clear and impartial information without delay.

The Pensions Regulator will not normally regard a breach as material if the Scheme Manager has taken prompt and effective action to investigate and resolve a breach and put in place the necessary procedure to ensure that such a breach will not reoccur.

However, the Pensions Regulator will be concerned where the Scheme Manager has failed to act promptly and effectively to identify, resolve and remedy the causes for the breach. If the proper corrective action has not been taken the Pensions Regulator is likely to deem the impact as material.

The wider implications of a breach are the concern of the Pensions Regulator where the fact that the breach has occurred in the first place will make it more likely that future breaches will arise because the Scheme Manager lacks the appropriate skills and knowledge needed to fulfil the requirements of their role.

A traffic light framework, as supplied by the Pensions Regulator, has been set up as a reference tool for reporters considering whether breaches of the law have a material significance and so should be reported to the Pensions Regulator. This framework document should be used by all reporters and continually updated as breaches are identified. It provides possible investigation outcomes and requires the reporter to consider the content of the red, amber and green sections for each of the cause, effect, reaction and wider implications of the breach being considered. This document will be made available to all persons responsible for reporting breaches of the law as part of Pension Board meetings.

A breach will be in the red category and therefore must always be reported to the Pensions Regulator, because one or more of the following apply:

- It was caused by dishonesty, poor scheme governance, poor advice or by deliberate contravention of the law;
- Its effect is considered to be significant;
- Inadequate steps have been taken to put matters right;
- It has wider implications.

A breach will be in the green category, and will not need to be reported to the Pensions Regulator but should be recorded, because one or more of the following apply:

- It was not caused by dishonesty, poor scheme governance, poor advice or by deliberate contravention of the law;
- Its effect is NOT significant;
- Proper steps are being taken to put matters right;
- It does NOT have wider implications.

A breach will be in the amber category when it is not obviously either red or green. The decision whether or not to report will require a balanced judgement based on the cause, effect, reaction and wider implication of the case under consideration. Other previous reported or unreported cases may be relevant when coming to a decision whether to report or not and consideration needs to be given to the adequate oversight and controls adopted by the scheme manager.

Examples of red, amber and green breaches are set out in the traffic light framework and must be referred to each time a breach of the law is suspected.

5 PROCEDURES FOR REPORTING BREACHES OF THE LAW

Anyone who has a responsibility to report breaches of the law during the course of their association with the Scheme should be alert to the potential for breaches to occur and to have properly established procedures in place to enable them to evaluate any potential breaches and the need to report them.

The Pension Fund keeps a 'register of breaches of the law' in which all breaches must be recorded regardless of whether or not they are or ever have been reported to the Pensions Regulator. This register is available to all responsible persons and forms part of the agenda for meetings of the Pension Board.

The flowchart at Annex 1 to this guide sets out the steps to be taken when considering breaches of the law but the details are also described in this section of the guide.

The following steps should be taken:

1. If the person suspecting the breach is not designated to deal with breaches, they should inform a designated person immediately taking due consideration of who could be implicated in the case. The designated person is the s.151 officer for the administering authority or in the event that the s.151 is not available or indeed is implicated in the breach, the Monitoring Officer for the administering authority.
2. A designated person should investigate if there is a reasonable cause to believe a breach has occurred by firstly checking the register and the traffic light framework by contacting a Senior Officer of the Pension Fund.
3. If the designated person has no reasonable cause to believe that a breach has occurred there is no duty to report the case to the Pensions Regulator.
4. The designated person should clarify the facts around the suspected breach and obtain any clarification of the law that may be required, liaising with other appropriate people as considered necessary with due regard to who could be implicated in the case.
5. Consider whether the breach is likely to be of material significance to the Pensions Regulator. If it is considered to be very serious it must be reported immediately to the Pensions Regulator. If this is the case a written report can be preceded by a telephone call to the Pensions Regulator. Any breach that is so serious that it must always be reported to the Pensions Regulator will always be recorded as a red category breach in the register. If the breach is considered not to be of material significance to the Pensions Regulator and is a clear-cut green breach then it does not need to be reported to the Pensions Regulator but should be recorded as a green category breach in the register.
6. If the breach is considered to be red, but not so serious that it needs to be notified to the Pensions Regulator immediately, a report should be sent to the Pensions Regulator as soon as is reasonably practicable ensuring that any delay will not result in the breach becoming more serious thereby incurring the risk of the Pensions Regulator issuing a civil penalty (see section 7 of this guide). Good practice would provide that such a case is reported within 10 working days.
7. If the breach is considered to be an amber breach (not a clear-cut red or green breach) further consideration needs to be given to the case by further considering the context of the case and how it relates to the principles of cause, effect, reaction and wider implication. Good practice would provide that such a case is dealt with within 20 working days.
8. It may be that the breach needs to be referred to the appropriate level of seniority at which decisions can be made on whether to report to the Pensions Regulator but consider who may be implicated in the breach of the law when discussing your suspicions with other individuals.

9. If the breach is a particularly difficult case seek input from relevant experts. This may require a sub-committee of the local Pension Board to be appointed to discuss the events leading up to the reporter's suspicion that a breach of the law may have occurred.
10. Keep in mind the appropriate timeframe for submitting a report to the Pensions Regulator (i.e. green cases do not need reporting, red cases should be reported immediately or if not within 10 working days and amber cases should be considered and acted upon within 20 working days and where ultimately deemed to be in the red category, reported immediately or within 10 working days, at the point within that timeframe, that a decision has been made).
11. Once the decision has been made that the breach falls into the red category, submit a report on the breach to the Pensions Regulator in accordance with the guidance provided in section 6.
12. If it is decided that the breach is not of material significance and so should not be reported to the Pensions Regulator update the register and close the case.
13. Where a report has been submitted to the Pensions Regulator, the reporter must ensure that they receive an acknowledgement from the Pensions Regulator within 5 working days of submitting the report. If not, the reporter should contact the Pensions Regulator to ensure that the report has been received.
14. Ensure that the register is updated at each stage of the process so that the case can be monitored and dealt with effectively and efficiently.

NOTE: The register is held by the Pension Fund. All updates to the register should be made by the reporting officer in conjunction with a Senior Officer of the Pension Fund taking into account who may be implicated in the breach.

6 HOW SHOULD REPORTS BE MADE?

All reports of material breaches must be made in writing to the Pensions Regulator as soon as is reasonably practicable. They should be sent preferably to the Pensions Regulator via its online system, 'Exchange' at www.tpr.gov.uk/exchange, but can be sent by post to The Pensions Regulator, Napier House, Trafalgar Place, Brighton, BN1 4DW, or electronically to customersupport@tpr.gov.uk or by calling 0345 600 0707.

The report should be dated and include as a minimum the following details:

- Full name of the scheme;
- Description of the breach or breaches;
- Any relevant dates;
- Name of the Scheme employer and/or Scheme Manager;
- Name, position and contact details of the person reporting the breach;
- The role of the person reporting the breach in relation to the Scheme.

Further information should be supplied wherever possible including for example:

- The reason the breach is thought to be of material significance;
- The address of the Scheme;
- The contact details of the Scheme Manager (The Royal Borough of Windsor & Maidenhead);
- Whether the concern has previously been reported.

If the matter of concern is considered to be particularly serious a phone call can be made to the Pensions Regulator prior to the submission of a written report.

7 FAILURE TO REPORT A BREACH OF THE LAW

Failure by any person to comply with their obligation to report breaches of the law to the Pension Regulator is a 'civil offence' unless a 'reasonable excuse' can be given.

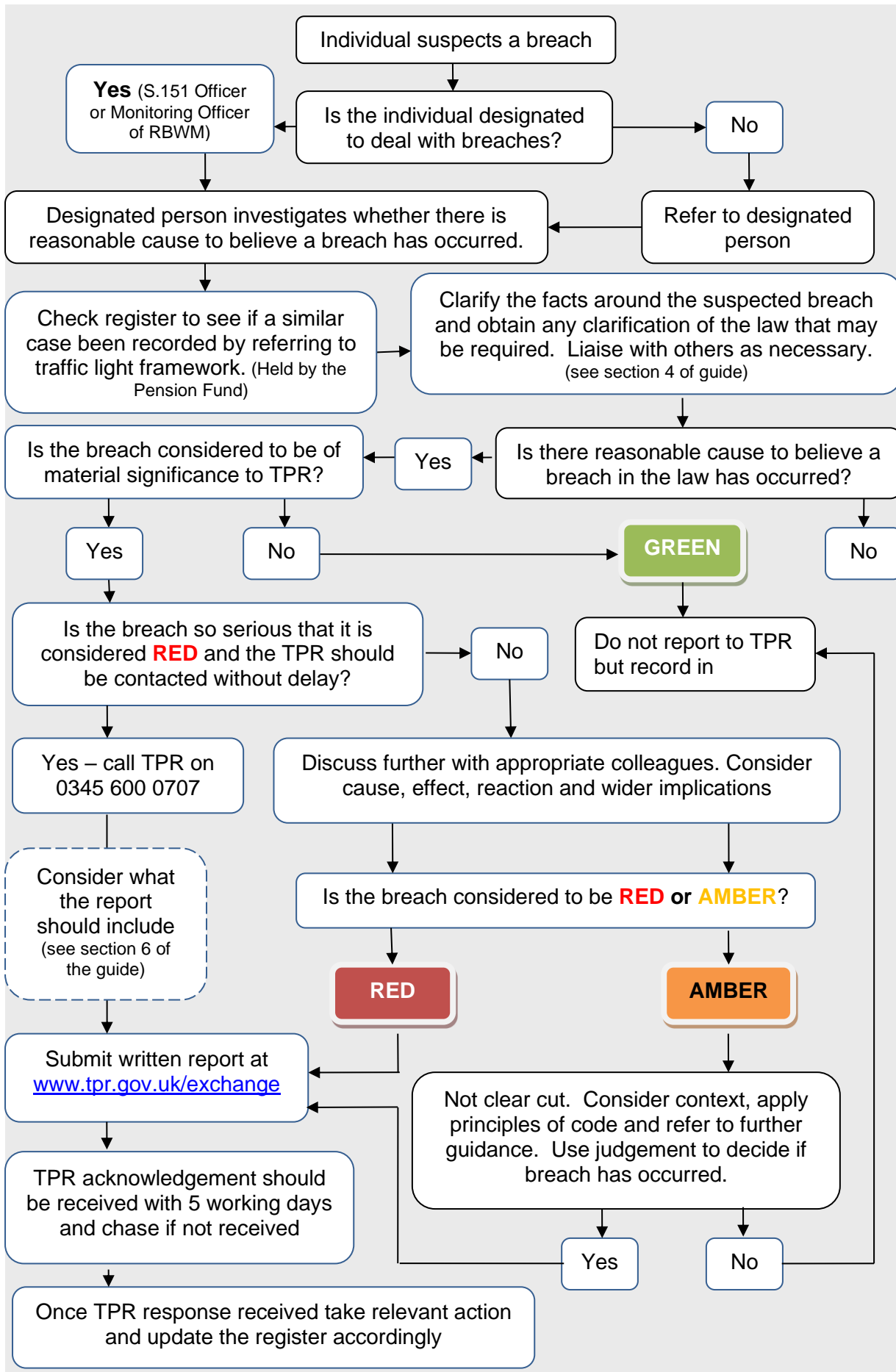
To decide if a report has a reasonable excuse for not reporting a breach, or reporting a breach later than would be expected, The Pensions Regulator may consider the following:

- The legislation, case law and codes of practice issued by the Pensions Regulator;
- The role of the reporter in relation to the Scheme;
- The training provided to the reporter and the level of knowledge that the reporter could reasonably be expected to have;
- The procedures put in place to identify and evaluate breaches and whether those procedures have been followed;
- The seriousness of the breach and whether or not the breach should have been reported immediately;
- Any reasons given for a delay in the report;
- Any other relevant considerations relating to the case in question.

If the Pensions Regulator considers issuing a civil penalty, a warning notice will be sent to the affected party or parties identifying the alleged breach. In addition, the Pensions Regulator may consider it appropriate to make a complaint to the reporters professional or other governing body.

ANNEX 1 – FLOWCHART - REPORTING BREACHES OF THE LAW TO TPR

DRAFT



ANNEX 2 – TEMPLATE BREACHES REGISTER

POTENTIAL INVESTIGATION OUTCOMES				
	CAUSE	EFFECT	REACTION	WIDER IMPLICATIONS
BREACH DETAILS				
DATE IDENTIFIED				
RED				
AMBER				
GREEN				
DATE REVIEWED BY RESPONSIBLE PERSON				
OUTCOME AND ACTION TAKEN				
NAME OF REPORTER AND DATE REPORTED TO TPR				
TPR RESPONSE				
ACTION TAKEN				



**SERVICE LEVEL AGREEMENT BETWEEN THE
ROYAL BOROUGH OF WINDSOR & MAIDENHEAD
AS ADMINISTERING AUTHORITY AND THE
THE PENSION ADMINISTRATION TEAM**

CONTENTS

1. INTRODUCTION.....	3
2. ADMINISTRATION OF THE LGPS	3
3. SCHEME COMMUNICATIONS	4
4. COMPLAINTS PROCEDURE.....	4
5. GENERAL.....	4

DRAFT

1. INTRODUCTION

The Royal Borough of Windsor & Maidenhead (RBWM) is the Administering Authority for the Royal County of Berkshire Pension Fund (RCBPF). As such, RBWM has certain statutory responsibilities for the administration of the Local Government Pension Scheme (LGPS) in Berkshire. This includes the six Unitary Authorities (of which RBWM is one) and around 270 other associated employers who make up the membership of the Pension Fund.

The Administering Authority has ultimate responsibility for interpreting and implementing statutory LGPS regulations, which includes setting an investment strategy, for receiving monies due to and paying monies owing from the Fund and for making sure that it has robust systems and processes in place to ensure that the scheme is administered in line with scheme regulations and within prescribed levels of performance.

This document has been prepared as a service level agreement between the Administering Authority and the Pension Fund administration team and sets out service standards or 'promises' of the level of service that the team will provide to ensure that the Administering Authority achieves its statutory responsibilities.

2. ADMINISTRATION OF THE LGPS

The pension administration team will:

- 2.1. Maintain a member database of all current, deferred and retired members (including their dependants) of the scheme along with historical data relating to former scheme members who have a right to claim a refund of contributions but have not elected to do so (frozen refunds), former members who no longer have a liability within the Fund (benefits transferred out of the scheme), employees who have opted out of the Scheme for whom an opting out form must be retained and former now deceased members.
- 2.2. Provide an efficient, effective and courteous administration service.
- 2.3. Calculate member benefits in accordance with Scheme regulations.
- 2.4. Provide a pension payroll service to all retired Scheme members and their dependants.
- 2.5. Ensure that pension payments are made on the correct date and that all lump sum payments are made as soon as possible following the retirement of the Scheme member.
- 2.6. Provide current and deferred members with an annual benefit statement.
- 2.7. Ensure that all new Scheme members receive an access key to 'my pension ONLINE' with details of how to access a formal notification of membership and other relevant Scheme information.
- 2.8. Notify all retired scheme members of the annual increase to their pension benefits.

- 2.9. Provide a payslip to retired members of the Scheme in April every year and any subsequent month where there is at least a £0.50 variance in net pay.
- 2.10. Provide a P60 to every retired Scheme member within HMRC (HM Revenue and Customs) deadlines.
- 2.11. Perform other administrative tasks in line with the service standards laid down in a service level agreement with Scheme employers.

3. SCHEME COMMUNICATIONS

The pension administration team will:

- 3.1. Maintain and update a website for all members of the LGPS and provide a dedicated area for Scheme employers to assist them in administering the scheme on behalf of their employees.
- 3.2. Inform all scheme members of significant changes to the LGPS along with RCBPF updates by way of an (at least) annual newsletter.
- 3.3. Inform all scheme employers of significant changes to the LGPS along with RCBPF updates by way of a (at least) bi-annual scheme employer bulletin containing details of the most recent pension issues and action to be taken by employers.
- 3.4. Produce, publish and maintain a suite of scheme guides and factsheets to assist scheme members in understanding their pension rights and options.
- 3.5. Offer pension surgeries, presentations and open days to be held across the County of Berkshire.
- 3.6. Respond to letters and emails within 10 working days.

4. COMPLAINTS PROCEDURE

- 4.1. The pension administration team has a commitment to put things right if they go wrong and will investigate any complaint received within 10 working days.
- 4.2. If the team are unable to resolve a complaint the member has a right to appeal under the Internal Disputes Resolution Procedure (IDRP) which is a 3-stage appeal process set out in the regulations.

5. GENERAL

The pension administration team will:

- 5.1. Deal with member enquiries in a professional, polite and friendly way and offer guidance to scheme members as appropriate without giving financial or taxation advice.

- 5.2. Make available confidential interview facilities as required.
- 5.3. Maintain and report on performance statistics on a regular basis
- 5.4. Provide information for completion of an administration report to be presented to members of the Pension Fund Committee, Pension Fund Advisory Panel and Pension Board.
- 5.5. Provide information for the Annual Report and Financial Accounts of the Pension Fund.
- 5.6. Maintain the member database in accordance with the General Data Protection Regulations 2018 and issue a Privacy Notice explaining how the Pension Fund collects data, what the data is used for, with whom the data is shared and the rights of individuals about their data.
- 5.7. Ensure that annual budgets are set and monitored as appropriate, including the prior agreement of any recharge arrangements between RBWM and RCBPF. Budgets and recharge agreements are set in the annual business plan.

TRAINING FRAMEWORK FOR BERKSHIRE PENSION FUND COMMITTEE AND ADVISORY PANEL MEMBERS (2022/23)

1. Introduction

Pension Fund Committee and Advisory Panel Members must ensure that their knowledge and understanding of the rules, regulations and laws governing LGPS funds are kept up to date. Regular training must be made available to enable decision makers to undertake their duties appropriately, to make informed decision as well as provide necessary challenge on various RCBPF decisions that are required to be taken by the Pension Fund Committee.

In line with best practice, a training framework is presented within this document, that is refreshed annually, focussing on several compulsory training items along with several options but highly recommended training items.

Pension Fund Committee and Advisory Panel members are required to keep a record of their training, which is collated into a training log and published as an appendix to the annual governance compliance statement following the Hymans Robertson Good Governance: Phase 3 Report to the SAB.

2. Essential Training

The Pension Regulator's (tPR) public service pensions toolkit contains seven modules that must be completed at least once by Pension Fund Committee and Advisory Panel members and should be revisited on a regular basis or as and when members feel there are possible gaps in the knowledge and understanding required to undertake their duties.

Training Item	Description	Trainer	Further Information
Conflicts of interest	Learn what conflicts of interest are, how important it is to be aware of them and their potential impact	tPR Public Service toolkit	https://www.thepensionsregulator.gov.uk/en/public-service-pension-schemes
Managing risk and internal controls	Learn how to identify, evaluate, manage and monitor scheme risks. You will also learn about internal controls to mitigate risk.	tPR Public Service toolkit	https://www.thepensionsregulator.gov.uk/en/public-service-pension-schemes
Maintaining accurate member data	Learn about the requirement for maintaining complete and accurate member data. You will also learn about other records that must be kept.	tPR Public Service toolkit	https://www.thepensionsregulator.gov.uk/en/public-service-pension-schemes
Maintaining member contributions	Learn about the requirement to monitor member contributions and how to manage overdue contributions.	tPR Public Service toolkit	https://www.thepensionsregulator.gov.uk/en/public-service-pension-schemes
Providing information to members and others	Learn about the information different types of schemes are required to provide.	tPR Public Service toolkit	https://www.thepensionsregulator.gov.uk/en/public-service-pension-schemes
Resolving internal disputes	Learn about the requirement for schemes to have an Internal Dispute Resolution Procedure (IDRP).	tPR Public Service toolkit	https://www.thepensionsregulator.gov.uk/en/public-service-pension-schemes
Reporting breaches of the law	Learn about the requirement to report certain breaches of the law to the Regulator. You will also learn about the traffic light framework.	tPR Public Service toolkit	https://www.thepensionsregulator.gov.uk/en/public-service-pension-schemes

3. Additional Training

Investment matters

In between quarterly Pension Fund Committee meetings, the Local Pensions Partnership (Investments) Limited (LPPI) attend a meeting with Fund officers and Committee members. This is referred to as the “LPPI/RCBPF intra-quarter meeting”. The agenda is usually focussed on upcoming matters to be discussed and approved at the next Committee meeting. Since September 2021, where possible this forum has incorporated a training session to sync with the main topic of discussion at the upcoming Committee meeting. Examples of what was covered in 2021/22 includes (but not limited to); SAA training, currency hedging training, real-assets portfolio training, risk appetite statement metric training. The intention is for this process to continue through 2022/23 and Committee members are advised to attend these sessions where possible and to suggest specific topics for training where possible.

Funding matters

At least quarterly, Fund officers hold a general training and update session with technical matters usually presented by the Fund’s actuary Barnett Waddingham. Examples of sessions delivered by the actuary in the past year includes (but not limited to); technical training on actuarial matters (such as discounting, funding etc.), funding and contributions training at the annual meeting, and longevity contract training. These training sessions plan to continue through 2022/23, either as standalone items or during Committee pre-meetings. Committee and Advisory Panel members are advised to attend these sessions where possible.

General and other matters

In addition to the desirable training sessions detailed above, third parties that the Fund has existing relationships with such as the Fund actuary, the custodian bank, LAPFF and the PLSA routinely arrange both formal and informal wide-audience training sessions on a range of topics from general LGPS overviews to specific matters such as asset valuation, IAS19 accounting reports and responsible investment. Where Fund officers are made aware of these sessions, details are circulated to Committee and Advisory Panel members to encourage attendance.

From time-to-time, Fund officers may arrange for external third parties to attend a group session to provide training on a specific matter. This will largely be on an ad-hoc basis where Committee, Advisory Panel or Fund officers feel that there is a current knowledge gap in this area. Generally, the Fund will look to use existing relationships but external parties may be contacted if better suited for the provision of such training.

The Fund’s two independent advisors (independent investment advisor and independent strategy and governance advisor) may be asked on an adhoc basis to provide a training session on a particular matter or issue where it is felt there is a knowledge gap.

Pension Fund Committee and Advisory Panel members may from time to time attend in-person and virtual conferences, seminars and forums. These events usually contain several useful training sessions on general and specific matters. Attendance to these sessions is encouraged and where not explicitly arranged by Fund officers, should be independently recorded in members’ training logs (or Fund officers should be informed to record in the training logs).

4. Budget

Training and development is seen as a crucial part of Committee and Advisory Panel members being equipped with the right knowledge and skill set to be able to effectively undertake their duties. Therefore, training and development resources, where reasonable, will be made available by the Fund and paid for out of existing administrative budgets. Whilst a specific budget for training and development is not ringfenced by the Fund in 2022/23, the 2022/23 business plan does state that “training and development resources are available” so expenses directly linked to the provision of essential and desirable training will be supported and made available by the Fund prior to agreement in advance by the Head of Pension Fund and the Administering Authority.

BERKSHIRE PENSION BOARD - TRAINING LOG

Training Framework	AC	AP	JF	NC	TP
TPR's Public Sector Online Toolkit (7 modules):					
Conflicts of Interest					
Managing Risk and Internal Control					
Maintaining Accurate Records					
Maintaining Member Contributions					
Providing Information to Members and Others					
Resolving Internal Disputes					
Reporting Breaches of the Law					

Key:	AC: Alan Cross
	AP: Arthur Parker
	JF: Jeff Ford
	NC: Nikki Craig
	TP: Tony Pettitt

TPR Code of Practice No.14					
Governing Your Scheme	3	3	3	3	3
Managing Risks	4	3	3	3	4
Administration	3	3	3	2	4
Resolving Issues	4	3	3	3	3

Pensions Legislation					
The Legislative Framework for Pensions in the UK	3	3	1	2	3
LGPS Regulations and Statutory Guidance	4	2	4	2	3
LGPS Discretions	4	2	2	2	4
Other Legislation	2	2	1	2	2

Pensions Governance					
Understanding National and Local Governance Structure	3	2	2	2	3
Knowledge of Pension Fund Stakeholders	4	2	2	2	3
Knowledge of Pension Fund Stakeholder Consultation and Communication	3	2	1	2	3
Governance Policies	3	2	3	3	4

Pension Administration					
Understanding Best Practice	3	3	3	2	3
Interaction with HMRC	2	2	1	2	3
Additional Voluntary Contributions	3	3	3	2	3
The Role of the Scheme Employer	4	4	3	2	4
Stewardship Report	3	2	2	2	3

Pensions Accounting and Auditing Standards					
Understanding the Accounts and Audit Regulations	5	4	2	2	4
The Role of Internal and External Audit	5	5	2	2	4
Third Party Contracts	3	2	1	2	4

Investment Performance and Risk Management					
Monitoring Assets and Assessing Long-Term Risk	3	2	2	2	4
Myners Principles of Performance Management	3	1	1	2	3
Awareness of Support Services	3	2	2	2	3
Understanding Risk and Return of Fund Assets	3	3	2	2	3
Understanding the Financial Markets	3	3	2	2	3
LGPS (Management and Investment of Funds) Regulations	3	2	2	2	3
HMRC and Overseas Taxation	3	1	1	2	3

Actuarial Methods , standards and practices					
General understanding of the role of the fund actuary	3	3	2	3	4
Knowledge of valuation process	3	3	3	2	4
Monitoring ill health and strain costs	3	3	3	2	4
Impact of employers joining and leaving the fund	3	3	3	2	3
Understanding outsourcing and bulk transfers	3	3	1	3	3
Employer covenants	3	2	3	2	4

Procurement and Relationship Management					
Public Procurement Policy and Procedures	3	2	2	3	4
Brief Overview of UK and EU Procurement Legislation	3	2	2	3	4
How the Pension Fund Monitors and Manages its Outsourced Providers	3	2	2	2	3

Date	Additional Training	AC	AP	JF	NC	TP
03/08/2015	Induction Training					
18/01/2016	Overview of the LGPS Training					
Jun-16	LGPS Introduction and Benefits Training - UNISON					
14/02/2017	Investment training delivered by Nick Greenwood					
Jun-18	Pension Board Member's Annual Event					
Jun-19	Pension Board Member's Annual Event					
04/09/2019	Training Day - BW & LPP					
16/12/2019	Governance overview of the LGPS					
06/10/2020	LGA Fundamentals on line - Legal Structure of LGPS					
07/10/2020	LGA Fundamentals on line - Investment Framework of LGPS					
08/10/2020	LGA Fundamentals on line - Governance and Oversight of the LGPS					
18/11/2020	AON Webinar Cyber Risk in the LGPS					
26/01/2021	LGPS Update - LGA Webinar					
26/01/2021	Overview of the LGPS - Barnett Waddingham					
18/02/2021	Spring seminar - Barnett Waddingham/CIPFA					
03/02/2021	LGPS-Live					
23/06/2021	Barnett Waddingham / CIPFA Annual LPB Members Seminar					
21/09/2021	Mercer - LGPS: Setting a course to net zero					

ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

EQUALITY IMPACT ASSESSMENT

EqIA : Governance Compliance Statement

Essential information

Items to be assessed: (please mark 'x')

Strategy		Policy	x	Plan		Project		Service/Procedure	
----------	--	--------	---	------	--	---------	--	-------------------	--

Responsible officer	Damien Pantling	Service area	Pension Fund	Directorate	Finance
---------------------	-----------------	--------------	--------------	-------------	---------

Stage 1: EqIA Screening (mandatory)	Date created: 05/05/2022	Stage 2 : Full assessment (if applicable)	N/A
--	--------------------------	--	-----

Approved by Head of Service / Overseeing group/body / Project Sponsor:

"I am satisfied that an equality impact has been undertaken adequately."

Signed by (print):

Dated:

ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

EQUALITY IMPACT ASSESSMENT

EqlA : Governance Compliance Statement

Guidance notes

What is an EqlA and why do we need to do it?

The Equality Act 2010 places a 'General Duty' on all public bodies to have 'due regard' to:

- Eliminating discrimination, harassment and victimisation and any other conduct prohibited under the Act.
- Advancing equality of opportunity between those with 'protected characteristics' and those without them.
- Fostering good relations between those with 'protected characteristics' and those without them.

EqlAs are a systematic way of taking equal opportunities into consideration when making a decision, and should be conducted when there is a new or reviewed strategy, policy, plan, project, service or procedure in order to determine whether there will likely be a detrimental and/or disproportionate impact on particular groups, including those within the workforce and customer/public groups. All completed EqlA Screenings are required to be publicly available on the council's website once they have been signed off by the relevant Head of Service or Strategic/Policy/Operational Group or Project Sponsor.

What are the "protected characteristics" under the law?

The following are protected characteristics under the Equality Act 2010: age; disability (including physical, learning and mental health conditions); gender reassignment; marriage and civil partnership; pregnancy and maternity; race; religion or belief; sex; sexual orientation.

What's the process for conducting an EqlA?

The process for conducting an EqlA is set out at the end of this document. In brief, a Screening Assessment should be conducted for every new or reviewed strategy, policy, plan, project, service or procedure and the outcome of the Screening Assessment will indicate whether a Full Assessment should be undertaken.

Openness and transparency

RBWM has a 'Specific Duty' to publish information about people affected by our policies and practices. Your completed assessment should be sent to the Strategy & Performance Team for publication to the RBWM website once it has been signed off by the relevant manager, and/or Strategic, Policy, or Operational Group. If your proposals are being made to Cabinet or any other Committee, please append a copy of your completed Screening or Full Assessment to your report.

Enforcement

Judicial review of an authority can be taken by any person, including the Equality and Human Rights Commission (EHRC) or a group of people, with an interest, in respect of alleged failure to comply with the general equality duty. Only the EHRC can enforce the specific duties. A failure to comply with the specific duties may however be used as evidence of a failure to comply with the general duty.

ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD
EQUALITY IMPACT ASSESSMENT
EqlA : Governance Compliance Statement

Stage 1 : Screening (Mandatory)

1.1 What is the overall aim of your proposed strategy/policy/project etc and what are its key objectives?

Good governance in the LGPS involves ensuring that the Fund is managed in line with best industry practice as opposed to simply complying with the statutory regulations. This report deals with three separate non-statutory policies that are to be reviewed by the Pension Fund Committee at regular intervals in line with best practice.

Ensuring that the Fund has a policy around assessing and reporting breaches of the law to the Pensions Regulator, a service level agreement between the Fund and the Administering Authority and a training policy and log in place enables the Fund to be managed effectively.

These three policies have been previously approved by the Pension Fund Committee and have been reviewed and refreshed as part of the Fund's periodic policy review.

1.2 What evidence is available to suggest that your proposal could have an impact on people (including staff and customers) with protected characteristics? Consider each of the protected characteristics in turn and identify whether your proposal is Relevant or Not Relevant to that characteristic. If Relevant, please assess the level of impact as either High / Medium / Low and whether the impact is Positive (i.e. contributes to promoting equality or improving relations within an equality group) or Negative (i.e. could disadvantage them). Please document your evidence for each assessment you make, including a justification of why you may have identified the proposal as "Not Relevant".

ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

EQUALITY IMPACT ASSESSMENT

EqlA : Governance Compliance Statement

Protected characteristics	Relevance	Level	Positive/negative	Evidence
Age			N/A	Key data: The estimated median age of the local population is 42.6yrs [Source: ONS mid-year estimates 2020]. An estimated 20.2% of the local population are aged 0-15, and estimated 61% of the local population are aged 16-64yrs and an estimated 18.9% of the local population are aged 65+yrs. [Source: ONS mid-year estimates 2020 , taken from Berkshire Observatory]
Disability			N/A	
Gender re-assignment			N/A	
Marriage/civil partnership			N/A	
Pregnancy and maternity			N/A	
Race			N/A	Key data: The 2011 Census indicates that 86.1% of the local population is White and 13.9% of the local population is BAME. The borough has a higher Asian/Asian British population (9.6%) than the South East (5.2%) and England (7.8%). The forthcoming 2021 Census data is expected to show a rise in the BAME population. [Source: 2011 Census, taken from Berkshire Observatory]
Religion and belief			N/A	Key data: The 2011 Census indicates that 62.3% of the local population is Christian, 21.7% no religion, 3.9% Muslim, 2% Sikh, 1.8% Hindu, 0.5% Buddhist, 0.4% other religion, and 0.3% Jewish. [Source: 2011 Census, taken from Berkshire Observatory]
Sex			N/A	Key data: In 2020 an estimated 49.6% of the local population is male and 50.4% female. [Source: ONS mid-year estimates 2020 , taken from Berkshire Observatory]
Sexual orientation			N/A	

ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

EQUALITY IMPACT ASSESSMENT

EqlA : Governance Compliance Statement

Outcome, action and public reporting

Screening Assessment Outcome	Yes / No / Not at this stage	Further Action Required / Action to be taken	Responsible Officer and / or Lead Strategic Group	Timescale for Resolution of negative impact / Delivery of positive impact
Was a significant level of negative impact identified?	No	No	Damien Pantling	N/A
Does the strategy, policy, plan etc require amendment to have a positive impact?	No	No	Damien Pantling	N/A

If you answered **yes** to either / both of the questions above a Full Assessment is advisable and so please proceed to Stage 2. If you answered “No” or “Not at this Stage” to either / both of the questions above please consider any next steps that may be taken (e.g. monitor future impacts as part of implementation, re-screen the project at its next delivery milestone etc).

ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

EQUALITY IMPACT ASSESSMENT

EqlA : Governance Compliance Statement

Stage 2 : Full assessment

2.1 : Scope and define

2.1.1 Who are the main beneficiaries of the proposed strategy / policy / plan / project / service / procedure? List the groups who the work is targeting/aimed at.

N/A – No full assessment required

2.1.2 Who has been involved in the creation of the proposed strategy / policy / plan / project / service / procedure? List those groups who the work is targeting/aimed at.

N/A – No full assessment required

139

ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

EQUALITY IMPACT ASSESSMENT

EqIA : Governance Compliance Statement

2.2 : Information gathering/evidence

2.2.1 What secondary data have you used in this assessment? *Common sources of secondary data include: censuses, organisational records.*

N/A – No full assessment required

2.2.2 What primary data have you used to inform this assessment? *Common sources of primary data include: consultation through interviews, focus groups, questionnaires.*

N/A – No full assessment required

ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

EQUALITY IMPACT ASSESSMENT

EqlA : Governance Compliance Statement

Eliminate discrimination, harassment, victimisation

Protected Characteristic	Advancing the Equality Duty : Does the proposal advance the Equality Duty Statement in relation to the protected characteristic (Yes/No)	If yes, to what level? (High / Medium / Low)	Negative impact : Does the proposal disadvantage them (Yes / No)	If yes, to what level? (High / Medium / Low)	Please provide explanatory detail relating to your assessment and outline any key actions to (a) advance the Equality Duty and (b) reduce negative impact on each protected characteristic.
Age					
Disability					
Gender reassignment					
Marriage and civil partnership					
Pregnancy and maternity					
Race					
Religion and belief					
Sex					
Sexual orientation					

141

ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

EQUALITY IMPACT ASSESSMENT

EqlA : Governance Compliance Statement

Advance equality of opportunity

Protected Characteristic	Advancing the Equality Duty : Does the proposal advance the Equality Duty Statement in relation to the protected characteristic (Yes/No)	If yes, to what level? (High / Medium / Low)	Negative impact : Does the proposal disadvantage them (Yes / No)	If yes, to what level? (High / Medium / Low)	Please provide explanatory detail relating to your assessment and outline any key actions to (a) advance the Equality Duty and (b) reduce negative impact on each protected characteristic.
Age					
Disability					
Gender reassignment					
Marriage and civil partnership					
Pregnancy and maternity					
Race					
Religion and belief					
Sex					
Sexual orientation					

142

ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

EQUALITY IMPACT ASSESSMENT

EqlA : Governance Compliance Statement

Foster good relations

Protected Characteristic	Advancing the Equality Duty : Does the proposal advance the Equality Duty Statement in relation to the protected characteristic (Yes/No)	If yes, to what level? (High / Medium / Low)	Negative impact : Does the proposal disadvantage them (Yes / No)	If yes, to what level? (High / Medium / Low)	Please provide explanatory detail relating to your assessment and outline any key actions to (a) advance the Equality Duty and (b) reduce negative impact on each protected characteristic.
Age					
Disability					
Gender reassignment					
Marriage and civil partnership					
Pregnancy and maternity					
Race					
Religion and belief					
Sex					
Sexual orientation					

143

2.4 Has your delivery plan been updated to incorporate the activities identified in this assessment to mitigate any identified negative impacts? If so please summarise any updates.

These could be service, equality, project or other delivery plans. If you did not have sufficient data to complete a thorough impact assessment, then an action should be incorporated to collect this information in the future.

N/A – No full assessment required

ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD
EQUALITY IMPACT ASSESSMENT
EqIA : Governance Compliance Statement

Report Title:	Responsible Investment
Contains Confidential or Exempt Information	No - Part I
Lead Member:	Councillor Julian Sharpe, Chairman Pension Fund Committee and Advisory Panel
Meeting and Date:	Pension Fund Committee 4 July 2022
Responsible Officer(s):	Damien Pantling, Head of Pension Fund
Wards affected:	None

www.rbwm.gov.uk



REPORT SUMMARY

Whilst responsible investing and ESG have always been guiding principles in the Fund's investment strategy, the decision to pool funds with LPPI from 1 June 2018 enabled more active monitoring and consolidation of its responsible investment outcomes.

The Pension Fund Committee agreed and released an Environmental, Social and Governance (ESG) public statement in late 2020 clarifying its commitment to long-term responsible investment of pension savings. Following this, the fund approved an updated Responsible Investment (RI) policy on 22 March 2021 supported by several values, principles, and priorities.

This report aims to update the reader quarterly on the Fund's responsible investment activities and outcomes through presenting an RI report and dashboard – noting that climate change is one of the underlying priorities in the Fund's RI policy and therefore carries material weight in this update. This report also seeks to provide the reader with a suite of key engagement activities undertaken on behalf of the Fund and the outcomes of these engagements.

In addition, this report seeks to update the reader on LPPI's latest shareholder voting policy and voting guidelines along with LPPI's approach to engagement.

1. DETAILS OF RECOMMENDATION(S)

RECOMMENDATION: That the Pension Fund Committee notes the report;

- i) Acknowledges the Fund's RI dashboard, RI report, active engagement report and achievement of associated outcomes, and;**
- ii) Acknowledges LPPI's latest shareholder voting policy, updated voting guidelines and engagement policy.**

2. REASON(S) FOR RECOMMENDATION(S) AND OPTIONS CONSIDERED

- 2.1 Since 1 June 2018, all Fund investments have been pooled and are actively managed by the Fund's Investment Manager LPPI. Responsible investing is an underpinning principal of LPPI's investment approach and is documented by a suite of detailed RI policies and reports available on their website.
- 2.2 From December 2021, the Fund has reported publicly on its implementation and outcomes concerning responsible investment. The report and dashboard as at Q1 2022 (or Q4 2021/22) are included at Appendix 1 and Appendix 2 to this report.
- 2.3 Notably, the report shows full "green/brown" portfolio exposures to all of the Fund's equity assets (listed equity, private equity, and infrastructure) plus corporate bonds within fixed income. The key takeaways from this analysis are as follows:
 - 2.3.1 Investments in brown sectors (extraction, transportation, storage, supply, and generation of energy from fossil fuels) make up just 1.10% of the portfolio.
 - 2.3.2 Investments in green sectors (renewable energy generation, clean technology, and decarbonising activities) make up over 3.52% of the portfolio.
- 2.4 As illustrated above, the green exposure significantly outweighs the brown exposure within the identified portfolio, underpinning the principle of "net" zero. Further work is being undertaken by LPPI to report on the green/brown exposure of the whole Fund and this shall be reported in due course.
- 2.5 As detailed in the Fund's Responsible Investment policy, "the RCBPF considers engagement to be a route for exerting a positive influence over investee companies and encouraging responsible corporate behaviour." The Fund has appointed an engagement partner to ensure active engagement with companies across its credit and equity portfolios, seeking to improve a company's behaviour on ESG (Environmental, Social and Governance) related issues. The Fund's active engagement outcomes are reported as at Q1 2022 (or Q4 2021/22) at Appendix 3.
- 2.6 LPPI's engagement policy (published December 2020) has not yet been brought to the Pension Fund Committee for review and is being provided alongside the other key documents in this report for review as part of this RI update. This policy document was prepared by LPPI in response to EU Legislation SRD II, as adapted by the FCA for UK asset managers, however, SRD II is not yet a requirement under the LGPS investment regs and is provided for information purposes only in line with best practice, to provide context to the shareholder voting policy. Providing additional Responsible Investment policy documents that are not yet required under LGPS investment regulations demonstrates the Fund's commitment to RI and good governance. LPPI's shareholder engagement policy can be found at Appendix 4.
- 2.7 Since the last review of LPPI's shareholder voting policy in March 2021, there have been no material changes. However, LPPI have since published

shareholder voting guidelines (August 2021) which compliments the voting policy document. Both the policy and the guidelines are appended to this report for review and comment (Appendix 5 & 6).

- 2.8 The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 require Fund's to set out their "policy on the exercise of their rights (including voting rights) attaching to investments" within the Investment Strategy Statement (ISS). The latest revision of the ISS (March 2022) prescribes that these responsibilities are delegated to LPPI. Consequentially, LPPI's shareholder voting policy indirectly applies to the Fund and should therefore be reviewed at regular intervals by the Fund. The last date of review was March 2021
- 2.9 The Pensions Regulator also expects the Fund to have voting and engagement as key themes within its RI policy. The RI policy is currently under review by the Responsible Investment working group (the task and finish group), however, the position surrounding the adoption of LPPI's policies is unlikely to change in the short term. Any deviation from this position will require a further review of the Fund's ISS and extensive consultation.

3. KEY IMPLICATIONS

- 3.1 The Fund are receiving a growing number of Freedom of Information (FOI) requests regarding how the Fund's investment assets are being managed and invested responsibly. Moreover, the recent focus has been on environmental factors concerning carbon emissions and fossil-fuel exposure. The Fund's RI dashboard acts as a public document to be updated quarterly and aims to address the majority of public requests for information.
- 3.2 Responsible Investment is attracting increasing public, professional and regulatory interest. Failure to adopt and maintain a fit-for-purpose shareholder voting and engagement policy is likely to attract increasing criticism from the public, members of the Pension Fund, and the Pensions Regulator.
- 3.3 Whilst the Pension Fund Committee already agreed LPPI's shareholder voting policy in March 2021, the Committee since approved an updated ISS (March 2022) which set out the Fund's policy to fully delegate all shareholder voting and engagement to LPPI. Therefore, the policy documents appended to this report are for review and comment only as they have already been adopted and are in place.

4. FINANCIAL DETAILS / VALUE FOR MONEY

- 4.1 Net-zero strategy development and LPPI's recent decision to exclude extractive fossil fuel companies from its global equities fund has involved divesting from a relatively small opportunity set. However, these investments consumed disproportionate stewardship resources and the associated costs of maintaining these. Exclusion of these assets enables attention to move to a broader range

of sectors impacted by transition risk and are required to decarbonise, providing the fund with future opportunities and an improved framework to manage risk.

- 4.2 At present, the Fund’s investment performance and expected returns are not mutually exclusive to the achievement of its responsible investment policy outcomes. Therefore, the Fund’s fiduciary duty and ultimate goal to pay pensions is not adversely affected by implementation of its existing RI and ESG policies.
- 4.3 Well-governed companies are best equipped to manage business risks and opportunities, and this contributes to achieving optimum risk-adjusted returns over the long term.

5. LEGAL IMPLICATIONS

- 5.1 Reporting against RI metrics and making a net-zero commitment are not legal requirements. TCFD reporting requirements, when published, will be a legal requirements and legislated by DLUHC (Department for Levelling up, Housing and Communities). These requirements will likely involve penalties and levies by tPR for non-compliance. TCFD requirements shall be implemented in due course and the Fund shall monitor these developments carefully.
- 5.2 The Fund is compliant with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, by setting out its policy on the exercise of its rights (including voting rights) within the Investment Strategy Statement. The Fund’s policy as prescribed in its ISS is to outsource this function to LPPI. Consequentially, LPPI’s policies are indirectly adopted by the Fund making it compliant with the LGPS investment regs as well as other sets of underlying legislation that does not explicitly apply to the LGPS (such as the Shareholder Rights Directive II which focuses on shareholder engagement).

6. RISK MANAGEMENT

- 6.1 The below table relates to risk “PEN005” from the risk register considered and approved by Pension Fund Committee on 6 December 2021.

Table 1: Impact of risk and mitigation (PEN005)

Risk Description	Gross Risk Score	Mitigating Actions	Net Risk Score
Increased scrutiny on environmental, social and governance (ESG) issues, leading to reputational damage if not compliant. The administering authority declared an environmental and climate emergency in	27	1) Review ISS in relation to published best practice (e.g., Stewardship Code) . 2) Ensure fund managers are encouraged to engage and to follow the requirements of the published ISS. 3) The Fund is a member of the Local Authority Pension Fund Forum (LAPFF) and Pensions and Lifetime Savings Association (PLSA), which raises awareness of ESG issues and facilitates engagement with fund managers and company directors.	18

<p>June 2019, effect on Pension Fund is currently unknown. TCFD regulations impact on LGPS schemes currently unknown but expected to come into force during 2022/23.</p>		<p>4) An ESG statement and RI Policy was drafted for the Pension Fund as part of the ISS and approved in March 2021.</p> <p>5) Officers regularly attend training events on ESG and TCFD regulations to ensure stay up to date with latest guidance.</p> <p>6) LPPI manage the fund's investments and have their own strict ESG policies in place which align with those of the fund.</p>	
--	--	---	--

7. POTENTIAL IMPACTS

- 7.1 Equalities. Equality Impact Assessments are published on the [council's website](#). There are no EQIA impacts as a result of taking this decision. A completed EQIA has been attached at Appendix 5 to this report.
- 7.2 Climate change/sustainability. This report is centred around the topic of climate change and sustainability and such impacts are documented in detail through the report and its appendices.
- 7.3 Data Protection/GDPR. There are no additional data protection/GDPR considerations as a result of taking this decision

8. CONSULTATION

- 8.1 The Fund's Investment Advisor LPPI was consulted in preparing this report.

9. TIMETABLE FOR IMPLEMENTATION

- 9.1 Responsible investment outcomes are not subject to any specific timeline and are instead ongoing.

10. APPENDICES

- 10.1 This report is supported by 7 appendices:
- Appendix 1: Responsible Investment Report Q1 2022 (TO FOLLOW)
 - Appendix 2: Responsible Investment Dashboard Q1 2022 (TO FOLLOW)
 - Appendix 3: Active Engagement Report Q1 2022 (TO FOLLOW)
 - Appendix 4: LPPI Engagement policy
 - Appendix 5: LPPI Shareholder Voting Policy
 - Appendix 6: LPPI Shareholder Voting Guidelines

11. BACKGROUND DOCUMENTS

- 11.1 This report is supported by 2 background documents available at [Pension Fund Policies | Berkshire Pension Fund \(berkshirepensions.org.uk\)](#)
- Responsible Investment Policy (March 2021)
 - Environmental, Social and Governance (ESG) Statement (December 2020)

12. CONSULTATION (MANDATORY)

Name of consultee	Post held	Date sent	Date returned
<i>Mandatory:</i>		<i>Statutory Officers (or deputy)</i>	
Adele Taylor	Executive Director of Resources/S151 Officer		
Emma Duncan	Deputy Director of Law and Strategy / Monitoring Officer		
<i>Deputies:</i>			
Andrew Vallance	Head of Finance (Deputy S151 Officer)		
Elaine Browne	Head of Law (Deputy Monitoring Officer)		
Karen Shepherd	Head of Governance (Deputy Monitoring Officer)		
<i>Other consultees:</i>			
Cllr Julian Sharpe	Chairman – Berkshire Pension Fund Committee		

13. REPORT HISTORY

Decision type:	Urgency item?	To follow item?
Pension Fund Committee decision	Yes/No	Yes/No

Report Author: Damien Pantling, Head of Pension Fund

Local Pensions Partnership Investments Ltd

Shareholder Rights Directive II Engagement Policy

1. Introduction

This document presents the disclosures required of LPPI under Article 3g of the European Shareholder Rights Directive II (SRD II) which is implemented in the UK via Shareholder Rights Directive (Asset Managers and Insurers) Instrument 2019 (FCA 2019/68).

SRD II aims to promote effective stewardship and long-term investment decision making by the institutional investment community. It mandates enhanced transparency by investment firms through public disclosure on their approach to shareholder engagement.

2. Scope

LPPI is a regulated Alternative Investment Fund Manager (AIFM) investing on behalf of UK public sector pension funds. Our disclosures under SRD II relate to our investments in shares traded on regulated markets through our Global Equities Fund (GEF). The Fund invests across global equity markets through a combination of internally managed and third-party managed investments and is typically biased towards active management without constraints to invest according to any specific index construction.

Under SRD II we are required to disclose how LPPI:

1. integrates shareholder engagement within investment strategy
2. monitors investee companies on relevant matters, including:
 - a) strategy
 - b) financial and non-financial performance and risk
 - c) capital structure
 - d) social and environmental impact and corporate governance
3. conducts dialogues with investee companies
4. exercises voting rights and other rights attached to shares
5. cooperates with other shareholders
6. communicates with relevant stakeholders of investee companies
7. manages actual and potential conflicts of interests arising from its engagements.

As a long-term responsible investor, LPPI has existing policies in place which articulate an approach to responsible stewardship that applies to all the asset classes we invest in, these are publicly available from our company [website](#).

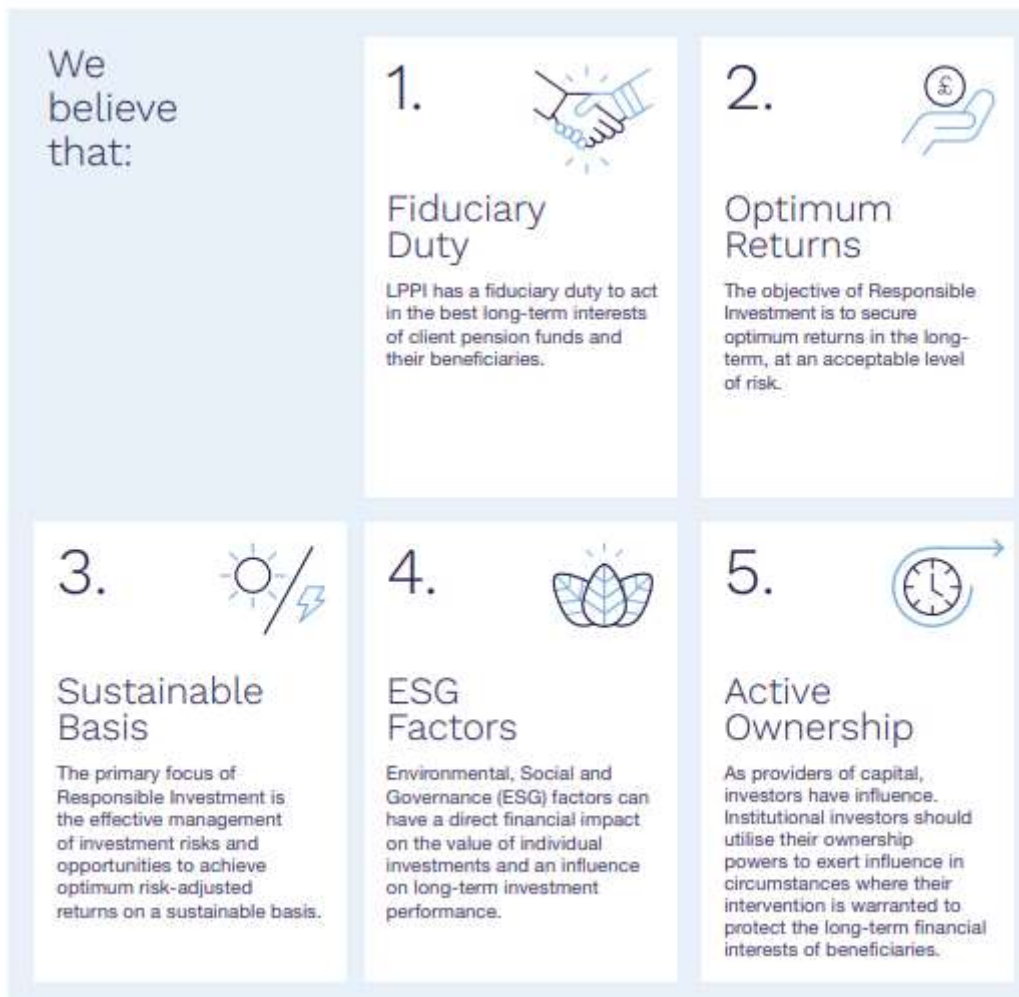
In focussing explicitly on listed equities here, we are inevitably condensing the detail and context explained more fully in our policies and in the disclosures we make on our stewardship activities as a signatory to the Principles for Responsible Investment and the UK Stewardship Code.

3. Disclosures

Integration of shareholder engagement

Our approach to stewardship applies to all the asset classes we manage on behalf of client pension funds and is explained in a Responsible Investment (RI) Policy and accompanying annexes which are publicly available from our [website](#):

Our RI Policy explains the beliefs, standards, procedures, and activities that underpin LPPI's approach to stewardship. Our arrangements are a translation of 5 core RI beliefs:



We seek to ensure the assets under our management are subject to appropriate stewardship arrangements, either through our in-house investment teams, or through the standards we require of third-party managers and the service providers we select to work with us. Monitoring and engaging with investee companies is an integral part of our investment management approach and within listed equities, shareholder voting and engagement are a core part of our ongoing stewardship activities.

Monitoring investee companies

Encouraging strong corporate governance by investee companies and identifying issues that are cause for concern involves assessing and monitoring companies on an ongoing basis. Assets under management by LPPI are being continually monitored by members of our in-house Investment Team (where portfolios are internally managed) or by third party managers appointed and overseen by LPPI (where assets are externally managed). Investment Managers maintain detailed knowledge of the companies within their portfolios and have the most current understanding of the business risks and opportunities they face.

Investment teams and external managers gain and maintain insights into strategy, financial performance, and underlying business characteristics by monitoring companies, but also identify material ESG matters and how well these are being anticipated and managed as part of broader corporate governance by investee companies. Monitoring insights are direct inputs to the ongoing evaluation of each company's risk and sustainability profile.

Monitoring activity typically incorporates information from a range of sources including company reporting, news media, real time market metrics, and the insights of research and ratings providers. Wider insights from NGOs, trade unions, regulators and other representative groups are also referenced as appropriate. External managers are encouraged to share any material company insights gained from their review activities as part of regular monitoring calls with LPPI.

Portfolio and company monitoring influence the direction of LPPI's shareholder voting, the selection of priority engagement themes and the targeting of LPPI's participation in wider investor collaborations which are a route for influencing change.

Dialogue with investee companies

LPPI is committed to using ownership influence to encourage corporate decision-making aligned with the long-term best interests of our client pension funds as beneficial shareholders. Engagement is a time consuming and resource intensive activity and our approach acknowledges the challenges of fulfilling ownership responsibilities for a large, diverse portfolio incorporating both inhouse and external management.

Direct dialogue with investee companies is underway as part of the evaluation, monitoring, oversight, and portfolio management activities of our internal team and delegate asset managers. Their company specific and portfolio-focused dialogues are supplemented by a thematic engagement programme resourced through an external provider of engagement services. We meet with and receive detailed reporting on engagement activities underway and identify priority issues for our portfolio as part of a Client Panel which collectively influences future engagement themes and targets.

Our partnership with an external provider augments our internal stewardship capacity. Experienced staff and established processes, relationships, and data infrastructure expand our engagement resources and assist the co-ordination of data on engagement activities which enhance our reporting capabilities.

Exercise of voting rights attached to shares

The voting rights for shares held by the GEF are retained and exercised centrally by LPPI rather than being delegated to third party external managers. This facilitates an objective

approach consistent across the equities held by the fund whilst allowing voting to be responsive to company context.

Shareholder voting and our reporting on voting activities are overseen by LPPI's Responsible Investment Team in accordance with a clear policy on shareholder voting for the GEF which is publicly available from our [website](#). Voting activity is reviewed quarterly by our Stewardship Committee whose membership includes our CEO, Chief Investment Officer (Chair) and Head of Public Markets.

We use our best efforts to vote every shareholder meeting we are entitled to participate in, but sometimes it may be impractical for us to do so. For example, in international markets where share blocking applies, we typically may not vote due to liquidity constraints.

Our overriding aim is to ensure that:

- Our voting rights are exercised appropriately
- Our voting process is consistent, efficient, and auditable
- Voting decisions are congruent with our investment beliefs and reflect the long-term financial interests of our clients
- Voting activity reflects our commitment to responsible investment.

We employ an external provider of proxy voting services to oversee ballot management and vote execution and receive detailed analysis and voting recommendations ahead of each company meeting. We liaise with our asset managers, engagement partner, and proxy voting provider as needed to reach final voting decisions.

Voting recommendations are in accordance with Sustainability Proxy Voting Guidelines which focus on identifying material ESG considerations and support our commitments as a signatory to the Principles for Responsible Investment. Sustainability Voting Guidelines are reviewed and updated annually and LPPI participates in the Global Policy Survey which informs policy development.

We publish summary voting headlines and detailed quarterly reports on all shareholder voting activity for the GEF on our [website](#).

Cooperation with other shareholders

A central pillar in our RI approach is the recognition that effective partnerships build strength and influence through scale, consensus, and a collective voice. Achieving influence as a minority shareholder can often include collaboration with other shareholders to build critical mass.

LPPI actively seeks opportunities to work with other responsible investors on identified shared priorities. The concentration of collective stewardship resources and unified shareholder support for appropriately framed and clearly articulated outcomes can achieve a reach and influence greater than acting alone.

Examples of organisations LPPI regularly works with on a collaborative basis include the Principles for Responsible Investment (PRI), Institutional Investor Group on Climate Change (IIGCC), Local Authority Pension Fund Forum (LAPFF) Pensions and Lifetime Savings Association (PLSA), Transition Pathway Initiative (TPI), Local Government Pension Scheme Cross Pool Responsible Investment Group, UK Pension Schemes RI Roundtable, Workforce Disclosure Initiative (WDI) and Climate Action 100+.

Communication with broader stakeholders

It is one of our 5 RI beliefs that as providers of capital, investors have influence.

We recognise that in addition to using the rights of share ownership to communicate with companies, our oversight should incorporate the way in which investee companies impact upon customers, clients, employees, stakeholders, and wider society. This acknowledges the interdependency of the companies we invest in and the cultural, economic, political, and environmental contexts they operate within.

We do not restrict our stewardship activities to direct dialogue with investee companies or conference with fellow shareholders. We are active within a wider network of responsible asset owners and asset managers discussing broad priorities and sharing thinking on issues of common concern. Our stewardship and engagement activities consider wider circumstances and contexts for the companies and sectors we invest in and can involve us in dialogue with a broad range of stakeholders including government departments and regulators, industry and special interest groups, NGOs, and community groups.

Where they relate to issues material for our portfolio, we will consider signing investor letters, publicly giving support to investor initiatives, submitting responses to focussed consultations and sharing feedback. Our stewardship reporting routinely includes examples of our participation in networks and initiatives where broader engagement activities are focussed on priority issues and themes.

Conflicts of Interest

LPPI conducts its business in accordance with the Financial Conduct Authority's 8th Principle of Business which requires the Firm to manage conflicts of interest fairly, both between the Firm and its clients as well as between one client and another client.

The Firm's policy is to take all appropriate steps to maintain and operate effective organisational and administrative arrangements to identify and prevent or to manage potential and actual conflicts of interest in the Firm's business.

Our Conflicts of Interest Policy sets clear parameters for good governance in the management of actual and potential conflicts of interest and includes a section on stewardship which identifies that conflicts may arise in the exercise of the ownership rights which attach to companies we invest in.

In overseeing, protecting and exercising rights and relationships in this respect, LPPI is conscious of the potential for conflicts of interest and always seeks to act in accordance with sound principles of good stewardship and specifically in line with standards prescribed by the UK Stewardship Code.

Examples of instances where the potential for conflict arises include decision-making on the direction of shareholder voting for the GEF, decision-making on participation in shareholder litigation and decision-making on the focus of engagement actions.

In all such stewardship considerations, LPPI consistently seeks to promote the long-term value and success of the companies we invest in for the benefit of all clients, and to engage with relevant stakeholders to enable this outcome.

Disclaimer
For Professional Clients in the UK only

This document has been prepared to inform the intended recipient of information regarding Local Pensions Partnership Ltd and/or its subsidiary, Local Pensions Partnership Investments Ltd (LPPI) only (together the LPP Group), subject to the following disclaimer.

LPPI is authorised and regulated by the Financial Conduct Authority. It does not provide advice on legal, taxation or investment matters and should not be relied upon for any such purpose including (but not limited to) investment decisions.

No other person or entity may rely or make decisions based on the content of this document whether they receive it with or without consent and this disclaimer is repeated fully in respect of such third party.

This information may contain 'forward-looking statements' with respect to certain plans and current goals and expectations relating to LPP Group's future financial condition, performance results, strategic initiatives and objectives. By their nature, all forward-looking statements are inherently predictive and speculative and involve known and unknown risk and uncertainty because they relate to future events and circumstances which are beyond LPP Group's control. Any projections or opinions expressed are current as of the date hereof only.

You hereby fully acknowledge that this document and its content is provided 'as is' without any representation or warranty (express or implied) and no member of the LPP Group or any of their respective directors, officers and employees shall be held liable howsoever to any person or entity as to the appropriateness, accuracy or completeness of the information provided.

Document Title: Shareholder Rights Directive II Engagement Policy

Version No.	Description of change	Owner	Approval	Date of Approval	Date of Issue
1.0	First version for approval	FD	Stewardship Committee	Nov 2020	
1.0	First version for approval	FD	Board	Dec 2020	

Distribution List

All Staff and Company Website

Local Pensions Partnership Investments Ltd

Shareholder Voting Policy

1. Introduction

Local Pensions Partnership Investments Ltd (LPPI) is committed to achieving sustainable investment returns over the long term through an approach to stewardship which embraces responsible investment principles and practice.

We believe that well-governed companies are best equipped to manage business risks and opportunities, and this contributes to achieving optimum risk-adjusted returns over the long term.

We encourage strong governance and sustainable business practices through our oversight and engagement activities. These feature company monitoring and dialogue (directly and via the third-party managers we select to work with us) representation on investor groups and shareholder voting. We support and participate in wider collaborations and frequently work alongside other investors as part of initiatives that build consensus and seek to use collective influence to encourage positive change.

In this document we articulate our approach and arrangements for shareholder voting.

2. Policy Objectives

We aim to ensure that:

- Our voting rights are exercised appropriately;
- Our voting process is consistent, efficient and auditable;
- Voting decisions are congruent with our investment beliefs and reflect the long-term financial interests of our clients;
- Voting activity reflects our commitment to responsible investment

3. Voting Arrangements

The listed equities we manage fall within the LPPI Global Equities Fund (GEF) which comprises an internally managed portfolio supplemented by segregated external mandates.

The voting rights for stocks within the GEF are retained and exercised centrally by LPPI rather than being delegated to third party external managers. We use our best efforts to vote each shareholder meeting we are entitled to participate in. However, in some circumstances it may be impractical or impossible for us to vote. For example, in international markets where share blocking applies, we typically may not vote due to liquidity constraints.

Where LPP participates in securities lending, procedures are in place to assess the appropriateness of recalling lent stock ahead of shareholder meetings in order to ensure the ability to vote. In each case, the direct monetary impact of recalling shares will be considered against the discernible benefits of exercising voting rights. Decisions will reflect the significance of items on the ballot and whether LPP has actively supported reform of the company's governance practices via engagement or other coordinated efforts including shareholder proposals.

The day-to-day management of our shareholder voting activities is undertaken by the Responsible Investment Team which is overseen by the Head of Responsible Investment. The process is supported by services from an external provider, Institutional Shareholder Services (ISS).

- A web-based voting and research platform (ISS ProxyExchange);
- Voting recommendations in line with a designated voting policy;
- Access to governance data, research and analytics;
- Ballot administration and vote execution;
- Monitoring and reporting functionality

Voting recommendations are made in accordance with the ISS Sustainability Proxy Voting Guidelines. These guidelines are designed to reflect the requirements of investors who have made commitments to the integration of environmental, social and corporate governance (ESG) issues and to responsible investment practices in line with the Principles of Responsible Investment. The Sustainability Guidelines are reviewed and updated annually to ensure they reflect changes in norms and standards as well as new academic research, empirical studies, and market commentary as appropriate.

As part of ongoing oversight, the Responsible Investment Team identifies upcoming company meetings with votes on priority themes and reviews the related ISS analysis and recommendation. Where resolutions are complex or contentious, the Responsible Investment Team will discuss the issue with the internal investment team to agree an appropriate stance. They may also seek insight from a third-party manager who has been in direct dialogue with the company as part of an engagement programme.

As warranted, the Head of Responsible Investment will seek the views of the LPP Stewardship Committee which is chaired by the Chief Investment Officer. Collectively, the Stewardship Committee is the ultimate arbitrator on stewardship matters.

In cases where a decision is taken to depart from the ISS voting recommendation, the underlying voting rationale is recorded for reporting purposes.

The Stewardship Committee receives and reviews voting statistics quarterly.

4. Reporting and Disclosure

To protect confidentiality and remove the opportunity for undue influence as a result of external intervention or duress, LPPI will not enter dialogue about voting intentions in advance of company meetings taking place.

Pre-disclosure may be considered for specific resolutions in exceptional circumstances subject to authorisation from the Stewardship Committee. Generally, we would only pre-disclose where there was a pre-existing commitment to working collaboratively with other investors as part of an initiative agreed in advance.

LPP I provides regular reports to client pension funds on shareholder voting activity for the GEF as part of information on wider stewardship and responsible investment activities.

LPP I publicly discloses summary information on voting activity through quarterly reports published retrospectively on the company's website.

Our approach to asset selection (for internally managed assets) and to manager selection and monitoring (for assets managed by external managers) is built around detailed risk analysis and an up-to-date understanding of context as part of due diligence. This approach suits the complexity and multi-dimensional nature of climate change and the challenge it poses for strategy integration.

5. Voting Philosophy

In our view, shareholder voting is not a route to micro-manage companies or impose formulaic standards. We use voting to encourage companies to adopt best practice standards but recognize that pragmatism is needed to accommodate local circumstances and scenarios.

We have no management bias and will consider voting against management where companies lag consistently behind accepted norms of good governance, are resistant to dialogue or fail to show evidence of sufficient progress. In circumstances where we use voting to voice concerns, we will seek to target the individual, committee or proposal most directly associated with the specific issue. For example, a failure to provide adequate disclosure in compliance with applicable standards is most likely to be addressed through voting on the annual report and accounts or other statutory publications.

We assess shareholder proposals on their individual merits. We will consider giving support to resolutions which provide an impetus for positive change on matters of significance to institutional shareholders where they;

- Are carefully drafted and proportionate;
- Are accompanied by an appropriate system of checks and balances;
- Are protective of the best interests of long-term investors;
- Do not seek to negate the responsibilities of Board.

Shareholder resolutions are most likely to be viewed sympathetically when they introduce proposals that are proportionate to the underlying issue, are not unnecessarily complex or onerous and have implementation costs which are reasonable in light of the scope of the benefit to be produced.

LPP I will consider co-filing shareholder resolutions with other investors where this offers an appropriate route for active engagement on issues of stewardship priority.

For Professional Clients in the UK Only

This document has been prepared to inform the intended recipient of information regarding Local Pensions Partnership Ltd and/or its subsidiary, Local Pensions Partnership Investments Ltd (LPPI) only (together the LPP Group), subject to the following disclaimer.

LPPI is authorised and regulated by the Financial Conduct Authority. It does not provide advice on legal, taxation or investment matters and should not be relied upon for any such purpose including (but not limited to) investment decisions.

No other person or entity may rely or make decisions based on the content of this document whether they receive it with or without consent and this disclaimer is repeated fully in respect of such third party.

This information may contain 'forward-looking statements' with respect to certain plans and current goals and expectations relating to LPP Group's future financial condition, performance results, strategic initiatives and objectives. By their nature, all forward-looking statements are inherently predictive and speculative and involve known and unknown risk and uncertainty because they relate to future events and circumstances which are beyond LPP Group's control. Any projections or opinions expressed are current as of the date hereof only.

You hereby fully acknowledge that this document and its content is provided 'as is' without any representation or warranty (express or implied) and no member of the LPP Group or any of their respective directors, officers and employees shall be held liable howsoever to any person or entity as to the appropriateness, accuracy or completeness of the information provided.

Document Title: Best Execution Policy

Version No.	Description of change	Owner	Approval	Date of Approval	Date of Issue
1.0	First version	FD	Stewardship Committee	August 2018	August 2018
2.0	Annual review	FD	Stewardship Committee	November 2019	December 2019

Distribution List

All Staff and Company Website

LPPI Shareholder Voting Guidelines



August 2021

LPPI Shareholder Voting Guidelines

Introduction

Shareholder voting is an important channel for exercising the rights and responsibilities of share ownership on the collective behalf of client pension funds who invest in the Local Pensions Partnership Investments Ltd (LPPI) Global Equities Fund.

These Voting Guidelines have been developed to support the consistent and transparent application of our [Shareholder Voting Policy](#) and to communicate a clear stance to investee companies and wider stakeholders on our approach, reflecting our beliefs, expectations, and priority themes.

A multiplicity of issues arise at company meetings each year. Rather than an exhaustive handbook, these Guidelines set out the core considerations and standards that influence the stance we will generally take on key issues. Whilst we routinely integrate material environmental, social and governance (ESG) considerations, differences in country, culture, company size, and corporate context will also have an influence. Our voting decisions are ultimately made on a case-by-case basis.

Voting Philosophy

As part of our stewardship of listed equity assets, shareholder voting focusses on encouraging arrangements likely to increase long-term, sustainable value creation and corporate resilience, contributing to the objective of preserving and growing our clients' capital over the long-term.

Our voting approach is informed by the following beliefs:

- Strong ESG characteristics tend to be identifiers for quality companies. Well managed organisations with effective corporate governance systems are more likely to identify pertinent ESG risks and deliver long-term sustainable value creation for shareholders.
- Company Boards incorporating diverse experience and alternative perspectives into decision-making on corporate strategy are more likely to identify and manage business risks and opportunities successfully.
- Shareholder voting is not a route for micro-managing investee companies. Voting rights provide the opportunity to support strategy which evolves good corporate practice and confers a responsibility to register concern where a company is judged to be falling short.
- Shareholder voting forms part of engagement and should reinforce dialogues directly underway with companies by LPPI and via our delegate managers, our engagement provider, or investor initiatives we are supporting.
- The use of voting rights to signal shareholder concern should target the most appropriate resolution (or combination of resolutions) available. Voting against standard items of business or supporting a shareholder proposal calling for specific actions are equally appropriate (in some cases simultaneously).
- LPPI strongly supports the “one share, one vote” principle and will encourage companies to avoid mechanisms designed to prevent a change of control, unless in exceptional circumstances. It is essential that companies have scope to achieve a

balance between measures which protect the long-term interests of the company, its shareholders and stakeholders, and measures which prevent hostile takeover bids.

- Companies should be given adequate time to respond to shareholder concerns and to plan and implement appropriate solutions. Where a company consistently lags behind accepted norms of good practice, is resistant to dialogue, or fails to show evidence of sufficient progress, further escalation is appropriate. Dependent on circumstances, this could progressively lead to a focus on the individuals most directly responsible, for example, the Chair of the Remuneration Committee on matters relating to executive pay, or ultimately to voting against a whole Committee where warranted.

Voting Arrangements

To ensure we apply a consistent approach, shareholder voting for the LPPI Global Equities Fund is overseen centrally by LPPI's Responsible Investment Team, rather than delegated to individual asset managers.

We receive analysis and voting recommendations for each company meeting from an external provider of proxy voting and governance research. Voting analysis and recommendations reflect our provider's [Sustainability Voting Guidelines](#) which explore material ESG considerations and provide a foundation for our review and decision-making process. On a case-by-case basis, we determine whether we are in consensus with voting recommendations or hold an alternative view that leads us to depart from them, for example, when we favour additional stretch on priority issues or where we take a more nuanced view. We liaise with our asset managers, engagement partner, and proxy voting provider as needed to reach final voting decisions.

For the internally managed mandates within LPPI's Global Equities Fund, our internal Portfolio Managers retain voting discretion and apply detailed knowledge of individual companies to reach their voting decisions. This incorporates consideration of the research and voting recommendations received from our external provider and their judgement on the stance which supports the best interests of our clients.

We disclose shareholder voting information for our Global Equities Fund on a quarterly basis via [our website](#), sharing both summary statistics and a detailed report on all resolutions voted. We make further information and insights available through our reporting on Stewardship and responsible investment including our annual disclosure to the Principles for Responsible Investment.

Priority Themes

We have identified the following priority themes as further context for our decision-making. We consider each company's current position and performance against them in determining whether to support the relevant resolutions.

Adequate Transparency

To make informed judgements on the quality of investee companies' practices, shareholders need adequate information on their standing. Companies are required to publish a range of prescribed information under applicable laws and regulations (which vary by jurisdiction) but the scope, format, and detail of the disclosure required is frequently open to interpretation. On issues of material importance to LPPI, we will consider whether a company has released sufficient information to support shareholder

insight on the adequacy of their approach and assurance on reasonable outcomes. Where companies provide insufficient information on issues shareholders and wider stakeholders consider material, they should expect to be urged to improve.

Appropriate Remuneration

The individuals leading a company (its Chair, Board members and Executive Committee) set corporate culture and hold ultimate responsibility for generating sustainable, long-term value. Attracting and retaining high calibre individuals and ensuring their interests and performance align with long-term company success is critical.

In assessing compensation policies, our focus is principally on how the incentives are structured rather than the absolute quantum of the compensation. Large awards are acceptable only in cases where such incentives are aligned with shareholder's interests and our principles. We prefer that performance measures are at least to some degree based upon long-term trends in returns on capital, and that long-term executive compensation should be linked to measurable performance goals that are under the direct influence of the individual.

Effective Management of Climate Change

LPPI views climate change as a systemic risk arising from the effects of sustained changes in weather patterns due to global warming (physical) and human interventions to manage these changes or adapt to new circumstances through regulation, technological innovation, or other societal shifts (transition). Climate change has the potential to destroy value where business risks are not being recognised and integrated into effective strategic planning, but also presents opportunities for products and services to be developed which solve problems and address societal needs.

Company meetings provide an avenue for engaging with investee companies on their management of the risks and opportunities arising from climate change. LPPI will use shareholder voting rights to encourage companies to align their activities with the achievement of targets for global decarbonisation under the Paris Agreement and will apply frameworks including the Taskforce on Climate Related Financial Disclosures (TCFD), the Transition Pathway Initiative (TPI), and Climate Action 100+ to assess their approach and performance.

LPPI has signalled support for guidance produced by the Institutional Investor Group on Climate Change (IIGCC) which provides a clear framework for assessing net zero alignment disclosure by companies. We will seek to apply these guidelines in the use of our voting rights.

Where LPPI has set performance benchmarks which are not being achieved (a minimum TPI score for Management Quality for example), or corporate disclosure and target-setting are mis-aligned with the Paris Agreement goals, LPPI will signal concern. Depending on context we may vote against:

- the adoption of the annual report and accounts;
- a Board member with lead responsibility for climate change;
- the Chair of the Board (holding them ultimately accountable).

We are likely to support appropriately framed shareholder proposals pressing for improved disclosure, clear targets for decarbonisation, and ambition in strategic and operational planning.

Voting Guidelines

The opportunity voting affords for giving support, signalling concern, and urging improvement arises via highly orchestrated meetings between a company and its shareholders. Meeting agendas are routinely dedicated to gaining approval for company proposals on standard aspects of business and corporate governance, including the adoption of financial statements, election of directors, and appointment of auditors. The voting guidelines that follow reflect matters which typically arise at company meetings and indicate the primary considerations that will influence how LPPI is likely to vote.

In some instances, we may vote in specific company meetings in a manner that is not in accordance with the following Guidelines, provided the decision is consistent with the best interests of our clients and our objective of maximising long-term investment returns.

1. Statutory reporting

The provision of adequate information through corporate disclosure is a critical foundation for enabling shareholders and stakeholders to make informed judgements about the current standing and future positioning of a company.

LPPI will consider voting against the adoption of the annual report and accounts where reporting practices fall below acceptable market standards regarding detail, transparency, and frequency.

In addition to reporting on corporate strategy, financial performance, and key risks (within 'typical' corporate publications) LPPI expects reasonable disclosure on the company's identification and management of material ESG risks and opportunities, recognising that disclosure standards vary by industry and geography.

2. Board composition

A cohesive Board operating in accordance with effective procedures is central to good corporate governance. The calibre, character, and effectiveness of a Board derives from the collective experience and expertise of its members, and on operating practices which recognise, optimise, and deploy these capabilities effectively.

Voting rights give shareholders influence over the appointment of individuals to the Board and its key committees. They are also an avenue to express concerns at processes perceived to be weak, or responsibilities judged to be poorly executed. Through the implementation of these guidelines, LPPI is ultimately aiming to encourage desirable governance characteristics.

Board – Independence Expectations

LPPI has a strong preference for independent boards. We expect a majority of independent board members in all developed markets and at least one third independent members in emerging markets. LPPI will consider voting against management where:

- we believe that Board independence is insufficient;
- non-independent directors are nominated to sit on the major Committees;
- the election of further non-independent directors to a board contributes to a level of independence below what is deemed acceptable for the given market.

We generally do not view long board tenure alone as a basis to classify a director as non-independent, although we consider lack of board turnover and need for a fresh perspective as important factors in deciding how to vote.

Board Chair

It is our preference for the Board Chair and CEO roles to be held separately. An independent Chair contributes to the balance of power on the Board and avoids the conflicts of interests that can arise through the integration of the two roles. We recognise there are circumstances (e.g. transition periods) and markets in which the practice of a joint role is more common, and in these instances, we expect a strong lead independent director to be identified as a counterbalance.

We hold the Chair of the Board ultimately responsible for poor corporate governance and we will vote against them to signal our concern at:

- instances of exceptionally poor management (e.g. fraud);
- board and committee composition and practices that fall below appropriate standards; (e.g. where major committees are not held or function inappropriately).

We may also vote against the Chair as an appropriate escalation where broader shareholder concerns remain unacknowledged or have not been suitably addressed after dialogue and a reasonable period of due consideration.

Election of Directors

LPPI will generally vote in line with management recommendations where the appointment of nominated candidates contributes to attaining or maintaining desirable Board characteristics. Our support is dependent on being able to ascertain the benefit of the recommended nominees through a clear and convincing rationale.

LPPI will consider voting against management recommendations where poor governance outcomes will arise from (or be perpetuated by) the election of proposed candidates.

Examples of weak practices include, but are not limited to:

- Inadequate or untimely disclosure about nominees;
- A poor record of attendance (<75%) by nominees who are existing Board members without sufficient justification;
- Overboarded directors (informed by best practice in the local market);
- Specific concerns regarding an individual director, for example, convictions relating to corruption.

Nomination Committee

The Nomination Committee has responsibility for refreshing the composition of the Board and identifying how to sustain and improve its effectiveness through the selection of appropriate skills and experience.

LPPI has a strong preference for majority independent Nomination Committees and an expectation this standard will be met across all markets. LPPI will consider voting against members of the Nomination Committee when:

- A non-independent director is nominated for election to the Nomination Committee;
- There are concerns around overall board composition;
- Board diversity falls below the standards outlined in these guidelines.

In line with our belief in the benefits of having a variety of voices, backgrounds, expertise, and experience to call upon, LPPI will seek to hold the Chair of the Nomination Committee accountable where nominations fail to reflect an appropriate regard for diversity (assessed through discernible characteristics including gender, ethnicity, age, and experience). Specifically, if the Board has no female directors and all director nominees are male, and the company does not recognise or have a clear strategy for addressing this issue, LPPI is likely to vote against the Chair of the Nomination Committee or an appropriate alternative.

For FTSE350 companies, LPPI will vote against the Chair of the Nomination Committee where women make up less than 33% of the Board, unless the firm has a plan to meet the 1/3 standard within a year. Where the Chair of the Nomination Committee is not subject to re-election, or is not identified, LPPI will consider voting against other (and potentially all) existing members of the Nomination Committee who are subject to re-election.

LPPI expects the recommendations of the [Parker Review](#) into the ethnic diversity of UK Boards to be implemented, and will begin to vote against the Chair of the Nomination Committee (or Nomination Committee members subject to re-election) where FTSE100 companies do not have at least one ethnically diverse Board member by 2022. The same expectation (at least one non-white director by 2022) is also considered an appropriate standard for FTSE350 and Russell 3000 companies.

Remuneration Committee

As a core standard (applicable to all markets), LPPI expects Remuneration Committees to be majority independent and to have no executive director members. In addition, we expect the Committee to consider shareholder interests, for example, by being responsive to shareholders and by conducting outreach in the event of high levels of shareholder dissent on remuneration proposals.

LPPI will consider opposing the election or re-election of Remuneration Committee members where:

- An executive director is nominated to join the Committee;
- The Committee fails to meet acceptable standards for independence;
- Remuneration policy and practices persistently fall below market standards and the appropriate expectations of shareholders;
- There is poor responsiveness to shareholder concerns in the event of a significant vote against remuneration proposals.

Audit Committee

The Audit Committee has responsibility for ensuring the interests of shareholders are properly protected in relation to financial reporting and internal control.

LPPI has a strong preference for fully independent Audit Committees and, as a minimum in all markets, expects the Audit Committee to be majority independent. In addition, we expect the Committee to be responsive to shareholder questions and to address concerns raised.

LPPI will consider opposing the election or re-election of Audit Committee members if:

- A non-independent director is nominated for Audit Committee membership;
- There has been a material failure of process or control;
- Process failures have not been recognised and adequately addressed and rectified;

- More than 50% of the audit fee relates to non-audit services without adequate explanation or justification;
- The Auditor has been in place for more than 20 years (and the company has not held a tender for their auditor at least every 10 years).

3. Remuneration

LPPI favours remuneration policies that incentivise long-term value creation through transparent performance metrics that are appropriate and not overly complex. We prefer approaches that build an alignment of interests between management and shareholders, through appropriate incentives, encouragement of share ownership and sufficient risk mitigation (e.g. through strong clawback policies). In addition, we will generally support remuneration arrangements that encourage management to consider shareholder and wider stakeholder value through a transparent incorporation of ESG metrics.

Due to the unique circumstances surrounding each company's remuneration policy and the wide range of remuneration plans, LPPI will consider each compensation plan on a case-by-case basis. Typically, LPPI will consider voting against remuneration policies in instances including, but not limited to:

- The structure and application of incentives is misaligned with performance in the interests of long-term shareholders.
- Incentives are based on outputs (e.g. share price growth or total shareholder return) as opposed to inputs that encourage management to make decisions that will create shareholder value over time, i.e. long-term trends in returns on capital.
- The overall quantum of pay is excessive, either in absolute terms or relative to an appropriate peer group.
- Transparency is poor (e.g. performance measures within long-term incentives are not disclosed, or are only disclosed after awards have been granted).
- There is a lack of risk mitigation (e.g. clawback mechanisms and requirement for post-retirement shareholding).
- Long-term incentives are linked to short term metrics, for example, those that include annual review periods.

In markets where remuneration reports are presented for approval annually (the 'say on pay'), LPPI will consider the outcomes of the remuneration policy being implemented in practice. Factors that may lead to a vote against the say on pay include:

- Excessive or poorly explained use of discretion by the Remuneration Committee.
- Excessive pay increases without sufficient transparency and justification.
- Performance measures and incentives clearly misaligned with the interests of long-term shareholders.
- Lack of appropriate stretch in performance incentives, for example, by awarding the maximum pay out for performance which could be considered as business as usual.

4. Appointment and remuneration of Auditor

Investors rely on high-quality independent audits to receive a true and fair view of the status and financial health of a company.

LPPI will generally support the re-election of auditors and proposals relating to auditor fees where the incumbent meets high standards for independence and audit quality.

LPPI will consider voting against proposals in instances where:

- There are serious concerns about the effectiveness of the auditors, for example, where the lead audit partner has been linked to a significant auditing controversy.

- Disclosure is poor.
- More than 50% of the audit fee relates to non-audit services without adequate explanation and justification.
- The lead audit partner(s) are affiliated with the investee company.
- The auditor has been in place for more than 20 years.

5. Capital Allocation

The effective deployment of capital is fundamental to generating sustainable, long-term value for shareholders. Through internal and external managers, LPPI generally selects high quality, well run companies whose management understand the importance of capital allocation. Company proposals regarding capital allocation will be examined on a case-by-case basis as they are a natural extension of an investment decision. Where we believe a corporate restructure or M&A activity is not in the best interests of our clients, we will generally abstain or vote against management.

Allocation of income and dividends

LPPI expects investee companies to disclose clear dividend policies where applicable. Notably, we do not wish to sanction excessive dividend policies which would be to the detriment of the company's solvency or its ability to invest in its business over the long term.

Share buyback authorities

LPPI expects the use of share buybacks to contribute to the best outcomes for long-term shareholders. LPPI favours buybacks considered an investment, i.e. when shares are trading at a price management believes undervalues the intrinsic value of the company. Buying back shares without reference to the prevailing market price can lead to shareholder value destruction.

LPPI will generally support resolutions to authorise the market purchase of ordinary shares where the authority requested complies with levels permitted under market listing rules, and the period covered is less than 18 months. Where performance measures like EPS inform remuneration, LPPI expects the impacts of share buybacks to be excluded when assessing executive performance.

Mergers and Acquisitions

We will consider votes to approve M&A activity on a case-by-case basis and taking into consideration the specific circumstances of each proposal to determine what action we believe is in the best interests of clients.

In considering each M&A proposal, LPPI's Investment and RI teams will consider the fundamental and ESG implications of the proposal before a voting decision is made, for example, the impact on corporate governance practices, and the consideration of the impact on the workforce.

6. Shareholder resolutions

Shareholder proposals are non-binding recommendations to management proposing or supporting a specific course of action. Proposals are an opportunity for shareholders to signal they hold common concerns and are a basis for establishing or escalating a focussed dialogue with management.

LPPi assesses shareholder proposals on their individual merits given company context. Shareholder resolutions are most likely to be viewed sympathetically when they introduce proposals that are proportionate to the underlying issue, are not unnecessarily complex or onerous, and have implementation costs which are reasonable in light of the scope of the benefit to be produced.

When drafted appropriately and communicated effectively, shareholder resolutions can contribute to delivering positive outcomes which benefit the company, its shareholders, and broader stakeholders. LPPi is minded to support shareholder proposals that strengthen the rights of minority shareholder and seek greater transparency on materially relevant topics including, but not limited to:

- The management of climate change;
- Human rights due diligence policy and practices;
- Gender and ethnic pay gaps, and median pay ratios;
- Political contributions/lobbying;
- Biodiversity and natural capital management;
- Tax transparency.

Shareholder rights & takeover defences

LPPi will generally favour proposals that are likely to promote shareholder rights and/or increase shareholder value. Proposals that seek to limit shareholder rights, such as the creation of dual classes of stock will generally not be supported.

Measures that impede takeovers or entrench management will be evaluated on a case-by-case basis, taking into consideration the rights of shareholders.

For Professional Clients in the UK only

This document has been prepared to inform the intended recipient of information regarding Local Pensions Partnership Ltd and/or its subsidiary, Local Pensions Partnership Investments Ltd (LPPI) only (together the LPP Group), subject to the following disclaimer.

LPPI is authorised and regulated by the Financial Conduct Authority. It does not provide advice on legal, taxation or investment matters and should not be relied upon for any such purpose including (but not limited to) investment decisions.

No other person or entity may rely or make decisions based on the content of this document whether they receive it with or without consent and this disclaimer is repeated fully in respect of such third party.

This information may contain 'forward-looking statements' with respect to certain plans and current goals and expectations relating to LPP Group's future financial condition, performance results, strategic initiatives and objectives. By their nature, all forward-looking statements are inherently predictive and speculative and involve known and unknown risk and uncertainty because they relate to future events and circumstances which are beyond LPP Group's control. Any projections or opinions expressed are current as of the date hereof only.

You hereby fully acknowledge that this document and its content is provided 'as is' without any representation or warranty (express or implied) and no member of the LPP Group or any of their respective directors, officers and employees shall be held liable howsoever to any person or entity as to the appropriateness, accuracy or completeness of the information provided.

Local Pensions Partnership Investments,
First Floor, 1 Finsbury Avenue,
London,
EC2M 2PF

 @LPPensions

 lppensions

 Local Pensions Partnership

localpensionspartnership.org.uk

info@localpensionspartnership.org.uk

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 1, 2, 3, 4, 5, 6a, 6b, 7 of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank