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NOTICE

OF

MEETING

BERKSHIRE PENSION BOARD

will meet on

Monday 13 March 2023

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), Nikki Craig and Jeff Ford

Substitute Members

Kieron Finley and Julian Curzon

Kirsty Hunt, Service Lead – Electoral & Democratic Services - Issued: 3rd March 2023

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 Democratic Services Officer **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 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 a Legal representative prior to the meeting.

AGENDA

Part I

	“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.”	

Part II - Private Meeting

Item	Subject	Page No
	Part II Minutes To approve the Part II minutes of the meeting held on 17 November 2022. ***(Not for publication by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972)***	285 - 288
	Update on Part II Papers Taken to Pension Committee Meeting of 5th December 2022 To receive an update. ***(Not for publication by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972)***	Verbal Report
	Employer Risk To note the report. ***(Not for publication by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972)***	289 - 374
	Investment Strategy Review To note the report. ***(Not for publication by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972)***	375 - 420
	Investment Performance, Risk & Business Update To note the report. ***(Not for publication by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972)***	421 - 490
	Part II Any Other Business To discuss any other Part II items of business.	-

(Not for publication by virtue of Paragraph 3 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.

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

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.*

<u>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.</u>

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:

a) any unpaid directorships
b) any body of which you are a member or are in a position of general control or management and to which you are nominated or appointed by your authority
c) any body
(i) exercising functions of a public nature
(ii) directed to charitable purposes or
(iii) one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union)

of which you are a member or in a position of general control or management

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, or a body included under Other Registerable Interests in Table 2 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 financial interest or well-being of a body included under Other Registerable Interests as set out in Table 2 (as set out above and in 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 (referred to in the paragraph above) ***affects*** the 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.

BERKSHIRE PENSION BOARD

Thursday 17 November 2022

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

Also in attendance: Julian Curzon (substitute Board Member) (virtually) and Kieron Finlay (substitute Board Member) (virtually)

Officers: Damien Pantling, Kevin Taylor, Philip Boyton and Laurence Ellis (virtually)

Introduction and Apologies

The meeting was held in a hybrid format with the Chairman, Nikki Craig (Board Member) and Pension Fund Officers meeting in-person at Minster Court, while other members attended virtually.

The Chairman and the Board introduced themselves.

No apologies of absence.

Declaration of Interest

No declarations of interests.

Minutes

Nikki Craig raised some minor amendments to the minutes.

RESOLVED UNANIMOUSLY: That the minutes of the meeting held on 1st September be approved as a correct record.

Scheme and Regulatory Update

Kevin Taylor, Pension Services Manager, presented an update on a number of scheme and regulatory updates. He first reported that Scheme Advisory Board (SAB) had responded to the Government's consultation on the Public Sector exit payments (sometimes referred to as 'The Return of the £95K Cap'). He explained that a paper was issued that indicated that the 'exit cap' would affect 'central government' bodies. Based on this, there was speculation that for the LGPS (Local Government Pension Scheme) this covered academies (and possibly colleges), as these were backed by the government, and not local authorities. Because of this, the SAB had sought clarification in its response to the consultation regarding the scope of bodies that were affected by the 'exit cap'; as well as that there needed to be greater clarity on how all LGPS employers would be impacted by the exit payment rules and what the process entailed.

Kevin Taylor also reported that SAB went back to the consultation to express its opposition that the government department would make the final decision on whether an individual could make an exit payment rather than the scheme employer.

Kevin Taylor then stated that, as part of its preliminary remarks to the consultation, SAB had reported that the number of exit payments was falling year-on-year and that 90% of all recorded exit payments were worth less than £20,000 in value. In addition, there were only 7 reported cases last year (2021) where the exit payment was over £100,000.

Kevin Taylor then explained that the national government's consultation would cause some complications for scheme employers (if enacted).

Kevin Taylor then discussed the 'Fair Deal' policy. He explained that the Chair of SAB had written to the Government to request an update to an earlier consultation that took place in 2019. He then explained that the 'Fair Deal' policy involved bodies joining pension funds through outsourcing contracts. At the moment, this involved the 'new' scheme employer having an admission agreement with the Fund's actuary setting the employer's own contribution rate and the value of a bond or indemnity in place to ensure they paid their liabilities. 'Fair Deal' would streamline this 'outsourcing' process. Scheme members being 'outsourced' and being transferred to a private company would be deemed as employees of the new company but would remain as a scheme member of the outsourcing employer.

Kevin Taylor opined that this was a good approach as it was simple.

Jeff Ford, Board Member, asked whether the 'Fair Deal' policy would cause complications for ill health. Kevin Taylor replied that he believed that the ill health process would continue to be followed by the outsourcing employer because the individual would still be deemed as a scheme member of the outsourcing employer.

Kevin Taylor then moved onto the reform of the benefit structure. He stated that the Chair of SAB had written to central government to ask about a reform to the benefit structure of the scheme which focused on perceived age discrimination issues. Notably. this was related to death grants only being paid when a member is under the age of 75 at the time of death. Currently when an individual retired and died under the age of 75, that individual's family/representatives would receive the balance of 10 years' worth of pension; but if that individual died at 75-years-of-age or more, there would be no entitlement to this. The Chairman speculated that with the State Retirement age rising above 65-tyears-of-age, this may impact an increasing number of individuals. Kevin Taylor speculated that regulations would be amended at some point to remove the anomaly.

Kevin Taylor then mentioned that SAB also suggested that central government should investigate removing any remaining differences to survivor benefits in order to 'future proof' the scheme against possible future legal challenges.

Kevin Taylor then reported on the External Audit process of Local Authority Accounts. The Chair of SAB had suggested to central government to move LGPS regulations in England in line with Scotland and Wales whereby the pension fund accounts were issued separately to the administering authority's main accounts. This was because there was a number of cases where local authority accounts were being issued late. There was a statutory requirement for Pension Fund accounts to be issued by 1st December of each year. However, this was not being met because the main council's accounts were not being released within that time frame.

Having had conversations with senior auditors elsewhere, the Chairman commented that some of the delays may be caused by the regulatory regime which auditors worked under.

Kevin Taylor then discussed the Schools White Paper and Bill. He explained that central government sought to convert all schools into academies by 2030. The recommendation was that all schools join a Multi-Academy Trust (MAT), with the optimum size of 10 schools or 7,500 pupils, which would then be encouraged to pool within the same LGPS fund.

The Board noted the update.

Pension Board Governance Matters

The Chairman stated that he sent an email around to all Board members a few days prior regarding the Code of Conduct. He stated that the Code had been approved at the previous meeting with some minor amendments, and the new Code would be published on the website rather than being brought back to the Board to avoid dragging out this issue further.

The wider governance of the Board remained a work in progress and the Chairman hoped to resolve this by the next meeting (the last in the municipal year). He also stated he may seek and would welcome comments from Board members outside of the meeting.

The Board noted the update.

Risk Reporting

Damien Pantling, Head of the Pension Fund, reported that the Fund was undergoing an internal audit on its governance and external audit recommendations. Once this had been completed, the internal auditors would conduct an audit of the Fund's risk processes. Damien Pantling stated that he would present internal audit recommendations on the Fund's risk management processes at a future Board meeting.

The Chairman and the Board raised questions and comments on individual points in the report, to which Damien Pantling responded.

Damien Pantling also stated that he had a project plan drafted for the next meeting in March. As part of this, the Fund was reviewing the risk appetite statements. In order to do this, Damien Pantling planned to do a training session for Board and Pension Fund Committee members and Advisory Panel members related to the risk register (before the next meeting cycle).

The Board noted the update.

Responsible Investment

Damien Pantling explained to the Board that the first three appendices of the report were unavailable as they came from LPPI and they forwarded the paperwork based on the Pension Fund Committee deadline. The only appendix which was available was the TFCD (Taskforce on Climate-related Financial Disclosures) consultation response. Damien Pantling explained that he prepared a draft response to the consultation (which was due on 24th November) based on conversations which had taken place in the Fund and a task-and-finish Group from a few months ago.

Damien Pantling then stated that he would review other consultation responses from other local authorities, the Scheme Advisory Board, Local Authority Pension Fund Forum and actuaries. Based on these, he would produce a final response.

The Chairman asked if other responses from other bodies were similar to the responses Damien Pantling received, namely the pools needing to be more prominent. Damien Pantling responded the London CIV and LPPI gave similar responses to the Berkshire Pension Fund.

The Board noted the update.

Annual Report

Damien Pantling reported that the 2021/22 draft Annual Report had been improved considerably based on various practice guides to ensure its contents were in line with best practice. He added that the 2022 audit had been progressing well and that the auditors were to attend the Committee pre-meeting in December to give a verbal update on the progress of the audit, effectively confirming to the Committee that there were no significant issues with the audit.

The Chairman suggested that the employer representatives of the Board were specifically invited to the annual scheme employers meeting. Damien Pantling and Kevin Taylor replied that they were already invited. The Chairman added that it was important to ensure employers recognised that the Board existed and that there were employer representatives on it; and if they wanted to raise any issues, they should relay via their employer representatives.

Jeff Ford commented that he was disappointed that the advisory committee representative from West Berkshire Council was unable to attend any of the meetings in the year. He also stated that the report had him noted down as an active scheme member rather than a retired scheme member (which officers would amend).

The Board noted the update.

Administration Report

Philip Boyton, Pension Administration Manager, reported that the Administration Report covered the period from 1st July to 30th September 2022. He stated that there had been little development in the 3-month period regarding the administration of the Fund and offered Board Members opportunity to make comments and ask questions.

Jeff Ford asked if the establishment of i-Connect Software had been completed. Philip Boyton replied that over 90% of scheme member records were on-boarded, leaving around 2,300 scheme member records yet to deliver data on a monthly basis via i-Connect Software. He stated that there would be slowdown for on-boarding; but officers would nevertheless continue to promote and endeavour to actively engage with those outstanding scheme employers yet to onboard their scheme members.

Julian Curzon stated that i-Connect worked very well for him, unlike the Teachers' Pension Scheme.

Philip Boyton explained that existing but improved functionality would be integrated into i-Connect Software. This would allow onboarded scheme employers to calculate estimates for their scheme members in respect of redundancy, efficiency and ill health retirement and identifying the respective pension strain cost payable to the Fund. He also reported that officers were seeking employers to help test the new functionality before it went live.

The Board noted the report.

Update on Part I papers taken to the Pension Committee on 12th October 2022

Damien Pantling reported that the risk reporting and risk register were approved in the last Committee meeting in October 2022; though he did take an action from meeting to do a comprehensive risk analysis of the effects of inflation. Damien Pantling stated he had since then reviewed the risk register and noted that inflation risks were, in his opinion, fully reflected in the existing risk register. He reminded the Board that when observing inflation, the Fund looked at the duration of its assets and liabilities and there's no indication to suggest that the Bank of England's long-term Inflation rate was going to be materially different.

Damien Pantling then moved onto the statutory policies, whereby 3 policies were presented to and approved by the Committee. These included the Communications Strategy, Pension Administration Strategy and Pension Administration Service Level Agreement. The Responsible Investment Update and Administration Report were also approved by the Committee.

The Board noted the report.

Part I Any Other Business

No additional business.

LOCAL GOVERNMENT ACT 1972 - EXCLUSION OF THE PUBLIC

RESOLVED UNANIMOUSLY: That the motion to exclude the public for the remainder of the meeting be approved.

The meeting, which began at 11.08 am, finished at 12.38 pm

Chair……………………………….

Date………………………………..........

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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 – 13 March 2023
Responsible Officer(s):	Damien Pantling, Head of Pension Fund
Wards affected:	None

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Royal Borough of Windsor & Maidenhead

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". This updated process was detailed in the Fund's risk management policy last approved by the Pension Fund Committee on 4 July 2022.

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 deals with the regular reporting of the revised risk register to the Pension Fund Committee.

In addition, this report addresses the re-approval of the risk management policy following several proposed revisions to the Risk Appetite Statements for Funding and Investment Risk, following appropriate advice and guidance by LPPI.

1. DETAILS OF RECOMMENDATION(S)

RECOMMENDATION: That the Pension Fund Committee notes the report;

i) Approves the updated risk register for publishing including any changes since the last approval date, putting forward any suggested amendments as required; and

ii) Approves the revised Risk Management Policy and Risk Appetite Statements contained within.

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 statutory duty to establish and operate risk 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 (attached at Appendix 2) is kept under review and shall be presented to and reviewed by the Local Pension Board and the Pension Fund Committee on a quarterly basis.

2.3. Key changes from the last date of approval (additions, removals, significant changes to mitigations and/or risk scores) are brought to the Committee's attention and are summarised as follows (noting that minor re-wording has not been included in the summary below):

2.3.1. PEN002 – Moved from trending sideways to risk increasing as geo-political tensions are rising globally, including but not limited to those tensions between the USA and China.

2.3.2. PEN004 – Moved from trending sideways to risk reducing as there is little evidence to suggest economic uncertainty surrounding Brexit is not already priced in by financial markets.

2.3.3. PEN006 – Moved from trending sideways to risk increasing, as political uncertainty is increasing as it is less than two years until the next planned general election.

2.3.4. PEN012 – Moved from risk increasing to trending sideways, as western economy central bank rhetoric is trending towards a consensus view that inflation is near to or has already peaked in the near-term.

2.3.5. PEN013 – Moved from trending sideways to risk increasing to account for the increased risk of pay increases exceeding actuarial expectations in the short term.

2.3.6. PEN017 – Moved risk increasing to trending sideways to account for the increased cash-inflow in the first quarter of 2022/23 with several unitary authorities prepaying secondary (deficit recovery) contributions.

2.3.7. *PREVIOUSLY* PEN021 – Risk removed entirely, given no indication of change from DB to DC, with general risk of government changing the LGPS reflected in PEN006.

2.3.8. PEN021 and PEN023 – Moved risk increasing to trending sideways as the Fund are liaising with employers as part of the covenant assessment work as well as through communication and liaison around future contributions and through the upcoming employer meeting.

2.3.9. PEN024 – Moved from trending sideways to risk increasing and increased the post-mitigation likelihood of occurrence from 2 to 3. This increase reflects the known and possible change to committee composition following the May 2023 local elections.

2.3.10. PEN026 – Moved from risk increasing to trending sideways following the introduction of changes to the officer structure to improve resilience along with planed recruitment activities in 203/24.

2.3.11. PEN028 – Moved from trending sideways to risk reducing following the introduction of a revised minimum risk cessation policy/approach in the Fund's funding strategy statement (FSS) and the ongoing employer covenant review work.

2.3.12. PREVIOUSLY PEN047 – Risk removed entirely (related to pooling compliance) as we are now fully compliant with DLUHC's pooling directive. There is a risk of future change to policy and regulation, but this is covered as a general risk of government policy change elsewhere in the risk register.

2.3.13. PEN051- Moved from trending down to trending sideways, as several high value procurements have either been completed, are ongoing or are planned.

2.4. The RCBPF's updated risk management policy was last approved by the Pension Fund Committee on 4 July 2022, and this risk register along with its contents are consistent with the updated risk management policy.

2.5. The RCBPF's risk management policy has been revised again and presented for approval as Appendix 1 to this report. The final sections of the risk management policy refer to the "Funding and Investment Risk Appetite Statements". The Committee were previously advised when approving the risk management policy in July 2022 that the Risk Appetite Statements would be reviewed and amended in conjunction with the results of the 2022 triennial valuation which are now available hence bringing this back for approval shortly after it had already been considered by the Committee.

2.6. The only suggested material changes to the risk management policy are those made to the Funding and Investment Risk Appetite Statements and the key changes are summarised as follows:

2.6.1. **Funding Level Risk Appetite Statement:**

2.6.2. Red warning funding level has been increased from 70% to 75%, meaning the Fund will take appropriate action through the investment strategy to prevent the Funding level from falling below 75%. This reflects the improvement in funding level since the last triennial valuation in 2019. The Amber limit is recommended to remain at 100%.

2.6.3. The time horizon that the limits shall apply to has been shortened from the length of the deficit recovery period (17 years) to 10 years. This appropriately reflects a long enough time period to smooth out short term volatility, it reflects a time period that will not move through the passage of time (i.e. the deficit recovery period shortens by one year as each year passes and will eventually be below 10 years) and therefore acts as a measure that is appropriate and future-proof.

2.6.4. An explicit limit of 25% is introduced and set as the maximum likelihood (or number) of acceptable of scenarios where the funding level could be less than the Red limit (75%) over the measured time period (10 years). This is effectively introducing a metric to set the maximum level of risk the Fund is permitted to take through its investment strategy, measured by determining the probability of the Fund breaching its Red limit.

2.6.5. Historically, the Fund has focused on the headline expected (or average) funding level, and although it has always monitored the probability of the Fund falling below a particular level, it has never set explicit limits. This 25% limit effectively acts as a cap on the level of risk the Fund is permitted and will enable better and more prescriptive decision making in setting appropriate investment strategy going forward.

2.6.6. **Employer Contributions Risk Appetite Statement:**

2.6.7. The Red limit on average total employer contributions has been increased from 30% to 35% to reflect the reality of the situation that with deficit recovery (secondary) contributions in place, the Fund already has an average total contribution rate of above 30% but below 35%. Setting this revised limit ensures the Fund focuses on contribution stability in the medium-term whilst ensuring there is no breach of affordability.

2.6.8. Contribution levels shall continue to be monitored immediately but a new time-horizon of 3 years is introduced to coincide with a unitary employer’s typical medium term budget setting period and a typical triennial valuation cycle length.

2.6.9. An explicit limit of 1 in 3 (or c33%) is introduced and set as the maximum level of acceptable scenarios whereby contributions could be more than the Red limit of 35% over the 3 year time horizon.

2.7. With both these revised Risk Appetite Statements, tolerance levels are being introduced as opposed to simply reporting and monitoring the outcomes against the Red and Amber thresholds. The introduction of tolerance levels or explicit limits along with revising the Red and Amber thresholds as appropriate will help to enable the Fund to set an optimum investment strategy going forward and remove the uncertainty around what level of risk may or may not be acceptable when setting investment strategy.

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 2 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.

6.2. The Risk Management Policy is attached at Appendix 1 to this report and is typically revised annually.

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. An Equality Impact Assessment is available at Appendix 3 to this report. The Equality Act 2010 places a statutory duty on the council to ensure that when considering any new or reviewed strategy, policy, plan, project, service, or procedure the impacts on particular groups, including those within the workforce and customer/public groups, have been considered. There are no EQIA impacts as a result of taking this decision. Equality Impact Assessments are published on the council's website

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. No specific formal consultation since the date of last review, however, 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 during the development of the Risk Management Policy previously approved on 4 July 2022, which the appended risk register is consistent with. The Fund's external advisors have been consulted in developing the revised Risk Management Policy.

9. TIMETABLE FOR IMPLEMENTATION

9.1. Ongoing.

10. APPENDICES

10.1. This report is supported by 3 Appendices:

- Appendix 1 – Risk Management Policy
- Appendix 2 – Risk Register
- 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**
Mandatory:	*Statutory Officers (or deputy)*		
Adele Taylor	Executive Director of Resources/S151 Officer	**17/02/2023**	
Emma Duncan	Deputy Director of Law and Strategy / Monitoring Officer	**17/02/2023**	
Deputies:			
Andrew Vallance	Head of Finance (Deputy S151 Officer)	**17/02/2023**	**23/02/2023**
Elaine Browne	Head of Law (Deputy Monitoring Officer)	**17/02/2023**	**02/03/2023**
Karen Shepherd	Head of Governance (Deputy Monitoring Officer)		
Other consultees:			
Cllr Julian Sharpe	Chairman – Berkshire Pension Fund Committee	**17/02/2023**	
Alan Cross	Chairman – Local Pension Board	**17/02/2023**	**27/02/2023**

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

Risk Management Policy

Contents

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 likeliness 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

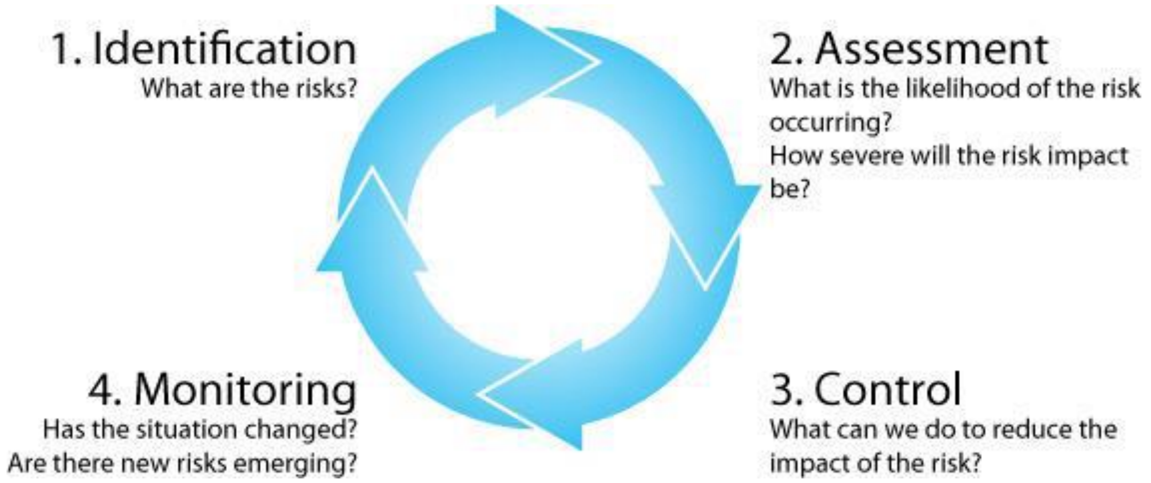
If a risk is not properly managed it can have a significant impact on the Pension Fund. The effective management of risk is a critical part of the Pension Fund's approach to delivering sound governance and administration performance so that provides better outcomes for all of its stakeholders. The RCBPF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



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	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/subcategory/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	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
	counterparty default risk	
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	n/a
	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	

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
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

4.4. 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).

4.5. 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.

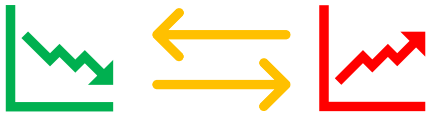
For the avoidance of doubt, all risks are owned by the Pension Fund Committee, however, each identified risk is allocated to a responsible officer who is responsible for monitoring, managing and reporting their respective risks back to the Committee on a regular basis.

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.



5. 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.

Investment and funding risks are easier to monitor and subsequently set tolerance limits, these are addressed in the following section.

6. RISK APPETITE STATEMENTS

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 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), were then adapted during the development of this policy document (May 2022) and were reviewed again in detail through the revision of this document in February 2023 now that the results of the 2022 triennial valuation are available.

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

6.1. 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 75%. If, in 25% of scenarios, the funding level could be less than 75% (red limit) in 10 years' time, this will be deemed a breach of the risk level and will require appropriate action to be taken.

Measurement:
- 100% will be identified as the Amber warning level while 75% will be the Red limit level
- The projected triennial funding level is measured over a period of 10 years, alternative time periods may be provided for comparative purposes but 10 years is the principal time horizon.
- It is measured assuming total contributions as a percentage of gross pensionable pay are capped at 35% p.a. (the contribution Red limit) 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 75% will be the Red limit level.
- An explicit limit of 25% of scenarios is set as the maximum level acceptable of scenarios where the projected funding level could be less than the Red limit of 75% over the measured time period.

6.2. 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

6.3. Employer Contributions

Risk Appetite Statement:
The Fund shall seek to limit expected total (employer and employee) contributions (assessed on the triennial valuation basis at whole Fund level) to 35% of Gross Pensionable Pay while aiming for a total expected contribution rate of no more than 25%. If, in 1/3 (c33%) of scenarios, the projected total contribution could be more than the 35% (Red limit) in 3 years' time, this will be deemed a breach of the risk level and will require appropriate action to be taken.

Measurement:
- Red limit shall be set at 35% and Amber limit (warning level) shall be set at 25%, both of Gross Pensionable Pay

- Time horizon shall be principally measured in 3 years' time with other time periods (for example immediate) provided for comparison purposes
- Total Contributions shall include member, employer service cost (primary) and employer deficit recovery (secondary) contributions;
- 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;
- An explicit limit of 1 in 3 scenarios (or c33% of scenarios) is the maximum level acceptable of scenarios where the Total Contributions may be expected to be more than the Red limit over the measured time period.

6.4. Asset Allocation

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

<u>Measurement:</u>

- The Strategic Asset Allocation (SAA) (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.

THE ROYAL COUNTY OF BERKSHIRE PENSION FUND

27/02/2023	**Risk Calculation Key**
Author: Damien Pantling, Head of Pension Fund	IMPACT (Total) = IMPACT (Fund) + IMPACT (Employers) + IMPACT (Reputation)
Adele Taylor - Director of Resources (S.151 Officer)	Gross Risk Score = IMPACT (Total) x Likelihood
Status: FINAL	Net Risk Score = IMPACT (Total) x Revised Likelihood
GREEN = Score of 3 to 15	Scores all ranked 1 to 5 Please refer to final page for CIPFA guidance, Scoring Matrix and full column heading breakdown
AMBER = Score of 16 to 25	
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Risk Group	Risk Ref.	Trending	Risk Description	Fund	Employers	Reputation	TOTAL	Likelihood	Gross Risk	Mitigating Actions	Revised Likelihood	Net Risk	Owner	Reviewed
ASSET AND INVESTMENT RISKS				IMPACT										
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 LPPI/RCMPF 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 with action taken as necessary. 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, as advised by LPPI 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 (actuarial) benchmark revised for monitoring from March 2023, expected to be above the actuarial discount rate	2	24	Damien Pantling	07/02/2023
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	07/02/2023
Asset & Investment Risk	PEN003		The global outbreak of COVID-19 poses economic uncertainty across the global investment markets.	3	3	2	8	3	24	**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	8	Damien Pantling	07/02/2023
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 is currently under review again 3) Examining portfolio at an individual investment level to fully understand exposure to effected regions and reacting as appropriate.	2	18	Damien Pantling	27/02/2023
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. TCFD regulations impact on LGPS schemes currently expected to come into force during 2023/24.	3	2	4	9	3	27	**TREAT** 1) Published 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, the RI policy was comprehensively reviewed and published in October 2022 ensuring it is fit for purpose. 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	07/02/2023
Asset & Investment Risk	PEN006		A change in government or existing government policy may result in new 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	07/02/2023
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 take place. 3) Actuarial services and investment management are provided by two different providers. 4) Review of internal control reports on an annual basis. 5) Credit rating kept under review through procurement processes.	1	10	Damien Pantling	07/02/2023
Asset & Investment Risk	PEN008		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	07/02/2023
Asset & Investment Risk	PEN009		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 wholistic 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	07/02/2023
LIABILITY RISKS														
Liability Risk	PEN010		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 and dependent scheme members (c11,000 members) at that point in time. As at December 2022 the number has reduced to c6500 members. 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	07/02/2023
Liability Risk	PEN011		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	07/02/2023
Liability Risk	PEN012		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, both in dividend income and capital appreciation 3) The actuary has taken 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	07/02/2023

THE ROYAL COUNTY OF BERKSHIRE PENSION FUND	27/02/2023	**Risk Calculation Key**
	Author: Damien Pantling, Head of Pension Fund	IMPACT (Total) = IMPACT (Fund) + IMPACT (Employers) + IMPACT (Reputation)
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	RED = Score of 26 - 75	

Risk Group	Risk Ref.	Trending	Risk Description	Fund	Employers	Reputation	TOTAL	Likelihood	Gross Risk	Mitigating Actions	Revised Likelihood	Net Risk	Owner	Reviewed
LIABILITY RISKS (CONTINUED)				**IMPACT**									**Owner**	**Reviewed**
Liability Risk	PEN013		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 and communicate with the Fund as appropriate 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) Employer decisions to increase pay more than anticipated would result in increased contributions for that employer at the next triennial valuation to offset the liability impact.	2	**18**	**Damien Pantling**	07/02/2023
Liability Risk	PEN014		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) Actuary 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) Actuary 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**	07/02/2023
Liability Risk	PEN015		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**	07/02/2023
Liability Risk	PEN016		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. **TOLERATE** 1) For 2022 valuation, improved funding levels has broadly led to reduced deficit recovery contributions, these are largely offset by increased primary contributions but increase overall is less than previously communicated	2	**24**	**Damien Pantling**	07/02/2023
Liability Risk	PEN017		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**	07/02/2023
Liability Risk	PEN018		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 2023. 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**	07/02/2023
Liability Risk	PEN019		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**	07/02/2023
Liability Risk	PEN020		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**	07/02/2023
EMPLOYER RISK														
Employer Risk	PEN021		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**	**TREAT** 1) Employer covenant risk assessment was conducted by LPP in 2019 and presented to committee (*formerly panel*) 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	2	**24**	**Damien Pantling**	07/02/2023
Employer Risk	PEN022		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**	**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	1	**11**	**Damien Pantling**	07/02/2023
Employer Risk	PEN023		Risk of unexpected employer contributions (primary and secondary) as a result of poor budget management i.e. failure to plan and budget for the increased contribution costs. General risk of poor accountability and planning within employers. Payment delay or failures may increase liabilities primarily for that employer but may affect others in the event of failure	2	5	4	11	3	**33**	**TREAT** 1) Employer contributions communicated at every triennial valuation setting levels for the following 3 years in the Rates & Adjustment certificate 2) For largest employers, regular communication on likely contribution increases for budget planning purposes outside of triennial valuation process 3) Early communication with any employer experiencing payment delays or similar issues 4) Risk of increased liabilities resulting from poor budget management of the fund's expenses mitigated through robust business plan, budget setting and budget management **TOLERATE** 1) Common understanding that liabilities are ringfenced on an employer basis. With the largest (unitary council) employers unlikely to fail, liability increases associated with payment delays are likely to be contained within the struggling employer and not affect other employers	2	**22**	**Damien Pantling**	07/02/2023

27/02/2023	**Risk Calculation Key**
Author: Damien Pantling, Head of Pension Fund	IMPACT (Total) = IMPACT (Fund) + IMPACT (Employers) + IMPACT (Reputation)
Adele Taylor - Director of Resources (S.151 Officer)	Gross Risk Score = IMPACT (Total) x Likelihood
Status: FINAL	Net Risk Score = IMPACT (Total) x Revised Likelihood
GREEN = Score of 3 to 15	Scores all ranked 1 to 5
AMBER = Score of 16 to 25	Please refer to final page for CIPFA guidance, Scoring Matrix and full column heading breakdown
RED = Score of 26 - 75	

Risk Group	Risk Ref.	Trending	Risk Description	Fund (IMPACT)	Employers (IMPACT)	Reputation (IMPACT)	TOTAL (IMPACT)	Likelihood	Gross Risk	Mitigating Actions	Revised Likelihood	Net Risk	Owner	Reviewed
RESOURCE AND SKILL RISK														
Resource & Skill Risk	PEN024		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**	**TREAT** 1) Succession planning process to be considered. 2) Ongoing training of Pension Fund Committee members, training plan in place. 3) Pension Fund Committee new member induction programme. 4) Training to be based on the requirements of CIPFA Knowledge and Skills Framework under designated officer. 5) Training to be supported by external parties including but not limited to the actuary, auditor, investment advisor and independent advisors. 6) External professional advice is sought where required	3	**15**	**Damien Pantling**	07/02/2023
Resource & Skill Risk	PEN025		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**	**TREAT** 1) Person specifications are used in recruitment processes to appoint officers with relevant skills and experience. 2) Training plans are in place for all officers as part of the performance appraisal arrangements. 3) Officers maintain their CPD by attending training events and conferences.	1	**10**	**Damien Pantling**	07/02/2023
Resource & Skill Risk	PEN026		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**	**TREAT** 1) Practice notes in place. 2) Development of team members and succession planning improvements to be implemented. 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. 4) Training plans in place for all officers.	2	**20**	**Damien Pantling**	07/02/2023
Resource & Skill Risk	PEN027		McCloud remedy will generate considerable additional workloads for the team resulting in potential resource concerns.	3	3	2	8	4	**32**	**TREAT** 1) Statutory guidance to be issued by government setting out how remedy is to be managed. Regulations are expected to come into force from October 2023. 2) All Pension Committee, Advisory Panel and Board Members receive regular updates and actions will be taken by officers once guidance is issued. 3) If necessary, consider the recruitment of temporary staff.	3	**24**	**Damien Pantling**	07/02/2023
ADMININSTRATIVE AND COMMUNICATIVE RISK														
Administrative & Communicative Risk	PEN028		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**	**TREAT** 1) Administering Authority actively monitors prospective changes in membership, maintaining knowledge of employer future plans through regular communication. 2) Contribution rates and deficit recovery periods set to reflect the strength of the employer covenant. 3) Periodic reviews of the covenant strength and risk categorisation of employers are undertaken and indemnity applied where appropriate, last done in March 2023 using the results from the 2022 triennial valuation. 4) Change to minimum risk cessation basis, moving way from Gilt yields to "prudence plus" to protect the Fund in a higher rate environment	2	**20**	**Kevin Taylor**	07/02/2023
Administrative & Communicative Risk	PEN029		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**	**TREAT** 1) Training provided as and when Regulations are updated. 2) Competent software provider maintains up to date systems. 3) Competent external consultants and advisors. 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	1	**13**	**Kevin Taylor**	07/02/2023
Administrative & Communicative Risk	PEN030		Administrators do not have sufficient staff or skills to manage the service leading to poor performance and complaints.	3	2	3	8	3	**24**	**TREAT** 1) Review of administration roles and responsibilities to be undertaken in 2023 2) Establishment of key training and development budget from 2022/23. 3) Key staff movements to be monitored closely. 4) Ongoing monitoring of administration statistical outcomes and KPI's via Local Pensions Board and Pension Fund Committee.	2	**16**	**Damien Pantling**	07/02/2023
Administrative & Communicative Risk	PEN031		Failure of pension payroll system resulting in pensioners not being paid in a timely manner.	5	5	5	15	2	**30**	**TREAT** 1) System hosted and backed up in two separate locations. 2) Re-issue previous months BACS file in extreme circumstances.	1	**15**	**Kevin Taylor**	07/02/2023
Administrative & Communicative Risk	PEN032		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) Testing of Annual Pension Increase by senior officers begins immediately once Pension Increase Order issued and immediately uploaded to test system. 5) Fund undertakes additional data cleansing exercise with the actuary ahead of the triennial valuation. 6) Mortality screening checks undertaken as reported in Risk PEN036 7) Fund undertakes additional data cleansing exercise and testing with software provider ahead of Pensions Dashboards onboarding scheduled for all Public Sector Pension Schemes by September 2024.	1	**13**	**Kevin Taylor**	07/02/2023
Administrative & Communicative Risk	PEN033		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**	07/02/2023

THE ROYAL COUNTY OF BERKSHIRE PENSION FUND

27/02/2023	**Risk Calculation Key**
Author: Damien Pantling, Head of Pension Fund	IMPACT (Total) = IMPACT (Fund) + IMPACT (Employers) + IMPACT (Reputation)
Adele Taylor - Director of Resources (S.151 Officer)	Gross Risk Score = IMPACT (Total) x Likelihood
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Risk Group	Risk Ref.	Trending	Risk Description	Fund	Employers	Reputation	TOTAL	Likelihood	Gross Risk	Mitigating Actions	Revised Likelihood	Net Risk	Owner	Reviewed
ADMININSTRATIVE AND COMMUNICATIVE RISK (CONTINUED)				**IMPACT**										
Administrative & Communicative Risk	PEN034		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 consider developing 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 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. 7) Mandatory staff training for new joiners on cyber security which is annually refreshed by all staff as part of perfomance appraisal process.	2	**22**	**Kevin Taylor**	07/02/2023
Administrative & Communicative Risk	PEN035		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 a registered adopter of the Governments Tell Us Once (TUO) service, receives notification of deaths registered with GRO instantly. 3) 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. 4) Regulatory control reports from investment managers and the custodian are obtained. 5) Regulatory controls are in place and reviewed annually or, if earlier, immediately on receipt of guidance from the Local Government Association (LGA) to prevent and protect the Fund from pension scams 6) Fund undertakes a Global Existence Project with its overseas payment provider to prove the exisitence of in payment scheme members who reside overseas and receive monthly payment to an account in the country of their residence.	1	**10**	**Kevin Taylor**	07/02/2023
Administrative & Communicative Risk	PEN036		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). 4) Fund undertakes a Global Existence Project with its overseas payment provider to prove the exisitence of in payment scheme members who reside overseas and receive monthly payment to an account in the country of their residence. 5) Fund immediately suspends payment of monthly pension on return of a rejected payment.	1	**10**	**Kevin Taylor**	07/02/2023
Administrative & Communicative Risk	PEN037		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**	07/02/2023
Administrative & Communicative Risk	PEN038		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**	07/02/2023
Administrative & Communicative Risk	PEN039		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) Fund provides all active, deferred and retirement scheme members secure online access to view and model their benefits according to status. 4) Quarterly bulletins issued to Scheme employers providing details of any and all scheme updates. 5) Training provided for Scheme employers. 6) Newsletters available to all active, deferred and retired scheme members. 7) Guides, factsheets and training notes are provided as relevant.	1	**10**	**Kevin Taylor**	07/02/2023
Administrative & Communicative Risk	PEN040		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. 3) Personal Development Plans are provided on day one to new staff members with no prior knowledge of LGPS administration that provides clear milestones for learning and development in all areas of the LGPS including team members responsible for delivery of training or alternative method.	1	**7**	**Kevin Taylor**	07/02/2023
Administrative & Communicative Risk	PEN041		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. In the interim Fund has registered access to HMRC website to obtain GMP liability values on an as required basis.	1	**8**	**Kevin Taylor**	07/02/2023
Administrative & Communicative Risk	PEN042		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**	07/02/2023

THE ROYAL COUNTY OF BERKSHIRE PENSION FUND	27/02/2023	**Risk Calculation Key**
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Risk Group	Risk Ref.	Trending	Risk Description	Fund	Employers	Reputation	TOTAL	Likelihood	Gross Risk	Mitigating Actions	Revised Likelihood	Net Risk	Owner	Reviewed
REPUTATIONAL RISK				**IMPACT**										
Reputational Risk	PEN043		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**	07/02/2023
Reputational Risk	PEN044		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**	07/02/2023
Reputational Risk	PEN045		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 Annual Meeting every year.	2	**10**	**Damien Pantling**	07/02/2023
REGULATORY AND COMPLIANCE RISK														
Regulatory & Compliance Risk	PEN046		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 by all staff as part of perfomance appraisal process. 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**	07/02/2023
Regulatory & Compliance Risk	PEN047		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**	07/02/2023
Regulatory & Compliance Risk	PEN048		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**	07/02/2023
Regulatory & Compliance Risk	PEN049		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**	07/02/2023
Regulatory & Compliance Risk	PEN050		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, LPPI processing opt-up forms on behalf of the Fund as required. 2) Maintaining up to date information about the fund on relevant platforms. 3) Existing and new Officer appointments subject to requirements for professional qualifications and CPD. 4) MIFID2 regulations to be monitored by fund officers and LPPI.	1	**7**	**Damien Pantling**	07/02/2023
Regulatory & Compliance Risk	PEN051		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. 2) Ensure that procurement waivers are kept up to date where applicable	1	**7**	**Damien Pantling**	07/02/2023

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.

Equality Impact Assessment

For support in completing this EQIA, please consult the EQIA Guidance Document or contact equality@rbwm.gov.uk

www.rbwm.gov.uk

Royal Borough of Windsor & Maidenhead

1. Background Information

Title of policy/strategy/plan:	Risk Reporting
Service area:	Finance
Directorate:	Pension Fund

Provide a brief explanation of the proposal:

- What are its intended outcomes?
- Who will deliver it?
- Is it a new proposal or a change to an existing one?

13 March 2023 Committee Meeting –

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". This updated process was detailed in the Fund's risk management policy last approved by the Pension Fund Committee on 4 July 2022.

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 deals with the regular reporting of the revised risk register to the Pension Fund Committee.

In addition, this report addresses the re-approval of the risk management policy following several proposed revisions to the Risk Appetite Statements for Funding and Investment Risk, following appropriate advice and guidance by LPPI.

2. Relevance Check

Is this proposal likely to <u>directly</u> impact people, communities or RBWM employees?

- If Yes, state 'Yes' and proceed to Section 3.
- If No, please explain why not, including how you've considered equality issues.
- Will this proposal need a EQIA at a later stage? (for example, for a forthcoming action plan)

No, full assessment not required as this report is unlikely to have a specific impact on individuals or groups of people with protected characteristics

If 'No', proceed to 'Sign off'. If unsure, please contact equality@rbwm.gov.uk

3. Evidence Gathering and Stakeholder Engagement

Who will be affected by this proposal? For example, users of a particular service, residents of a geographical area, staff
Among those affected by the proposal, are protected characteristics (age, sex, disability, race, religion, sexual orientation, gender reassignment, pregnancy/maternity, marriage/civil partnership) **disproportionately represented?** For example, compared to the general population do a higher proportion have disabilities?
What engagement/consultation has been undertaken or planned? • How has/will equality considerations be taken into account? • Where known, what were the outcomes of this engagement?
What sources of data and evidence have been used in this assessment? Please consult the EQIA Evidence Matrix for relevant data. Examples of other possible sources of information are in the Guidance document (Section 2.3).

4. Equality Analysis

Please detail, **using supporting evidence**:

- How the protected characteristics below might influence the needs and experiences of individuals, in relation to this proposal.
- How these characteristics might affect the impact of this proposal.

Tick positive/negative impact as appropriate. If there is no impact, or a neutral impact, state 'Not Applicable'.
More information on each protected characteristic is provided in the EQIA Guidance document (available on the intranet).

	Details and supporting evidence	Potential positive impact	Potential negative impact
Age			
Disability			
Sex			
Race, ethnicity and religion			
Sexual orientation and gender reassignment			
Pregnancy and maternity			
Marriage and civil partnership			
Armed forces community			

Socio-economic considerations e.g. low income, poverty			
Children in care/Care leavers			

5. Impact Assessment and Monitoring

If you have not identified any disproportionate impacts and the questions below are not applicable, leave them blank and proceed to Sign Off.

What measures have been taken to ensure that groups with protected characteristics are able to benefit from this change, or are not disadvantaged by it? For example, adjustments needed to accommodate the needs of a particular group
Where a potential negative impact cannot be avoided, what measures have been put in place to mitigate or minimise this? • For planned future actions, provide the name of the responsible individual and the target date for implementation.
How will the equality impacts identified here be monitored and reviewed in the future?

6. Sign Off

Completed by: Damien Pantling	**Date**: 18/02/2023
Approved by:	**Date:**

If this version of the EQIA has been reviewed and/or updated:

Reviewed by:	**Date**:

Agenda Item 6

Report Title:	**Actuarial Valuation**
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 – 13 March 2023
Responsible Officer(s):	Damien Pantling, Head of Pension Fund
Wards affected:	None

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Royal Borough of Windsor & Maidenhead

REPORT SUMMARY

It is a legal and regulatory requirement for an Administering Authority of an LGPS Pension Fund to obtain an actuarial valuation of the Assets and Liabilities held by the scheme every three years, this is referred to as the Triennial valuation.

This valuation sets several key ongoing assumptions and concludes with several key outputs; including but not limited to the Fund's funding level and the level of contributions payable by Fund employers for the next three years.

The Triennial valuation assumptions are set at 31 March 2022 and the final report's rates and adjustments certificate prescribes contributions payable by employers from 1 April 2023 to 31 March 2026. This year's triennial valuation was prepared by the scheme actuary Barnett Waddingham and is attached at Appendix 1 to this report with the rates and adjustments certificate separately attached at Appendix 2.

1. DETAILS OF RECOMMENDATION(S)

RECOMMENDATION: That the Pension Fund Committee notes the report;

i) Approves the 2022 triennial valuation report as prepared by Barnett Waddingham, including the underlying financial assumptions used to value the Fund, provided in Appendix 1;

ii) Approves the 2022 Rates and Adjustments certificate, provided in appendix 2; and

iii) Approves publication of the final valuation report on the Fund website, noting this may undergo final revisions before the Actuary formally signs it off on 31 March 2023.

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

2.1. Regulation 62 of the Local Government Pension Scheme Regulations 2013 (as amended) ('the Regulations') prescribes that an Administering Authority must obtain:

2.1.1. An actuarial valuation of the assets and liabilities of each of its Pension Fund as at 31st March 2016 and on 31st March in every third year afterwards;

2.1.2. A report by an actuary in respect of the valuation; and

2.1.3. A rates and adjustments certificate prepared by an actuary.

2.2. The Fund's actuary is Barnett Waddingham, who have prepared a detailed full triennial valuation report as at 31 March 2022 and this is attached at appendix 1 to this report.

2.3. The triennial valuation process typically takes around one year to finalise and seeks to set the employer contribution rates payable by employers from 1 April 2023 to 31 March 2026. Contributions payable by each individual employer is set out in the Rates and Adjustments Certificate (part of the valuation report) and is attached at Appendix 2 to this report. This summarises the primary (future service cost) and secondary (deficit recovery payments) contributions payable by each employer in the Fund.

2.4. The report sets several key assumptions such as inflation, expected return on investments, future pay increases and demographic assumptions and concludes with an overall funding level, set as a monetary amount and a percentage. This is summarised as follows (including comparison to the last triennial valuation):

2.4.1. Scheme assets totalled £2.66bn at 31 March 2022 compared to £2.09bn at 31 March 2019, representing an increase of £0.57bn or 27%.

2.4.2. The present value of scheme liabilities totalled £3.08bn at 31 March 2022 compared to £2.69bn at 31 March 2019, representing an increase of £0.39bn or 14%.

2.4.3. The deficit (difference between Assets and Liabilities) totalled £0.43bn at 31 March 2022 compared to £0.6bn at 31 March 2019, representing a decrease of -£0.17bn or -28%.

2.4.4. The headline funding level was estimated to be 86% at 31 March 2022 compared to 78% as at 31March 2019.

2.5. The above assumptions were calculated on a local basis by the scheme actuary and will differ to any other alternative basis used for example IAS19 for accounting purposes, and the uniform assumptions set by the Scheme Advisory Board (SAB).

2.6. Following the funding valuation, a "Section 13" report (prepared under Section 13 of the Public Service Pensions Act 2013) will be prepared to report on whether several aims are achieved, and to identify any funds that cause concerns. GAD prepare their report using the SAB standardised basis for all funds. The Actuary has applied the standardised basis for the Fund as part of the valuation report which shows its funding level at 89%*.

2.7. This is the first time in recent years that the local basis is more prudent than the SAB standardised Section 13 basis (86% local compared to 89*% SAB funded), furthermore, the Fund has shortened the deficit recovery period and taken decisive action on commissioning climate scenario analysis modelling as part of the valuation. Consequently, we do not expect any adverse flags from GAD.

2.8. *The headline figure of 89% will differ from what GAD are actually expected to report (83.4%), which Is due to the SAB basis including the expected 10.1% 2023 increase in the April 2022 Section 13 valuation report. The Fund have been advised by the Actuary that despite the headline figure being lower, the local basis is still more prudent than the SAB standardised basis.

2.9. Please note that the appendices attached to this report and recommended for approval may undergo minor and immaterial revisions until finalised by the Fund Actuary on 31 March 2023. This is noted in the report recommendations.

3. KEY IMPLICATIONS

3.1. A key implication of the triennial valuation report is to determine the health of the LGPS fund. As a funded scheme, the Administering Authority as Scheme Manager must ensure that there is sufficient assets available and held by the Fund to pay future pensions as they fall due. Where there is a shortfall, this must be made up by a combination of investment returns and deficit recovery contributions payable by employers.

3.2. Another key implication of the triennial valuation report is that it is used to set contributions payable by employers from 1 April 2023 until 31 March 2026. These contributions are set out in the Rates and Adjustments Certificate at Appendix 2 and includes both the primary (future service cost) and secondary (deficit recovery) contributions payable by all scheme employers.

4. FINANCIAL DETAILS / VALUE FOR MONEY

4.1. The main financial implication of this report is the setting of employer contributions. The Fund maintains the key strategic objectives of setting both affordable and stable contribution rates whilst balancing the funding priorities of the Fund to enable pensions to be paid as they fall due. The balance of funding, affordability and stability has been considered throughout the triennial valuation process and in the setting of employer contributions.

5. LEGAL IMPLICATIONS

5.1. It is a statutory requirement of LGPS Funds in England and Wales to undertake a triennial valuation in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013 (as amended). This report ensures the Fund is fully compliant with the scheme regulations.

6. RISK MANAGEMENT

6.1. The Pension Fund Committee review and approve a risk register on a quarterly basis, prepared in line with CIPFA's guidance on "managing risks in the LGPS – 2018". The latest risk register (including relevant actions and mitigations) has been prepared alongside this report, with any relevant changes considered and documented as appropriate in the quarterly review of the risk management report.

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. An Equality Impact Assessment is available at Appendix 3 to this report. The Equality Act 2010 places a statutory duty on the council to ensure that when considering any new or reviewed strategy, policy, plan, project, service or procedure the impacts on particular groups, including those within the workforce and customer/public groups, have been considered. There are no EQIA impacts as a result of taking this decision. Equality Impact Assessments are published on the council's website

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. Administering Authority senior officers were consulted on the early results and financial assumptions in September 2022. Scheme employers were consulted on the results through the sharing of draft employer rates in October 2022. Scheme members and employers were consulted at the Fund's AGM in November 2022 and Committee Members were consulted on the detailed results of the triennial valuation and its implications at the Committee pre-meet in late November 2022. Overall, there has been extensive consultation to date and this shall continue with the valuation results being a key theme of the employer meeting in late March 2023.

9. TIMETABLE FOR IMPLEMENTATION

9.1. From 1 April 2023 until 31 March 2026

10. APPENDICES

10.1. This report is supported by 3 Appendices:

- Appendix 1 – Actuarial Valuation Report

- Appendix 2 – Rates & Adjustments Certificate
- 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
Mandatory:	*Statutory Officers (or deputy)*		
Adele Taylor	Executive Director of Resources/S151 Officer	**17/02/2023**	
Emma Duncan	Deputy Director of Law and Strategy / Monitoring Officer	**17/02/2023**	
Deputies:			
Andrew Vallance	Head of Finance (Deputy S151 Officer)	**17/02/2023**	**23/02/2023**
Elaine Browne	Head of Law (Deputy Monitoring Officer)	**17/02/2023**	**02/03/2023**
Karen Shepherd	Head of Governance (Deputy Monitoring Officer)		
Other consultees:			
Cllr Julian Sharpe	Chairman – Berkshire Pension Fund Committee	**17/02/2023**	
Alan Cross	Chairman – Local Pension Board	**17/02/2023**	**27/02/2023**

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

BARNETT WADDINGHAM
beyond the expected

VALUATION REPORT

Royal County of Berkshire Pension Fund

Actuarial valuation as at 31 March 2022

Dr Barry McKay FFA

Liam Drysdale FFA

Barnett Waddingham LLP

2 March 2023

Contents

Executive summary

Some of the key results contained within this report are set out below:

1. Funding position

Using the agreed assumptions, the Fund had assets sufficient to cover 86% of the accrued liabilities as at 31 March 2022, which has increased from 78% at the 2019 valuation.

2. Contributions

Individual employer contributions are set out in Appendix 5 in the Rates and Adjustments Certificate to cover the period from 1 April 2023 to 31 March 2026. No employer is permitted to pay their deficit over a period greater than 17 years from 1 April 2023.

3. Method and assumptions

The resulting method and assumptions are set out in Appendix 2 and we believe they are appropriate for the 31 March 2022 valuation. The key assumptions used are a discount rate assumption of 5.1% p.a. and a CPI inflation assumption of 2.9% p.a.

4. Investment performance

Investment returns have been strong since the previous valuation, but gains in the funding position have been partially offset by a reduction in future anticipated investment returns net of inflation (i.e. a reduction in the real discount rate).

5. Regulatory changes

There have been a number of important regulatory changes since the 2019 valuation including McCloud, Cost management and Climate risk.

Details of how we have approached each change is detailed in this report.

Background

We have been asked by Royal Borough of Windsor and Maidenhead, the administering authority for the Royal County of Berkshire Pension Fund (the Fund), to carry out an actuarial valuation of the Fund as at 31 March 2022. 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.

The purpose of the valuation is to review the financial position of the Fund and to set appropriate contribution rates for each employer in the Fund for the period from 1 April 2023 to 31 March 2026 as required under Regulation 62 of the Regulations.

This report summarises the results of the valuation and is addressed to the administering authority of the Fund. It is not intended to assist any user other than the administering authority in making decisions or for any other purpose and neither we nor Barnett Waddingham LLP accept liability to third parties in relation to this advice.

This report is provided further to earlier advice dated 7 September 2022 which set out the background to the valuation and explained the underlying methods and assumptions derivation.

This advice complies with Technical Actuarial Standards (TASs) issued by the Financial Reporting Council – in particular TAS 100: Principles for Technical Actuarial Work and TAS 300: Pensions.

We would be pleased to discuss any aspect of this report in more detail.

Valuation methodology

Setting contributions

The contribution rates consist of two elements, the primary rate and the secondary rate:

- The **primary rate** for each employer is the employer's future service contribution rate (i.e. the rate required to meet the cost of future accrual of benefits) expressed as a percentage of pay.
- The **secondary rate** is an adjustment to the primary rate to arrive at the total rate each employer is required to pay (for example, to allow for deficit recovery). The secondary rate may be expressed as a percentage of pay or a monetary amount.

Regulation 62 specifies four requirements that the actuary "must have regard" to:

1. The existing and prospective liabilities arising from circumstances common to all those bodies
2. The desirability of maintaining as nearly a constant a primary rate as possible
3. The current version of the administering authority's Funding Strategy Statement (FSS)
4. The requirement to secure the "solvency" of the pension fund and the "long-term cost efficiency" of the Scheme, so far as relating to the pension fund

The wording of the second objective is not ideal in that it appears to be aimed towards the primary rate rather than taking into account the surplus or deficit of the employer. We believe that if we achieve reasonably stable total individual employer rates (which seems like a preferable objective) then we will also meet the regulatory aim.

CIPFA's FSS guidance includes further details, summarised as follows:

- **"solvency"** means ensuring that employers are paying in contributions that cover the cost of benefit accrual and target a fully funded position over an appropriate time period using appropriate actuarial assumptions, and
- **"long-term cost efficiency"** means that employers have the financial capacity to increase contributions (or there is an alternative plan in place) should contributions need to be increased in future.

Assumptions used

We have considered these four requirements when providing our advice and choosing the method and assumptions used.

A number of reports and discussions have taken place with the administering authority and, where required, its investment advisors before agreeing the assumptions to calculate the results and set contribution rates. In particular:

- The initial results report dated 7 September 2022 provides information and results on a whole fund basis as well as background to the method and derivation of the assumptions.
- The assumptions note dated 20 September 2022 provides an additional summary of the assumptions used at the 2022 actuarial valuation.
- The climate analysis report dated 22 February 2023 which considers climate risk in the context of the Fund's 2022 actuarial valuation. It considers whether the 2022 valuation funding strategy is sufficiently robust in the context of this climate scenario analysis and any potential contribution impacts.
- The FSS which will confirm the approach in setting employer contributions.

Note that not all of these documents may be in the public domain and may be restricted to the administering authority which has no obligation to share them with any third parties.

The assumptions detailed in this report have been agreed with the administering authority. The Fund's FSS has been reviewed in collaboration with the administering authority to ensure that it is consistent with this approach. The FSS complies with the latest version of CIPFA's FSS guidance but we understand that this guidance is currently under review by the Scheme Advisory Board's Compliance and Reporting Committee. This updated guidance had not come into effect as at the date of this report.

We confirm that in our opinion the agreed assumptions are appropriate for the purpose of the valuation. Assumptions in full are set out in Appendix 2.

Valuation of liabilities

To calculate the value of the liabilities, we estimate the future cashflows which will be made to and from the Fund throughout the future lifetime of existing active members, deferred benefit members, pensioners and their dependants. We then discount these projected cashflows using the discount rate which is essentially a calculation of the amount of money which, if invested now, would be sufficient together with the income and growth in the accumulating assets to make these payments in future, using our assumption about investment returns.

This amount is called the present value (or, more simply, the value) of members' benefits. Separate calculations are made in respect of benefits arising in relation to membership before the valuation date (past service) and for membership after the valuation date (future service).

To produce the future cashflows or liabilities and their present value we need to formulate assumptions about the factors affecting the Fund's future finances such as inflation, salary increases, investment returns, rates of mortality and staff turnover etc.

The assumptions used in projecting the future cashflows in respect of both past service and future service are summarised in Appendix 2.

Valuation of assets

We have been provided with Fund accounts for each of the three years to 31 March 2022.

The market asset valuation as at 31 March 2022 was £2.70bn. This includes the unsmoothed value of the longevity insurance contract which is detailed further in the next section. Please note that this excludes members' additional voluntary contributions (AVCs).

For the purposes of the valuation, we use a smoothed value of the assets rather than the market value. The financial assumptions that we use in valuing the liabilities are smoothed around the valuation date so that the market conditions used are the average of the daily observations over the period 1 January 2022 to 30 June 2022. Therefore, we value the assets in a consistent way and apply the same smoothing adjustment to the market value of the assets.

The smoothed asset valuation as at 31 March 2022 was £2.65bn. This includes the smoothed value of the longevity insurance contract which is detailed further in the next section. This was based on a smoothing adjustment of 98.1%. More detail can be found in Appendix 1.

The Fund's long-term investment strategy has been taken into consideration in the derivation of the discount rate assumption. The investment strategy is set out in the Fund's Investment Strategy Statement (ISS) that should be made publicly available on the Fund's website.

Longevity insurance contract

During 2009, the Fund entered into a longevity insurance contract with Swiss Re which covered all pensions in payment at the end of July 2009. This contract effectively means that the Fund will pay inflation-linked premiums to Re-Assure and in exchange, Re-Assure will pay the actual pension amounts due. We have provided summary details of the members who are covered by the contract in Appendix 1.

Valuation of longevity contract	£m
Value of insured funded liabilities	407
Value of insured unfunded liabilities	33
Value of premium payments	563
Smoothed valuation of contract	**-123**

We have valued the contract as the difference between the value of the pension payments expected to be paid and the value of the premium payments due to Re-Assure, using the assumptions set out in Appendix 2 which gives the results shown. This has been allowed for in the asset valuation used in this report.

The unsmoothed valuation of the contract at 31 March 2022 is -£126m.

Previous valuation results

The previous valuation was carried out as at 31 March 2019 by Barnett Waddingham. The results are summarised in the valuation report dated 31 March 2020 and reported a deficit of £596m.

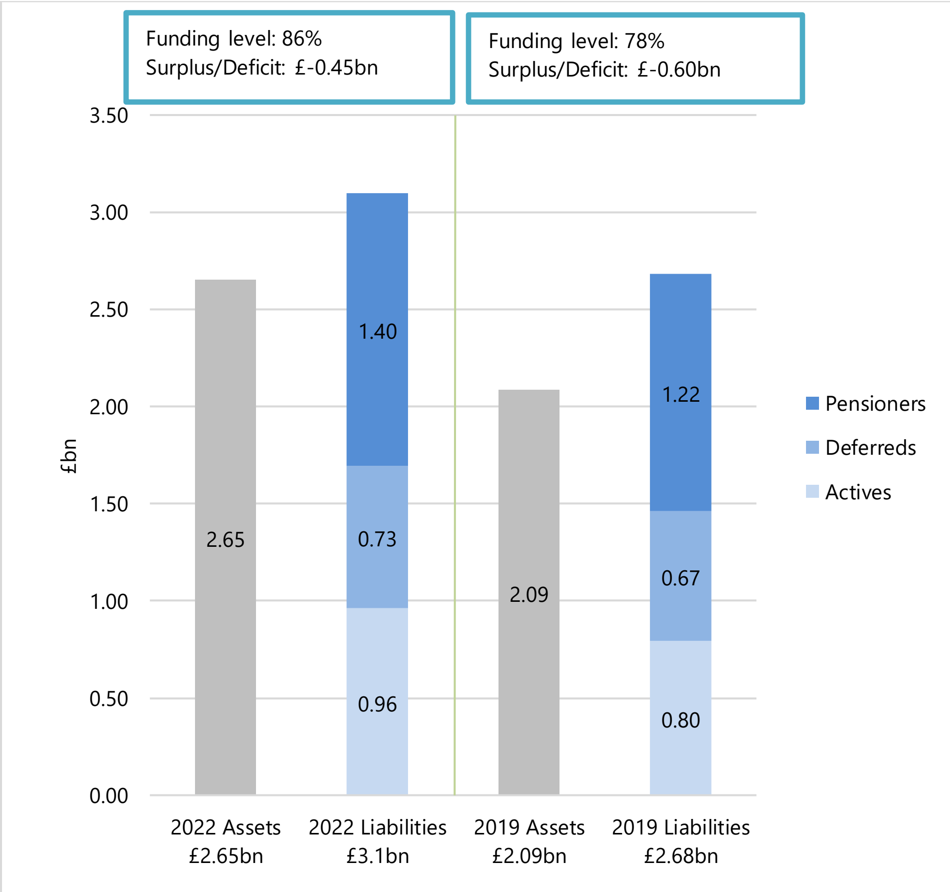
Results

Funding position

A comparison is made of the value of the existing assets with the value of the accrued liabilities. If there is an excess of assets over the liabilities then there is a surplus. If the converse applies there is a deficit.

Using the assumptions summarised in Appendix 2, the funding position is set out in the graph below. This shows the funding position of the Fund at the current and previous valuation dates.

There was a deficit of £446m in the Fund at the valuation date, corresponding to a funding level of 86%.



Contribution rates

Primary rate

Using the assumptions summarised in Appendix 2, the resulting average primary rate across the whole Fund is set out in the table below (after allowing for member contributions). This includes a comparison to the primary rate at the previous valuation.

The primary rate for the whole Fund is the weighted average (by Pensionable Pay) of the individual employers' primary rates.

Primary rate	2022 valuation of payroll p.a.	2019 valuation of payroll p.a.
Average total future service rate	23.4%	21.9%
Less average member rate	-6.5%	-6.5%
Fund primary rate	**16.9%**	**15.4%**

Active members pay contributions to the Fund as a condition of membership in line with the rates required under the Regulations.

Please note that expenses are allowed for in the derivation of the discount rate and therefore we make no explicit allowance in the primary rate for expenses.

Secondary rate

The secondary rate is an adjustment to the primary rate to arrive at the total rate each employer is required to pay (for example, to allow for deficit recovery). Where there is a deficit, contributions should be set to restore the funding positions to 100% over an agreed "recovery period".

The recovery period for individual employers varies across the Fund. The administering authority's approach to setting recovery periods is set out in the FSS. Where there is a surplus, this may also be reflected in contribution rates in line with the Fund's FSS.

The primary and secondary rate of the individual employer contributions payable are set out in the Rates and Adjustments Certificate in Appendix 5. These will differ from the primary rate set out above as well as varying from each other as they are either based on the employer's own membership and experience or they are the employer's share of the contributions payable within a pool of employers.

In Appendix 5 we also disclose the sum of the secondary rates for the whole Fund for each of the three years beginning 1 April 2023.

The secondary contributions agreed with the administering authority have been set at this valuation in order to restore the Fund to a funding position of 100% by no later than 2040.

Projected funding position

Based on the assumptions as set out in Appendix 2 and the contributions certified and set out in Appendix 5, we estimate that the funding position of the whole fund may increase to 91% by 31 March 2025, the next valuation date. This projection is based on the assumptions made for this valuation and contributions being paid at the agreed amounts. This projection does not allow for any actual experience since 31 March 2022 nor any other risks or uncertainties. Some of these additional risks are set out later in this report and in Appendix 3.

Standardised basis

Following the funding valuation, a "Section 13" report (prepared under Section 13 of the Public Service Pensions Act 2013) will be prepared to report on whether the following aims are achieved: compliance, consistency, solvency and long-term cost efficiency, and to identify any funds that cause concerns.

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As part of our calculations we have considered the results on a standardised basis as set by the Scheme Advisory Board (SAB). We are required to provide the SAB with the results for the Fund for comparison purposes.

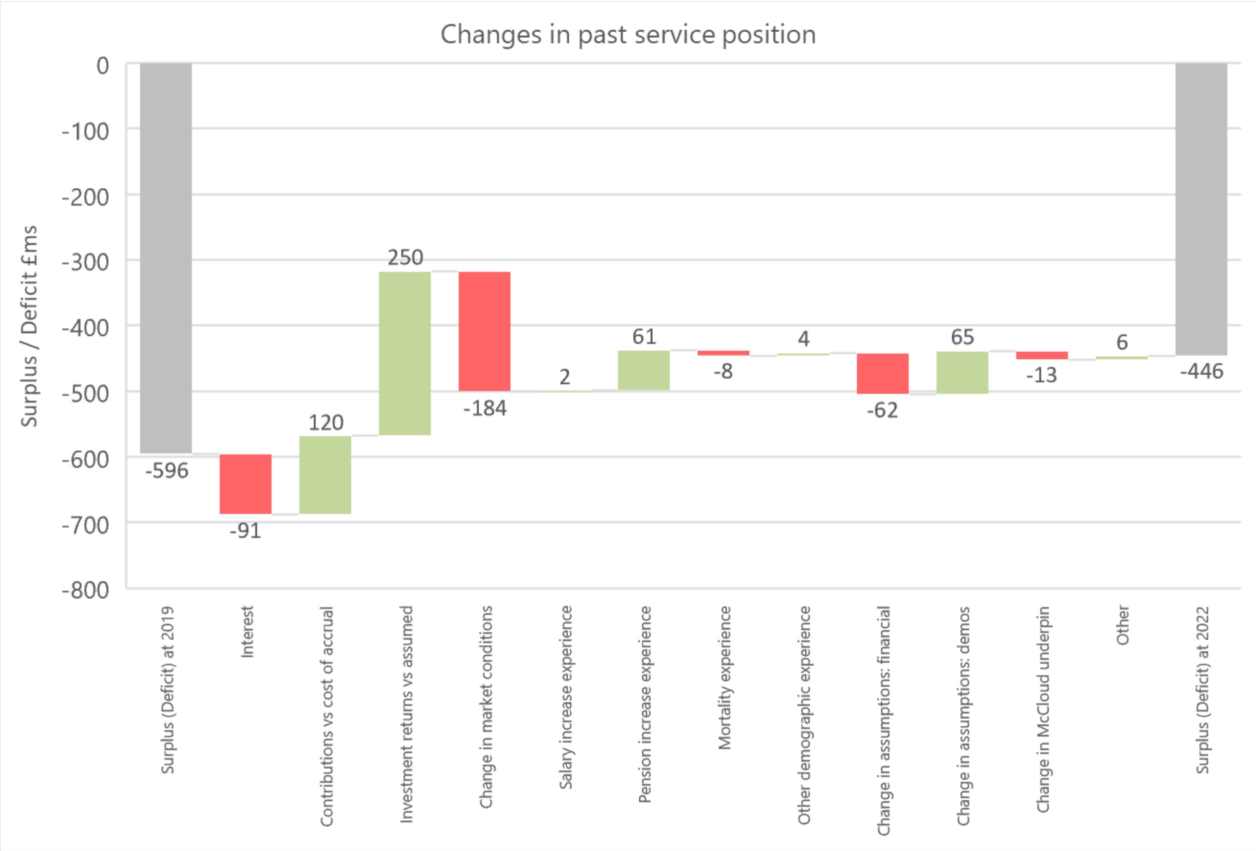
The standardised basis is set using assumptions advice from the Government Actuary's Department (GAD) with some of the assumptions used being set locally (such as mortality) and some are set at Scheme level (including all the financial assumptions). It is not used to set contributions as it does not reflect the Fund's investment strategy or the administering authority's attitude to risk; contributions are set using the funding basis.

The results on the standardised basis as at 31 March 2022 are set out in the dashboard in Appendix 4. The dashboard should assist readers in comparing LGPS valuation reports and the information will be used by GAD in their "Section 13" report.

Reconciliation to previous valuation

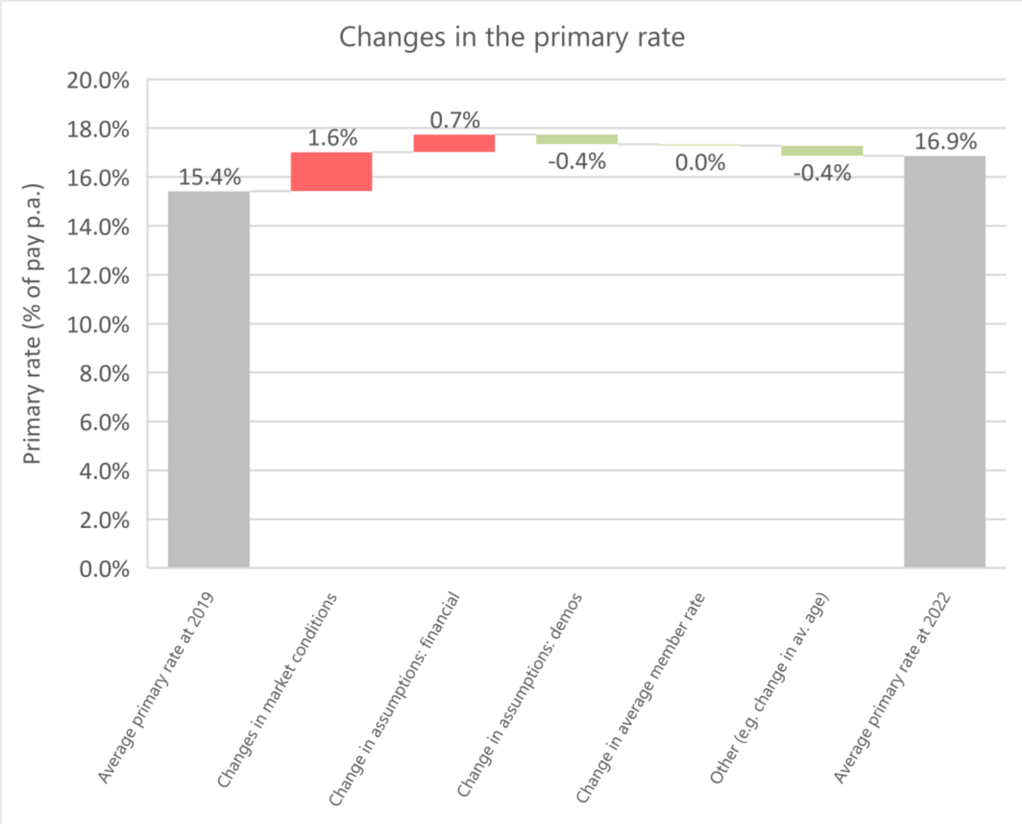
Funding position

The previous valuation revealed a deficit of £596m. The deficit has reduced by £150m to £446m since the last valuation and the key factors that have influenced the funding level of the Fund over the period are illustrated in the chart below.



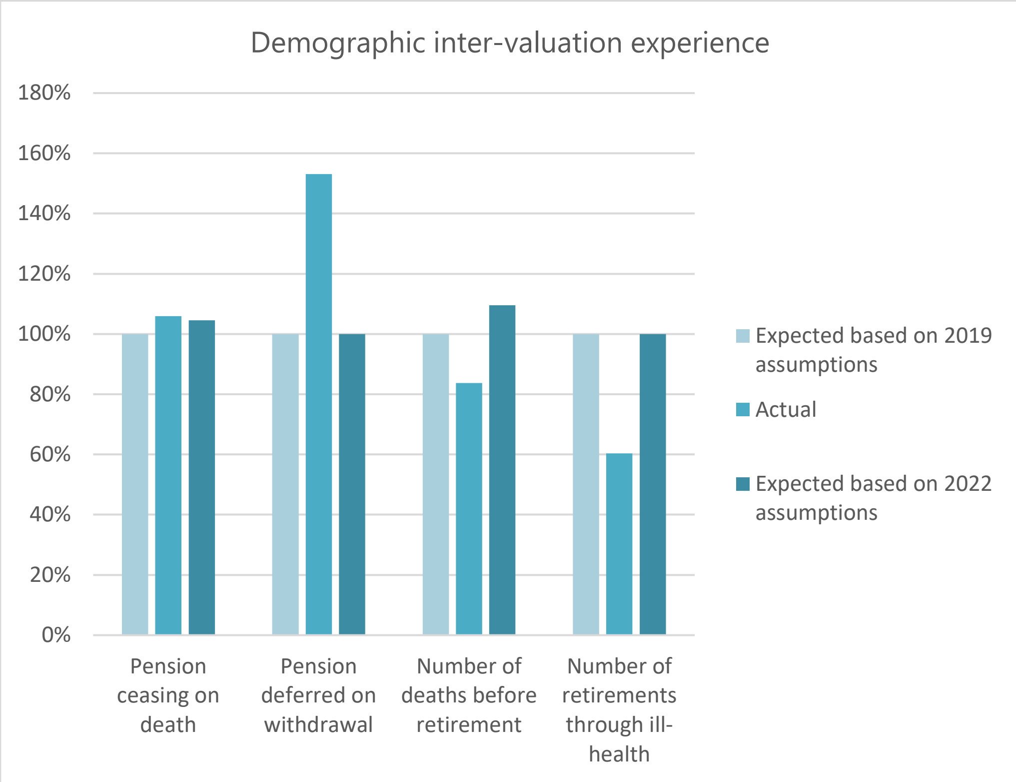
Primary contribution rate

The previous valuation resulted in an average primary rate of 15.4% of Pensionable Pay. The reasons for the change in the cost of future benefit accrual are set out in the reconciliation chart below.



Comparing experience with assumptions

A comparison of the actual demographic experience of members of the Fund over the intervaluation period, with that assumed by the assumptions adopted at the last valuation in 2019 is shown in the graph below. The graph also shows how the assumptions adopted for this valuation would have compared with those adopted at 2019.



Sensitivities to the liabilities

The results set out in this report are based on a particular set of assumptions. The actual cost of providing the benefits will depend on the actual experience, which could be significantly better or worse than assumed. The sensitivity of the results to some of the key assumptions is set out in the table below.

The figures in the table are shown relative to the deficit of £446m and funding level of 86% on the agreed funding basis.

2022 sensitivity analysis of funding position	2022 Valuation basis	Decrease discount rate by 0.1% p.a.	Increase CPI inflation by 0.1% p.a.	Increase salary assumption by 0.5% p.a.	Increase long-term rate of mortality improvement by 0.25% p.a.	Increase initial addition to mortality improvement by 0.5%	Decrease 2020/21 weighting parameter by 5%
	£bn	£bn	£bn	£bn	£bn	£bn	£bn
Smoothed asset value	2.65	2.65	2.65	2.65	2.65	2.65	2.65
Total past service liabilities	3.10	3.15	3.15	3.11	3.12	3.14	3.12
Surplus / (Deficit)	**(0.45)**	**(0.50)**	**(0.50)**	**(0.46)**	**(0.47)**	**(0.49)**	**(0.47)**
Funding level	**86%**	**84%**	**84%**	**85%**	**85%**	**84%**	**85%**

Sensitivities to the primary contribution rate

The calculated primary contribution rate required to fund benefits as they are earned from year to year will also be affected by the particular set of assumptions chosen. The sensitivity of the primary rate to changes in some key assumptions is shown below. Please note that the primary rate set out below does not include any adjustment via the secondary rate. The total contribution rate payable by employers will be a combination of the primary rate and a secondary rate adjustment, further details can be found in Appendix 5.

The figures in the table are shown relative to the primary rate of 16.9% of Pensionable Pay on the agreed funding basis.

2022 sensitivity analysis of primary rate	2022 Valuation basis	Decrease discount rate by 0.1% p.a.	Increase CPI inflation by 0.1% p.a.	Increase long-term rate of mortality improvement by 0.25% p.a.	Increase initial addition to mortality improvement by 0.5%	Decrease 2020/21 weighting parameter by 5%
	of payroll p.a.	of payroll p.a.	of payroll p.a.	of payroll p.a.	of payroll p.a.	of payroll p.a.
Average total future service rate	23.4%	24.0%	24.0%	23.6%	23.6%	23.5%
Less average member rate	-6.5%	-6.5%	-6.5%	-6.5%	-6.5%	-6.5%
Fund primary rate	**16.9%**	**17.5%**	**17.5%**	**17.1%**	**17.1%**	**17.0%**

Further comments

Funding Strategy Statement (FSS)

The assumptions used for the valuation have been documented in a revised Funding Strategy Statement agreed between the Fund Actuary and the administering authority.

Risks

There are many factors that affect the Fund's funding position and could lead to the Fund's funding objectives not being met within the timescales expected. Some of the key risks that could have a material impact on the Fund are:

- Employer covenant risk
- Investment risk
- Inflation risk
- Mortality risk
- Member options risk
- Regulatory risk
- Climate risk

The sensitivity of the funding results to some of these risks was set out in the sensitivities section of this report. Please note that this is not an exhaustive list. Further information on these risks and more can be found in our initial results report and will be set out in greater detail in the FSS.

Post valuation events

Since the valuation date, there has been some significant market turbulence including material increases in short-term inflation and gilt yields. There is an ongoing cost of living crisis, as well as political turmoil.

However, our funding model is designed to help withstand short-term volatility in markets as it is a longer-term model. We use smoothed assumptions over a six-month period with the ultimate aim of setting stable contributions for employers. The valuation approach and assumptions are not based on gilt yields and the discount rate is derived from the long-term future expected returns on each asset class with a deduction for uncertainty and risk (our prudence adjustment). Therefore, at this stage, the anticipated effect on the long-term funding position is not significant enough to revise our approach.

Nevertheless, due to the ongoing uncertainty around the shorter-term impact of these issues, we have considered these issues in setting the employer contribution rates to ensure that contributions in to the Fund remain appropriate. Most notably, high inflation will have a significant impact in the short term as higher levels of pensions in payment will need to be paid out of the Fund as a result of the anticipated increase of 10.1% in April 2023. More detail is set out in the FSS.

We will continue to monitor the Fund's funding position and raise any individual employer cases with the Fund that we consider need any special attention. The impact of these events will be fully considered as part of the 2025 valuation when we revisit employer contributions.

The next formal valuation is due to be carried out as at 31 March 2025 however we would recommend that the financial position of the Fund is monitored regularly during the period leading up to the next formal valuation. We would be happy to give more detail about the ways that this can be achieved.

Rates and Adjustments Certificate

The contributions payable in respect of benefit accrual and any deficit contributions under each employer's recovery period have been set out in Appendix 5 in the Rates and Adjustments Certificate in accordance with Regulation 62 of the Regulations and cover the period from 1 April 2023 to 31 March 2026. In this certificate no allowance will be made for additional costs arising which need to be met by additional contributions by the employer such as non-ill health early retirements.

The contributions in the Rates and Adjustments Certificate are set so that each employer's assets (including future contributions) are projected to be sufficient to cover the benefit payments for their members, on the assumptions set out in this report. Where there is currently a deficit for an individual employer, recovery of this deficit is targeted in line with the Fund's FSS and all employers are projected to be fully funded after a recovery period length of no more than 17 years from 1 April 2023.

This document has been agreed between the administering authority and the Fund Actuary. Contributions have been set which in our opinion meet the regulatory requirements and the funding objectives set out in the Fund's FSS.

This report must be made available to members on request.

Barry McKay

Dr Barry McKay FFA
Partner
Barnett Waddingham LLP

Liam Drysdale FFA
Senior Consulting Actuary
Barnett Waddingham LLP

Appendix 1 Summary of data and benefits

Membership data

The membership data has been provided to us by the administrators of the Fund. We have relied on information supplied by the administrator and the administering authority being accurate. The membership data has been checked for reasonableness and we have compared the membership data with information in the Fund's accounts. The numbers in the tables below relate to the number of records and so will include members in receipt of, or potentially in receipt of, more than one benefit.

Any missing or inconsistent data has been queried with the Fund and estimated where necessary. Whilst this should not be seen as a full audit of the data, we are happy that the data is sufficiently accurate for the purposes of the valuation.

Benefits

Full details of the benefits being valued are set out in the Regulations as amended and summarised on the LGPS website (https://www.lgpsmember.org/). We have made no allowance for discretionary benefits.

Membership summary

A summary of the membership data used in the valuation is as follows. The membership data from the previous valuation is also shown for comparison.

Data used	Data at 31 March 2022			Data at 31 March 2019			
Active members	Number	Pensionable pay £m	Average age (salary-weighted)	Number	Pensionable pay £m	Average age (salary-weighted)	Average age (liability-weighted)
Males	4,383	121	47	4,263	110	47	54
Females	21,049	354	47	20,244	305	47	53
Total	25,432	475	47	24,507	415	47	53

Deferred members (including undecided)	Number	Pension £m	Average age (pension-weighted)	Number	Pension £m	Average age (pension-weighted)	Average age (liability-weighted)
Males	8,429	16	50	8,201	15	50	52
Females	30,141	34	50	28,947	31	50	52
Total	38,570	50	50	37,148	46	50	52
Pensioner and dependant members	Number	Pension £m	Average age (pension-weighted)	Number	Pension £m	Average age (pension-weighted)	Average age (liability-weighted)
Uninsured							
Males	3,939	25	67	3,004	19	66	69
Females	9,435	34	67	6,451	23	65	68
Insured							
Males	2,563	21	79	2,938	23	77	77
Females	5,020	20	80	5,522	21	78	78
Total	20,957	100	71	17,915	86	71	73

Projected retirements

In the table below we have set out the number of members who are assumed to reach retirement age over the period from 1 April 2022 to 31 March 2026 as required under the Regulations.

Members may retire for a number of reasons including reaching normal retirement age, retiring through ill-health or redundancy. The amounts set out in the table below are the new retirement benefit amounts, as at the current valuation date that are assumed to come into payment in each of the intervaluation years.

Projected new benefits		
Year to	Number of members	Retirement benefits £m's
31 March 2023	1,232	8
31 March 2024	1,283	8
31 March 2025	1,479	9
31 March 2026	1,236	8

Guaranteed Minimum Pension (GMP) equalisation and indexation

On 23 March 2021, the Government published the outcome to its GMP Indexation consultation, concluding that all public service pension schemes, including the LGPS, will be directed to provide full indexation to members with a GMP reaching State Pension Age (SPA) beyond 5 April 2021. This is a permanent extension of the 'interim solution' that has applied to members with a GMP reaching SPA on or after 6 April 2016. Details of the consultation outcome can be found here.

As with the previous valuation, we have assumed that the Fund will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, we have assumed that the Fund will be required to pay the entire inflationary increase. We are comfortable that our approach is consistent with the consultation outcome.

Appendix 2 Summary of assumptions

A summary of the assumptions adopted for the valuation at 31 March 2022 and as at 31 March 2019 is set out below.

Assumptions		2022 valuation	2019 valuation
Financial assumptions			
CPI inflation		2.9%	2.6%
Salary increases		3.9%	3.6%
Discount rate		5.1%	5.3%
Pension increases on GMP		Funds will pay limited increases for members reaching SPA by 6 April 2016, and full increases for others	
Demographic assumptions			
Post-retirement mortality			
	Base table pensioners (male/female)	110% / 105% of S3PA tables	115% / 110% of S3PA tables
	Base table dependants (male/female)	100% / 95% of S3DA tables	95% / 70% of S3DA tables
	CMI Model	CMI 2021	CMI 2018
	Long-term rate of improvement	1.25%	1.25%
	Smoothing parameter	7.0	7.5
	Initial addition to improvement	0.0%	0.5%
	2020/21 weighting parameter	5%	n/a
Retirement assumption		Weighted average	Weighted average
Pre-retirement decrements		GAD 2016 scheme val: no salary scale, 50% multiplier to ill-health rates	GAD 2016 scheme val: no salary scale, 50% multiplier to ill-health rates
50:50 assumption		Member data	Member data
Commutation		50% of max	50% of max
Family statistics			
	% with qualifying dependant	75% (M) / 70% (F)	75% (M) / 70% (F)
	Age difference	3 years	3 years

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Demographic assumptions – sample rates

The following tables set out some sample rates of the demographic assumptions used in the calculations. These sample rates are based on those set by the Government Actuary's Department (GAD) based on analysis of the Local Government Pension Scheme (LGPS) in England and Wales.

Allowance for ill-health early retirements

A small proportion of members are assumed to retire early due to ill health. In the table below we set out an extract of some sample rates from the GAD tables used:

Age	Males	Females
25	0.01%	0.00%
30	0.01%	0.01%
35	0.02%	0.01%
40	0.04%	0.03%
45	0.09%	0.06%
50	0.18%	0.13%
55	0.36%	0.28%
60	0.74%	0.62%
65	1.51%	1.34%

Please note the above rates are the raw decrements as set by GAD. Our assumption is that there will be 50% of the number of ill-health retirements assumed by GAD.

The proportion of ill-health early retirements falling into each tier category has been assumed to be as follows for both males and females:

Tier 1	Tier 2	Tier 3
75%	15%	10%

Death before retirement

A small number of members are assumed to die before reaching retirement age. In the table below we set out an extract of some sample rates from the GAD tables used:

Age	Males	Females
25	0.02%	0.01%
30	0.03%	0.01%
35	0.05%	0.02%
40	0.06%	0.03%
45	0.09%	0.05%
50	0.13%	0.08%
55	0.21%	0.12%
60	0.32%	0.19%
65	0.50%	0.29%

Please note the above rates are the raw decrements as set by GAD, ie equivalent to a 100% multiplier. We have applied a 115% multiplier to the rates assumed by GAD.

Allowance for withdrawals

This assumption is regarding active members who leave service to move to deferred member status. Active members are assumed to leave service at the following sample rates:

Age	Males	Females
25	9.21%	10.17%
30	7.25%	8.07%
35	5.70%	6.40%
40	4.48%	5.07%
45	3.53%	4.03%
50	2.78%	3.19%
55	2.18%	2.53%
60	1.72%	2.01%
65	1.35%	1.59%

Appendix 3 Regulatory uncertainties

There are currently a few important regulatory uncertainties surrounding the 2022 valuation as follows:

- Effect of the McCloud and Sargeant cases;
- Cost management reviews which could affect future and historic LGPS benefits;
- Change in timing of future actuarial valuations from a triennial cycle; and
- Climate change risks and opportunities.

Although it is unclear what impact these uncertainties will have on the future benefits of individual members, we have considered these issues in the assumptions used to set the contribution rates for employers.

McCloud

When the Government reformed public service pension schemes in 2014 and 2015 they introduced protections for older members. In December 2018, the Court of Appeal ruled that younger members of the Judges' and Firefighters' Pension schemes have been discriminated against because the protections do not apply to them. The Government has confirmed that there will be changes to all main public sector schemes, including the LGPS, to remove this age discrimination. A consultation has been run in relation to the changes proposed for the LGPS and legislation is now being drafted to bring forward these changes. We understand the updated Regulations are to be consulted on in 2023 with the earliest effective date expected to be October 2023.

For the 2022 valuation, as instructed by the Department of Levelling Up, Housing and Communities (DLUHC), we have assumed that the legislation will bring forward the changes as currently proposed, and we have valued the benefits in line with this. The data extracts received for valuation purposes did not include the full pay or service history we require to value the cost of the anticipated benefit changes. We therefore made estimates (for active members only) based on the information that is held in data extract provided. Our estimates involve projecting members CARE benefits against the equivalent final salary benefit to determine, for each active member, whether the underpin may bite and the liability value if it does. There still remains uncertainty over the long-term effects of the McCloud judgment but where data has been available, we have been able to estimate the impact of McCloud on individual employers and funding positions and contributions have been set accordingly.

Change in timing of future actuarial valuations from a triennial cycle

In 2019, the Ministry of Housing, Communities & Local Government (as it was then known, now known as DLUHC) issued a consultation which included moving from a triennial to quadrennial valuation cycle from 2024. The issue remains outstanding and we have produced this report on the basis of a triennial valuation cycle.

Cost management reviews

There remain uncertainties around the 2016 and 2020 cost management exercises. Although we understand that the Scheme Advisory Board (SAB) will not be recommending any Scheme changes, this is still to be announced. However, we anticipate the impact of any changes to be small and therefore we have not made an explicit allowance for these.

Further cost management reviews will be carried out and may lead to future benefit changes. However, as the aim of this monitoring is to keep the cost of benefits within an affordable range, we can be relatively comfortable that future reviews will not have a significant impact on the value we currently place on the liabilities, therefore we have not made an explicit allowance for these.

Climate change risks and opportunities

Climate risk is an important consideration for the 2022 valuation. As part of the 2022 valuation process we have used scenario analysis to identify the impact of shorter term climate risk (transition risk) and longer term climate risk (physical risk) on the Fund's potential funding outcomes. This analysis was developed for LGPS funds based on the Department for Work and Pensions regulations, as we await final regulations which apply directly to the LGPS. The analysis was discussed with GAD, who agreed a set of four key principles for how LGPS funds would undertake climate change scenario analysis as part of the 2022 valuation.

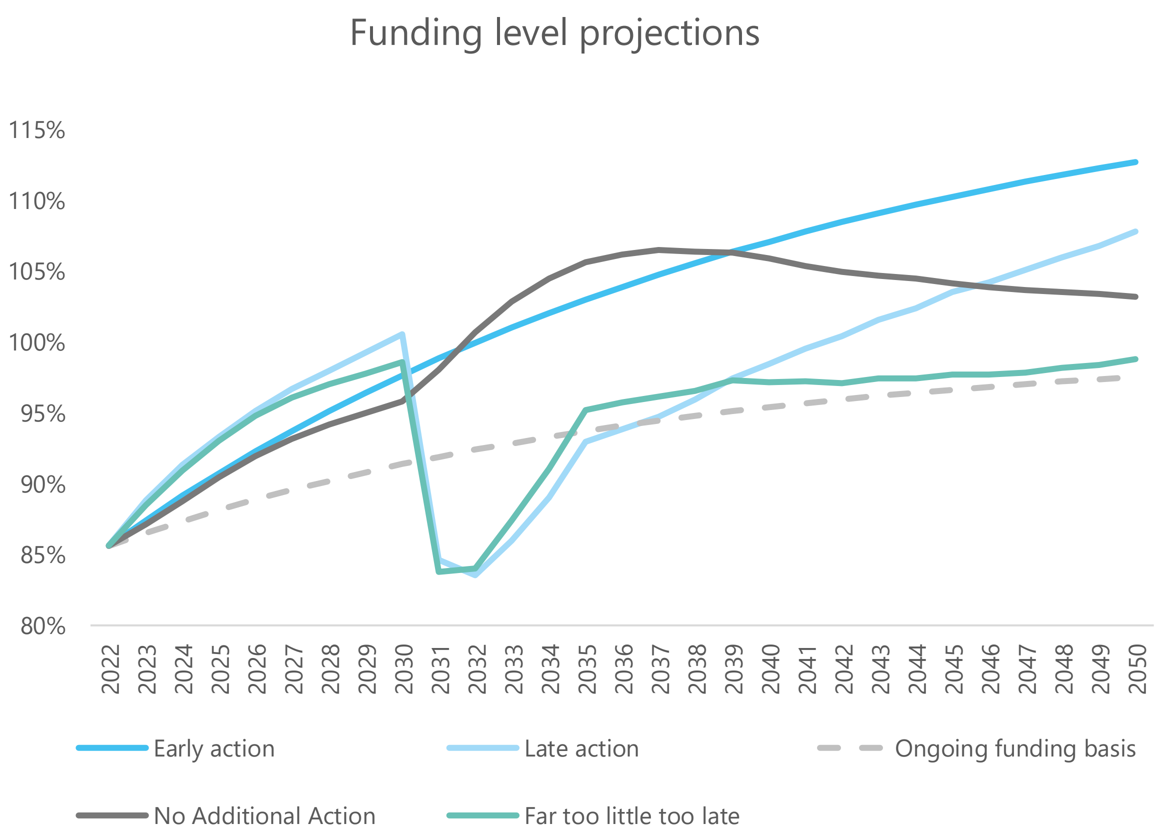
Our analysis considered the potential impact on the future investment return outlook (and therefore discount rate) and inflation (and therefore inflation-linked assumptions), for the purpose of projecting asset and liability values and primary rates. We have also considered additional elements such as the potential impact on life expectancy changes and employer covenant. The analysis supports the level of prudence in the funding strategy.

Under the Key principles, it was agreed that each fund should select two scenarios to consider as a minimum including: "Paris-aligned" and higher temperature outcome, and compare these to the funding basis.

- "Paris-aligned" is an optimistic basis which assumes that good progress is made towards the ambitions made in the 2015 Paris Agreement.

- A higher temperature outcome assumes that no new climate policies are introduced beyond those already agreed, resulting in a growing concentration of greenhouse gas emissions and a larger increase in global temperatures.

Our analysis considers four scenarios which are detailed in our climate scenario analysis report. The impact of the on the funding position of each scenario is considered in Projected funding level graph below.



Our "early action" scenario aims to represent a "Paris-aligned" scenario, and our "no additional action" scenario represents a higher temperature outcome.

One of the other key principles agreed with GAD was for results to be considered over a period of at least 20 years. The funding level is projected over a period of 30 years as can be seen in the graph above.

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COVID-19 crisis

The 2019 valuation report and Rates and Adjustments Certificate were finalised during the early stages of the COVID-19 crisis. Due to the timing of events, no adjustment was made to the 2019 results. There still remains uncertainty over the long-term effects of COVID-19 but where data has been available, we have been able to consider the impact of COVID-19 on individual funds through the longevity analysis and in setting the mortality assumptions for the Fund. On balance, we would expect the pandemic to lead to a modest reduction in future improvements in life expectancy.

Therefore, we are comfortable that contributions have been set appropriately to allow for COVID-19, based on the data available. More data will be available at the next formal valuation in 2025 where we will update our analysis. We will also continue to monitor the situation during the intervaluation period.

Appendix 4 Dashboard

GAD Dashboard

Past service funding position - local funding basis		
Funding level (assets/liabilities)	%	85.6%
Funding level (change since previous valuation)	%	7.8%
Asset value used at the valuation	£m	2,652
Value of liabilities	£m	3,098
Surplus (deficit)	£m	-446
Discount rate – past service	% pa	5.1%
Discount rate – future service	% pa	5.1%
Assumed pension increases (CPI)	% pa	2.9%
Method of derivation of discount rate, plus any changes since previous valuation		In line with the Funding Strategy Statement
Life expectancy for current pensioners – men age 65	years	21.00
Life expectancy for current pensioners – women age 65	years	23.80
Life expectancy for future pensioners – men age 45	years	22.26
Life expectancy for future pensioners – women age 45	years	25.23
Past service funding position - SAB basis (for comparison purposes only)		
Market value of assets	£m	2,705
Value of liabilities	£m	3,244
Funding level on SAB basis (assets/liabilities)	%	83.4%
Funding level on SAB basis (change since last valuation)	%	6.4%

GAD Dashboard

Contribution rates payable		**2019 Valuation**	**2022 Valuation**
Primary contribution rate	% of pay	15.4%	16.9%
Secondary contribution rate (cash amounts in each year in line with CIPFA guidance)	£m		
Secondary contribution rate - 1st year of rates and adjustment certificate	£m	33.71	41.13
Secondary contribution rate - 2nd year of rates and adjustment certificate	£m	38.22	42.93
Secondary contribution rate - 3rd year of rates and adjustment certificate	£m	42.98	45.11
Giving total expected contributions			
Total expected contributions - 1st year of rates and adjustment certificate (£ figure based on assumed payroll)	£m	99.88	124.61
Total expected contributions - 2nd year of rates and adjustment certificate (£ figure based on assumed payroll)	£m	106.80	129.65
Total expected contributions - 3rd year of rates and adjustment certificate (£ figure based on assumed payroll)	£m	114.06	135.19
Assumed payroll (cash amounts in each year)			
Total assumed payroll - 1st year of rates and adjustment certificate (£m)	£m	429.67	495.00
Total assumed payroll - 2nd year of rates and adjustment certificate (£m)	£m	445.33	514.20
Total assumed payroll - 3rd year of rates and adjustment certificate (£m)	£m	461.57	534.15
3-year average total employer contribution rate	% of pay	24.0%	25.2%
Average employee contribution rate (% of pay)	% of pay	6.5%	6.5%
Employee contribution rate (£ figure based on assumed payroll of £m)	£m pa	27.93	32.24

GAD Dashboard

Deficit recovery plan		2019 Valuation	2022 Valuation
Latest deficit recovery period end date for any employer in deficit in fund	Year	21	17
Earliest surplus spreading period end date for any employer in surplus in fund	Year	14	14
Where a deficit recovery period or surplus spreading period end date is not provided, the latest time horizon end point for valuation funding plan for any employer in deficit	Year	n/a	n/a
Where a deficit recovery period or surplus spreading period end date is not provided, the earliest time horizon end point for valuation funding plan for any employer in surplus	Year	n/a	n/a
Where a deficit recovery or surplus spreading period end date is not provided, please provide, the likelihood of success of valuation funding plan on the 2019 valuation time horizon	%	n/a	n/a

Additional information			
Percentage of liabilities relating to employers with deficit recovery periods of longer than 20 years	%		0.0%
Percentage of total liabilities that are in respect of Tier 3 employers	%		7.9%
Value of McCloud impact on the local funding basis	£m		13.44
Included climate change analysis/comments in the 2022 valuation report	Yes/No		Yes

Appendix 5 Rates and Adjustments

Regulatory background

In accordance with Regulation 62 of the Local Government Pension Scheme Regulations we have made an assessment of the contributions that should be paid into the Fund by participating employers for the period 1 April 2023 to 31 March 2026.

The method and assumptions used to calculate the contributions set out in the Rates and Adjustments Certificate are detailed in the Funding Strategy Statement and our report on the actuarial valuation dated 31 March 2023.

The primary rate of contribution as defined by Regulation 62(5) for each employer for the period 1 April 2023 to 31 March 2026 is set out in the table overleaf. The primary rate is the employer's contribution towards the cost of benefits accruing in each of the three years beginning 1 April 2023. In addition each employer pays a secondary contribution as required under Regulation 62(7) that when combined with the primary rate results in the minimum total contributions as set out below. This secondary rate is based on their particular circumstances and so individual adjustments are made for each employer.

Primary and secondary rate summary

The primary rate for the Fund is the weighted average (by payroll) of the individual employers' primary rates and is 23.8% p.a. of payroll.

The secondary rates across the entire Fund (as a percentage of projected Pensionable Pay and as a monetary amount) in each of the three years in the period 1 April 2023 to 31 March 2026 is set out in the table below.

Secondary contributions	2023/24	2024/25	2025/26
Total as a % of payroll	8.3%	8.3%	8.4%
Equivalent to total monetary amounts of	£41.1m	£42.9m	£45.1m

These amounts reflect the individual employers' deficit recovery plans, and the contributions set out in the rates and adjustment certificate. Please note, these don't allow for any prepayment of secondary contributions that may be made which will supersede the rates and adjustment certificate.

The employer rates and adjustments certificate has been published as a separate document. The report dated 2 March 2023 contains details of the scheduled payments for participating employers and should be read in conjunction with the valuation report.

BARNETT WADDINGHAM
beyond the expected

Royal County of Berkshire Pension Fund

Employer Rates and Adjustments Certificate

Actuarial Valuation as at 31 March 2022

Barnett Waddingham LLP

2 March 2023

Rates and Adjustments Certificate

Introduction

This document should be read in conjunction with the 2022 actuarial valuation report for the Royal County of Berkshire Pension Fund (the Fund) dated 2 March 2023.

Regulatory background

In accordance with Regulation 62 of the Local Government Pension Scheme Regulations we have made an assessment of the contributions that should be paid into the Fund by participating employers for the period 1 April 2023 to 31 March 2026.

The method and assumptions used to calculate the contributions set out in the Rates and Adjustments Certificate are detailed in the Funding Strategy Statement and our report on the actuarial valuation dated 31 March 2023.

The primary rate of contribution as defined by Regulation 62(5) for each employer for the period 1 April 2023 to 31 March 2026 is set out in the table overleaf. The primary rate is the employer's contribution towards the cost of benefits accruing in each of the three years beginning 1 April 2023. In addition each employer pays a secondary contribution as required under Regulation 62(7) that when combined with the primary rate results in the minimum total contributions as set out below. This secondary rate is based on their particular circumstances and so individual adjustments are made for each employer.

Primary and secondary rate summary

The primary rate for the Fund is the weighted average (by payroll) of the individual employers' primary rates and is 23.8% p.a. of payroll.

The secondary rates across the entire Fund (as a percentage of projected Pensionable Pay and as a monetary amount) in each of the three years in the period 1 April 2023 to 31 March 2026 is set out in the table below.

Secondary contributions	2023/24	2024/25	2025/26
Total as a % of payroll	8.3%	8.3%	8.4%
Equivalent to total monetary amounts of	£41.1m	£42.9m	£45.1m

These amounts reflect the individual employers' deficit recovery plans, and the contributions set out in the rates and adjustment certificate. Please note, these don't allow for any prepayment of secondary contributions that may be made which will supersede the rates and adjustment certificate.

General and specific notes

Employers may pay further amounts at any time and future periodic contributions, or the timing of contributions, may be adjusted on a basis approved by us as the Fund Actuary. The administering authority, with the advice from us as the Fund Actuary may allow some or all of these contributions to be treated as a prepayment and offset against future certified contributions.

The certified contributions include an allowance for expenses and the expected cost of lump sum death benefits but exclude early retirement strain and augmentation costs which are payable by participating employers in addition.

The monetary amounts are payable in 12 monthly instalments throughout the relevant year unless agreed by the administering authority and an individual employer.

The notes below relate to particular employers and correspond to the letters shown in the specific notes column in the table below.

A. We understand that employers with this note have agreed with the administering authority that they will prepay their secondary contributions by making a single lump sum payment in April 2023 (i.e. in respect of all secondary contributions certified in the rates and adjustments certificate). We understand that discounting would be applied to 2024/25 and 2025/26 year secondary contributions if they were prepaid in April 2023 and the total value of the prepayment including discounting would be £17.405m.

Employer code	Employer name	Primary rate (% pay)	Secondary rate (% pay plus monetary adjustment) 2023/24	2024/25	2025/26	Total contributions i.e. primary (% of pay) plus secondary 2023/24	2024/25	2025/26	Specific notes
Unitary Authorities and Associated Employers									
Funding Pool	Bracknell Forest								
2	Bracknell Forest Council	17.2%	£4.30m	£4.47m	£4.64m	17.2% plus £4.30m	17.2% plus £4.47m	17.2% plus £4.64m	
9	Bracknell Town Council	17.2%	10.0%	10.0%	10.0%	27.2%	27.2%	27.2%	
42	Winkfield Parish Council	17.2%	10.0%	10.0%	10.0%	27.2%	27.2%	27.2%	
49	Binfield Parish Council	17.2%	10.0%	10.0%	10.0%	27.2%	27.2%	27.2%	
125	Crowthorne Parish Council	17.2%	10.0%	10.0%	10.0%	27.2%	27.2%	27.2%	
137	Sandhurst Town Council	17.2%	10.0%	10.0%	10.0%	27.2%	27.2%	27.2%	
190	Warfield Parish Council	17.2%	10.0%	10.0%	10.0%	27.2%	27.2%	27.2%	
Funding Pool	RBWM								
3	RBWM (non-schools)	16.6%	£4.40m	£4.57m	£4.75m	16.6% plus £4.40m	16.6% plus £4.57m	16.6% plus £4.75m	
3	RBWM (schools)	16.6%	14.5%	14.5%	14.5%	31.1%	31.1%	31.1%	
15	Cookham Parish Council	16.6%	14.5%	14.5%	14.5%	31.1%	31.1%	31.1%	
18	Sunningdale Parish Council	16.6%	14.5%	14.5%	14.5%	31.1%	31.1%	31.1%	
19	Sunninghill & Ascot Parish Council	16.6%	14.5%	14.5%	14.5%	31.1%	31.1%	31.1%	
45	Eton Town Council	16.6%	14.5%	14.5%	14.5%	31.1%	31.1%	31.1%	
51	Cox Green Parish Council	16.6%	14.5%	14.5%	14.5%	31.1%	31.1%	31.1%	
118	Bray Parish Council	16.6%	14.5%	14.5%	14.5%	31.1%	31.1%	31.1%	
127	White Waltham Parish Council	16.6%	14.5%	14.5%	14.5%	31.1%	31.1%	31.1%	
143	Hurley Parish Council	16.6%	14.5%	14.5%	14.5%	31.1%	31.1%	31.1%	
279	Wraysbury Parish Council	16.6%	14.5%	14.5%	14.5%	31.1%	31.1%	31.1%	
397	Horton PC	16.6%	14.5%	14.5%	14.5%	31.1%	31.1%	31.1%	
398	RBWM Youth Counselling Service	16.6%	14.5%	14.5%	14.5%	31.1%	31.1%	31.1%	
400	Leisure Focus Trust	16.6%	14.5%	14.5%	14.5%	31.1%	31.1%	31.1%	

Employer code	Employer name	Primary rate (% pay)	Secondary rate (% pay plus monetary adjustment) 2023/24	2024/25	2025/26	Total contributions i.e. primary (% of pay) plus secondary 2023/24	2024/25	2025/26	Specific notes
Funding Pool	West Berkshire								
4	West Berkshire Council	17.3%	£4.83m	£5.22m	£5.94m	17.3% plus £4.83m	17.3% plus £5.22m	17.3% plus £5.94m	
11	Thatcham Town Council	17.3%	8.7%	8.7%	8.7%	26.0%	26.0%	26.0%	
20	Tilehurst Parish Council	17.3%	8.7%	8.7%	8.7%	26.0%	26.0%	26.0%	
75	The Downs School	17.3%	8.7%	8.7%	8.7%	26.0%	26.0%	26.0%	
88	Newbury Town Council	17.3%	8.7%	8.7%	8.7%	26.0%	26.0%	26.0%	
136	Hungerford Town Council	17.3%	8.7%	8.7%	8.7%	26.0%	26.0%	26.0%	
147	Burghfield Parish Council	17.3%	8.7%	8.7%	8.7%	26.0%	26.0%	26.0%	
249	Holybrook Parish Council	17.3%	8.7%	8.7%	8.7%	26.0%	26.0%	26.0%	
250	Purley on Thames Parish Council	17.3%	8.7%	8.7%	8.7%	26.0%	26.0%	26.0%	
288	Compton Parish Council	17.3%	8.7%	8.7%	8.7%	26.0%	26.0%	26.0%	
300	Lambourn Parish Council	17.3%	8.7%	8.7%	8.7%	26.0%	26.0%	26.0%	
313	Greenham Parish Council	17.3%	8.7%	8.7%	8.7%	26.0%	26.0%	26.0%	
314	Yattendon Parish Council	17.3%	8.7%	8.7%	8.7%	26.0%	26.0%	26.0%	
323	Hampstead Norreys Parish Council	17.3%	8.7%	8.7%	8.7%	26.0%	26.0%	26.0%	
364	Pangbourne Parish Council	17.3%	8.7%	8.7%	8.7%	26.0%	26.0%	26.0%	
386	Bucklebury Parish Council	17.3%	8.7%	8.7%	8.7%	26.0%	26.0%	26.0%	
411	West Illsley PC	17.3%	8.7%	8.7%	8.7%	26.0%	26.0%	26.0%	

Employer code	Employer name	Primary rate	Secondary rate (% pay plus monetary adjustment)			Total contributions i.e. primary (% of pay) plus secondary			Specific notes
		(% pay)	2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	
Funding Pool	Reading								
5	Reading Borough Council	16.2%	£5.77m	£6.00m	£6.23m	16.2% plus £5.77m	16.2% plus £6.00m	16.2% plus £6.23m	A
66	The Blessed Hugh Faringdon School	16.2%	10.0%	10.0%	10.0%	26.2%	26.2%	26.2%	
376	Brighter Futures for Children	16.2%	-	-	-	16.2%	16.2%	16.2%	
402	CGL	16.2%	-	-	-	16.2%	16.2%	16.2%	
Funding Pool	Slough								
6	Slough Borough Council	17.2%	£4.53m	£4.70m	£4.89m	17.2% plus £4.53m	17.2% plus £4.70m	17.2% plus £4.89m	
61	Holy Family School	17.2%	11.9%	11.9%	11.9%	29.1%	29.1%	29.1%	
62	Priory School	17.2%	11.9%	11.9%	11.9%	29.1%	29.1%	29.1%	
119	Pippins School - Slough	17.2%	11.9%	11.9%	11.9%	29.1%	29.1%	29.1%	
122	Wexham Court Parish Council	17.2%	11.9%	11.9%	11.9%	29.1%	29.1%	29.1%	
407	Coram	17.2%	11.9%	11.9%	11.9%	29.1%	29.1%	29.1%	
Funding Pool	Wokingham								
7	Wokingham Borough Council	16.4%	£3.42m	£3.56m	£3.70m	16.4% plus £3.42m	16.4% plus £3.56m	16.4% plus £3.70m	
10	Earley Town Council	16.4%	10.8%	10.8%	10.8%	27.2%	27.2%	27.2%	
12	Wokingham Town Council	16.4%	10.8%	10.8%	10.8%	27.2%	27.2%	27.2%	
21	Woodley Town Council	16.4%	10.8%	10.8%	10.8%	27.2%	27.2%	27.2%	
52	Swallowfield Parish Council	16.4%	10.8%	10.8%	10.8%	27.2%	27.2%	27.2%	
96	Shinfield Parish Council	16.4%	10.8%	10.8%	10.8%	27.2%	27.2%	27.2%	
117	Finchampstead Parish Council	16.4%	10.8%	10.8%	10.8%	27.2%	27.2%	27.2%	
129	Winnersh Parish Council	16.4%	10.8%	10.8%	10.8%	27.2%	27.2%	27.2%	
159	Twyford Parish Council	16.4%	10.8%	10.8%	10.8%	27.2%	27.2%	27.2%	
227	Wokingham Without Parish Council	16.4%	10.8%	10.8%	10.8%	27.2%	27.2%	27.2%	

Employer code	Employer name	Primary rate (% pay)	Secondary rate (% pay plus monetary adjustment) 2023/24	2024/25	2025/26	Total contributions i.e. primary (% of pay) plus secondary 2023/24	2024/25	2025/26	Specific notes
251	Charvil Parish Council	16.4%	10.8%	10.8%	10.8%	27.2%	27.2%	27.2%	
401	Churchill Contract Services Limited	16.4%	10.8%	10.8%	10.8%	27.2%	27.2%	27.2%	
409	Get Active (Robert Piggott School)	16.4%	10.8%	10.8%	10.8%	27.2%	27.2%	27.2%	
700	Wokingham Borough Council (Schools)	16.4%	10.8%	10.8%	10.8%	27.2%	27.2%	27.2%	
Housing Associations									
Individual Employers									
80	The Swaythling Housing Society Limited	21.6%	£232k	£241k	£251k	21.6% plus £232k	21.6% plus £241k	21.6% plus £251k	
83	Dimensions UK Ltd	15.9%	£89,100	£92,600	£96,150	15.9% plus £89,100	15.9% plus £92,600	15.9% plus £96,150	
48	Sovereign Housing Association	0.0%	£259k	£269k	£280k	£259k	£269k	£280k	
104	Housing Solutions Ltd	0.0%	£563k	£576k	£588k	£563k	£576k	£588k	
132	Silva Homes	19.2%	2.6%	2.6%	2.6%	21.8%	21.8%	21.8%	
Colleges									
Funding Pool	Colleges								
53	Newbury College	17.0%	10.9%	10.9%	10.9%	27.9%	27.9%	27.9%	
55	Activate Learning (the Further Education Corporation)	16.4%	11.0%	11.0%	11.0%	27.4%	27.4%	27.4%	
57	The Windsor Forest Colleges Group (formerly East Berkshire College)	16.1%	11.0%	11.0%	11.0%	27.1%	27.1%	27.1%	
Individual Employers									
156	University of West London	17.4%	£1.54m	£1.60m	£1.66m	17.4% plus £1.54m	17.4% plus £1.60m	17.4% plus £1.66m	
Academies									
Funding Pool	Academies								
135	Langley Academy	17.3%	5.3%	5.3%	5.3%	22.6%	22.6%	22.6%	
144	Highdown School and 6th Form Centre	17.3%	5.3%	5.3%	5.3%	22.6%	22.6%	22.6%	

Employer code	Employer name	Primary rate (% pay)	Secondary rate (% pay plus monetary adjustment) 2023/24	2024/25	2025/26	Total contributions i.e. primary (% of pay) plus secondary 2023/24	2024/25	2025/26	Specific notes
146	Churchend Academy	17.3%	5.3%	5.3%	5.3%	22.6%	22.6%	22.6%	
152	Lowbrook Academy Trust	17.3%	5.3%	5.3%	5.3%	22.6%	22.6%	22.6%	
158	The Piggott C of E Academy	17.3%	5.3%	5.3%	5.3%	22.6%	22.6%	22.6%	
161	The Holt School	17.3%	5.3%	5.3%	5.3%	22.6%	22.6%	22.6%	
165	The Avenue Academy	17.3%	5.3%	5.3%	5.3%	22.6%	22.6%	22.6%	
167	Langley Hall Primary Academy	17.3%	5.3%	5.3%	5.3%	22.6%	22.6%	22.6%	
168	Kendrick School	17.3%	5.3%	5.3%	5.3%	22.6%	22.6%	22.6%	
169	Langley Grammar School	17.3%	5.3%	5.3%	5.3%	22.6%	22.6%	22.6%	
173	Reading School	17.3%	5.3%	5.3%	5.3%	22.6%	22.6%	22.6%	
174	St Bartholomew's School	17.3%	5.3%	5.3%	5.3%	22.6%	22.6%	22.6%	
175	Cox Green School	17.3%	5.3%	5.3%	5.3%	22.6%	22.6%	22.6%	
176	Furze Platt Senior School	17.3%	5.3%	5.3%	5.3%	22.6%	22.6%	22.6%	
180	Denefield School	17.3%	5.3%	5.3%	5.3%	22.6%	22.6%	22.6%	
183	Westgate School	17.3%	5.3%	5.3%	5.3%	22.6%	22.6%	22.6%	
191	Altwood School	17.3%	5.3%	5.3%	5.3%	22.6%	22.6%	22.6%	
199	Castleview School	17.3%	5.3%	5.3%	5.3%	22.6%	22.6%	22.6%	
200	Charters School	17.3%	5.3%	5.3%	5.3%	22.6%	22.6%	22.6%	
205	Ryvers School	17.3%	5.3%	5.3%	5.3%	22.6%	22.6%	22.6%	
221	National Autistic Society (NAS) Academy Trust	17.3%	5.3%	5.3%	5.3%	22.6%	22.6%	22.6%	
229	Holyport College	17.3%	5.3%	5.3%	5.3%	22.6%	22.6%	22.6%	
232	The Heights Primary School	17.3%	5.3%	5.3%	5.3%	22.6%	22.6%	22.6%	
259	Waingels Academy	17.3%	5.3%	5.3%	5.3%	22.6%	22.6%	22.6%	
264	Forest Bridge School (Free School)	17.3%	5.3%	5.3%	5.3%	22.6%	22.6%	22.6%	
269	Newlands Girls' School	17.3%	5.3%	5.3%	5.3%	22.6%	22.6%	22.6%	
311	Northern House Trust	17.3%	5.3%	5.3%	5.3%	22.6%	22.6%	22.6%	

BARNETT WADDINGHAM
beyond the expected

Employer code	Employer name	Primary rate (% pay)	Secondary rate (% pay plus monetary adjustment) 2023/24	2024/25	2025/26	Total contributions i.e. primary (% of pay) plus secondary 2023/24	2024/25	2025/26	Specific notes
319	Bonitas Multi Academy Trust	17.3%	5.3%	5.3%	5.3%	22.6%	22.6%	22.6%	
320	The Keys Academy Trust	17.3%	5.3%	5.3%	5.3%	22.6%	22.6%	22.6%	
324	Activate Learning Education Trust	17.3%	5.3%	5.3%	5.3%	22.6%	22.6%	22.6%	
325	Ashley Hill Schools Trust	17.3%	5.3%	5.3%	5.3%	22.6%	22.6%	22.6%	
326	Baylis Court Trust	17.3%	5.3%	5.3%	5.3%	22.6%	22.6%	22.6%	
327	Bellevue Place Education Trust	17.3%	5.3%	5.3%	5.3%	22.6%	22.6%	22.6%	
328	Bohunt Education Trust	17.3%	5.3%	5.3%	5.3%	22.6%	22.6%	22.6%	
329	CfBT Schools Trust	17.3%	5.3%	5.3%	5.3%	22.6%	22.6%	22.6%	
330	Excalibur Academies Trust	17.3%	5.3%	5.3%	5.3%	22.6%	22.6%	22.6%	
332	Glyn Learning Foundation	17.3%	5.3%	5.3%	5.3%	22.6%	22.6%	22.6%	
333	Greenshaw Learning Trust	17.3%	5.3%	5.3%	5.3%	22.6%	22.6%	22.6%	
334	Haybrook College Trust	17.3%	5.3%	5.3%	5.3%	22.6%	22.6%	22.6%	
335	Kennet School Academies Trust	17.3%	5.3%	5.3%	5.3%	22.6%	22.6%	22.6%	
336	Arbib Edcuational Trust	17.3%	5.3%	5.3%	5.3%	22.6%	22.6%	22.6%	
338	Maiden Erlegh Schools Trust	17.3%	5.3%	5.3%	5.3%	22.6%	22.6%	22.6%	
339	Marish Academy Trust	17.3%	5.3%	5.3%	5.3%	22.6%	22.6%	22.6%	
341	Newbury Academy Trust	17.3%	5.3%	5.3%	5.3%	22.6%	22.6%	22.6%	
342	Oxford Diocesan Schools Trust	17.3%	5.3%	5.3%	5.3%	22.6%	22.6%	22.6%	
343	Park Federation Academy Trust	17.3%	5.3%	5.3%	5.3%	22.6%	22.6%	22.6%	
344	Reach2 Academy Trust	17.3%	5.3%	5.3%	5.3%	22.6%	22.6%	22.6%	
346	SASH Education Trust	17.3%	5.3%	5.3%	5.3%	22.6%	22.6%	22.6%	
347	Schelwood Academy Trust	17.3%	5.3%	5.3%	5.3%	22.6%	22.6%	22.6%	
348	Specialist Education Trust	17.3%	5.3%	5.3%	5.3%	22.6%	22.6%	22.6%	
349	St Peter Catholic Academies Trust	17.3%	5.3%	5.3%	5.3%	22.6%	22.6%	22.6%	
350	Frassati Catholic Academy Trust	17.3%	5.3%	5.3%	5.3%	22.6%	22.6%	22.6%	
352	The Education Fellowship	17.3%	5.3%	5.3%	5.3%	22.6%	22.6%	22.6%	

Employer code	Employer name	Primary rate (% pay)	Secondary rate (% pay plus monetary adjustment) 2023/24	2024/25	2025/26	Total contributions i.e. primary (% of pay) plus secondary 2023/24	2024/25	2025/26	Specific notes
354	The Slough and East Berkshire MAT	17.3%	5.3%	5.3%	5.3%	22.6%	22.6%	22.6%	
355	The Pioneer Educational Trust	17.3%	5.3%	5.3%	5.3%	22.6%	22.6%	22.6%	
356	Windsor Learning Partnership	17.3%	5.3%	5.3%	5.3%	22.6%	22.6%	22.6%	
361	The Corvus Learning Trust	17.3%	5.3%	5.3%	5.3%	22.6%	22.6%	22.6%	
362	The Circle Trust	17.3%	5.3%	5.3%	5.3%	22.6%	22.6%	22.6%	
375	Achievement For All Education Trust	17.3%	5.3%	5.3%	5.3%	22.6%	22.6%	22.6%	
377	Kings Academy Binfield	17.3%	5.3%	5.3%	5.3%	22.6%	22.6%	22.6%	
378	Orchard Hill College Academy Trust	17.3%	5.3%	5.3%	5.3%	22.6%	22.6%	22.6%	
390	Keep Hatch School	17.3%	5.3%	5.3%	5.3%	22.6%	22.6%	22.6%	
391	Go Beanies	17.3%	5.3%	5.3%	5.3%	22.6%	22.6%	22.6%	
403	Green Park Village School	17.3%	5.3%	5.3%	5.3%	22.6%	22.6%	22.6%	
406	Khalsa Primary School	17.3%	5.3%	5.3%	5.3%	22.6%	22.6%	22.6%	
414	Highwood Copse Primary School	17.3%	5.3%	5.3%	5.3%	22.6%	22.6%	22.6%	
416	The Elliot Foundation	17.3%	5.3%	5.3%	5.3%	22.6%	22.6%	22.6%	
Community Admission Bodies									
Funding Pool	Admitted Bodies								
26	Age Concern Berkshire	18.0%	£1,900	£1,970	£2,050	18.0% plus £1,900	18.0% plus £1,970	18.0% plus £2,050	
30	Mary Hare Grammar School	21.7%	£125k	£130k	£135k	21.7% plus £125k	21.7% plus £130k	21.7% plus £135k	
35	School of St Helen & St Katharine	21.9%	£18,050	£18,750	£19,450	21.9% plus £18,050	21.9% plus £18,750	21.9% plus £19,450	
37	Slough Council for Voluntary Service	29.8%	£3,460	£3,600	£3,740	29.8% plus £3,460	29.8% plus £3,600	29.8% plus £3,740	
40	Reading Voluntary Action	25.1%	£1,960	£2,040	£2,120	25.1% plus £1,960	25.1% plus £2,040	25.1% plus £2,120	
95	Berkshire Maestros	16.5%	£32,000	£33,250	£34,550	16.5% plus £32,000	16.5% plus £33,250	16.5% plus £34,550	
105	PACT	16.4%	£41,000	£42,600	£44,250	16.4% plus £41,000	16.4% plus £42,600	16.4% plus £44,250	
121	SECBE	18.6%	£8,600	£8,940	£9,280	18.6% plus £8,600	18.6% plus £8,940	18.6% plus £9,280	

Employer code	Employer name	Primary rate (% pay)	Secondary rate (% pay plus monetary adjustment) 2023/24	2024/25	2025/26	Total contributions i.e. primary (% of pay) plus secondary 2023/24	2024/25	2025/26	Specific notes
Individual Employers									
23	Berkshire County Blind Society	0.0%	£15,100	£15,500	£15,900	£15,100	£15,500	£15,900	
28	Elizabeth Fry Charity	17.3%	£18,000	£18,700	£19,450	17.3% plus £18,000	17.3% plus £18,700	17.3% plus £19,450	
44	Reading Transport Ltd	23.7%	£667k	£692k	£719k	23.7% plus £667k	23.7% plus £692k	23.7% plus £719k	
100	Corn Exchange Trust	32.0%	£4,600	£4,780	£4,970	32.0% plus £4,600	32.0% plus £4,780	32.0% plus £4,970	
128	Greenwich Leisure Ltd	23.1%	£21,500	£22,350	£23,200	23.1% plus £21,500	23.1% plus £22,350	23.1% plus £23,200	
193	Adviza	18.3%	6.4%	6.4%	6.4%	24.7%	24.7%	24.7%	
Transferee Admission Bodies									
Individual Employers									
90	Berkshire Fire & Rescue Service	14.8%	£363k	£377k	£392k	14.8% plus £363k	14.8% plus £377k	14.8% plus £392k	
114	Holroyd Howe Ltd	30.0%	-	-	-	30.0%	30.0%	30.0%	
115	MITIE	17.4%	£15,500	£16,100	£16,750	17.4% plus £15,500	17.4% plus £16,100	17.4% plus £16,750	
140	Care UK	17.0%	-	-	-	17.0%	17.0%	17.0%	
150	Busy Bee Cleaning Services Ltd	32.4%	-	-	-	32.4%	32.4%	32.4%	
160	Optalis Limited	21.6%	-	-	-	21.6%	21.6%	21.6%	
211	Creative Support Limited	28.1%	-	-	-	28.1%	28.1%	28.1%	
226	Berks Bucks & Oxon Wildlife Trust	20.3%	1.6%	1.6%	1.6%	21.9%	21.9%	21.9%	
242	Continental Landscapes Ltd	18.1%	-	-	-	18.1%	18.1%	18.1%	
252	The Riverside Day Nursery Ltd	13.4%	-	-	-	13.4%	13.4%	13.4%	
260	Slough Children First	15.1%	1.4%	1.4%	1.4%	16.5%	16.5%	16.5%	
261	Creative Support (Slough Extra Care)	26.2%	-	-	-	26.2%	26.2%	26.2%	
293	Innovate	20.3%	-	-	-	20.3%	20.3%	20.3%	
315	Optalis	21.8%	-	-	-	21.8%	21.8%	21.8%	

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316	VolkerHighways (Highways department staff transfer - Lot 1 Split 1)	23.6%	-	-	-	23.6%	23.6%	23.6%	
318	Project Centre 2 (Highways department staff transfer - Lot 1 Split 2)	10.8%	2.7%	2.7%	2.7%	13.5%	13.5%	13.5%	
321	Haywards Services	22.8%	0.2%	0.2%	0.2%	23.0%	23.0%	23.0%	
322	Hayward Services Ltd	28.8%	-	-	-	28.8%	28.8%	28.8%	
358	RBWM Property Company	14.3%	0.5%	0.5%	0.5%	14.8%	14.8%	14.8%	
359	Osborne Property Services	20.6%	-	-	-	20.6%	20.6%	20.6%	
360	NSL Services Ltd	20.7%	-	-	-	20.7%	20.7%	20.7%	
363	The Beehive	23.1%	-	-	-	23.1%	23.1%	23.1%	
365	Bouyges E&S FM UK Ltd	30.5%	-	-	-	30.5%	30.5%	30.5%	
366	Absolutely Leisure Ltd	14.6%	-	-	-	14.6%	14.6%	14.6%	
367	Sports Leisure Management - Everyone Active	27.5%	-	-	-	27.5%	27.5%	27.5%	
371	Sports and Leisure Management (Fitness and Health)	19.4%	-	-	-	19.4%	19.4%	19.4%	
372	Sports and Leisure Management (Food and Beverage)	19.8%	-	-	-	19.8%	19.8%	19.8%	
373	Sports and Leisure Management (Community Leisure)	19.4%	-	-	-	19.4%	19.4%	19.4%	
382	Compass	17.4%	-	-	-	17.4%	17.4%	17.4%	
389	VolkerHighways	22.4%	-	-	-	22.4%	22.4%	22.4%	
399	Thames Valley Cleaning	15.2%	1.4%	1.4%	1.4%	16.6%	16.6%	16.6%	
404	Hayward Services Ltd	22.2%	£120	£120	£130	22.2% plus £120	22.2% plus £120	22.2% plus £130	
405	Heart Facilities Limited (Bracknell)	18.3%	6.0%	6.0%	6.0%	24.3%	24.3%	24.3%	
410	Get Active (Wildridings)	22.6%	4.1%	4.1%	4.1%	26.7%	26.7%	26.7%	
412	Greenwich Leisure	16.2%	0.7%	0.7%	0.7%	16.9%	16.9%	16.9%	
413	Compass Contract Services	21.2%	-	-	-	21.2%	21.2%	21.2%	
415	Caterlink	17.5%	3.2%	3.2%	3.2%	20.7%	20.7%	20.7%	

Employer code	Employer name	Primary rate (% pay)	Secondary rate (% pay plus monetary adjustment) 2023/24	2024/25	2025/26	Total contributions i.e. primary (% of pay) plus secondary 2023/24	2024/25	2025/26	Specific notes
418	Impact Foods	29.7%	3.5%	3.5%	3.5%	33.2%	33.2%	33.2%	
419	Turn It On (Maiden Erlegh Trust)	20.1%	1.4%	1.4%	1.4%	21.5%	21.5%	21.5%	
420	Glen Group	18.3%	1.5%	1.5%	1.5%	19.8%	19.8%	19.8%	
424	Compass (Churchend)	19.5%	-	-	-	19.5%	19.5%	19.5%	

Post valuation employers

Employer code	Employer name	Primary rate	Secondary rate (% pay plus monetary adjustment)			Total contributions i.e. primary (% of pay) plus secondary		
		(% pay)	2023/24	2024/25	2025/26	2023/24	2024/25	2025/26
TBC								

Equality Impact Assessment

For support in completing this EQIA, please consult the EQIA Guidance Document or contact equality@rbwm.gov.uk

www.rbwm.gov.uk

Royal Borough of Windsor & Maidenhead

1. Background Information

Title of policy/strategy/plan:	Actuarial Valuation
Service area:	Finance
Directorate:	Pension Fund

Provide a brief explanation of the proposal:

- What are its intended outcomes?
- Who will deliver it?
- Is it a new proposal or a change to an existing one?

13 March 2023 Committee Meeting –

It is a legal requirement for an Administering Authority of an LGPS Pension Fund to obtain an actuarial valuation of the Assets and Liabilities held by the scheme every three years, this is referred to as the Triennial valuation.

This valuation sets several key ongoing assumptions and concludes with several key outputs; including but not limited to the Fund's funding level and the level of contributions payable by Fund employers for the next three years.

The Triennial valuation assumptions are set at 31 March 2022 and the final report's rates and adjustments certificate prescribes contributions payable by employers from 1 April 2023 to 31 March 2026. This year's triennial valuation was prepared by the scheme actuary Barnett Waddingham and is attached at Appendix 1 to this report with the rates and adjustments certificate separately attached at Appendix 2.

2. Relevance Check

Is this proposal likely to directly impact people, communities or RBWM employees?

- If Yes, state 'Yes' and proceed to Section 3.
- If No, please explain why not, including how you've considered equality issues.
- Will this proposal need a EQIA at a later stage? (for example, for a forthcoming action plan)

No, full assessment not required as this report is unlikely to have a specific impact on individuals or groups of people with protected characteristics

If 'No', proceed to 'Sign off'. If unsure, please contact equality@rbwm.gov.uk

3. Evidence Gathering and Stakeholder Engagement

Who will be affected by this proposal? For example, users of a particular service, residents of a geographical area, staff
Among those affected by the proposal, are protected characteristics (age, sex, disability, race, religion, sexual orientation, gender reassignment, pregnancy/maternity, marriage/civil partnership) **disproportionately represented?** For example, compared to the general population do a higher proportion have disabilities?
What engagement/consultation has been undertaken or planned? • How has/will equality considerations be taken into account? • Where known, what were the outcomes of this engagement?
What sources of data and evidence have been used in this assessment? Please consult the EQIA Evidence Matrix for relevant data. Examples of other possible sources of information are in the Guidance document (Section 2.3).

4. Equality Analysis

Please detail, **using supporting evidence**:

- How the protected characteristics below might influence the needs and experiences of individuals, in relation to this proposal.
- How these characteristics might affect the impact of this proposal.

Tick positive/negative impact as appropriate. If there is no impact, or a neutral impact, state 'Not Applicable'.
More information on each protected characteristic is provided in the EQIA Guidance document (available on the intranet).

	Details and supporting evidence	Potential positive impact	Potential negative impact
Age			
Disability			
Sex			
Race, ethnicity and religion			
Sexual orientation and gender reassignment			
Pregnancy and maternity			
Marriage and civil partnership			
Armed forces community			

Socio-economic considerations e.g. low income, poverty			
Children in care/Care leavers			

5. Impact Assessment and Monitoring

If you have not identified any disproportionate impacts and the questions below are not applicable, leave them blank and proceed to Sign Off.

What measures have been taken to ensure that groups with protected characteristics are able to benefit from this change, or are not disadvantaged by it? For example, adjustments needed to accommodate the needs of a particular group
Where a potential negative impact cannot be avoided, what measures have been put in place to mitigate or minimise this? • For planned future actions, provide the name of the responsible individual and the target date for implementation.
How will the equality impacts identified here be monitored and reviewed in the future?

6. Sign Off

Completed by: Damien Pantling	**Date**: 18/02/2023
Approved by:	**Date:**

If this version of the EQIA has been reviewed and/or updated:

Reviewed by:	**Date**:

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 – 13 March 2023
Responsible Officer(s):	Damien Pantling, Head of Pension Fund
Wards affected:	None

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Royal Borough of Windsor & Maidenhead

REPORT SUMMARY

This report covers three key statutory documents as required by the LGPS regulations which are brought back to the Pension Fund Committee for periodic review and re-approval.

Appendix 1 covers the Fund's Funding Strategy Statement (FSS), Appendix 2 covers the Fund's Investment Strategy Statement (ISS) and Appendix 3 covers the Fund's Governance Compliance Statement and annual report of training records.

1. DETAILS OF RECOMMENDATION(S)

RECOMMENDATION: That the Pension Fund Committee notes the report;

i) Considers and approves the revised Funding Strategy Statement to be implemented from 1 April 2023;

ii) Considers and approves the revised Investment Strategy Statement to be implemented from 1 April 2023;

iii) Considers and approves the Governance Compliance Statement including the Committee training records.

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

2.1. The Funding Strategy Statement (FSS) is a statutory document required by the Local Government Pension Scheme Regulations (2013) (the Regulations). The Fund's FSS has been prepared by the Administering Authority to the Royal County of Berkshire Pension Fund in accordance with Regulation 58 of the Regulations and with regard to the guidance (Preparing and maintaining a funding strategy statement in the LGPS - 2016 edition) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

2.2. The Fund's employers, officers and scheme actuary Barnett Waddingham have been consulted on the contents of the FSS as attached in Appendix 1 to this report and should be read in conjunction with the Fund's ISS which is attached in Appendix 2 to this report.

2.3. There have been several key changes to the FSS which was last reviewed and approved in March 2020 in conjunction with the 2019 triennial valuation. These changes are designed considering the Fund's below-average funding levels and seek to balance the Fund's key objectives of funding, contribution affordability and contribution stability. A summary of the key material changes is noted as follows:

2.3.1. The Fund has introduced a stabilisation mechanism to ensure that the majority of employers receive a contribution increase of no less than 1% of pensionable pay from 1 April 2023 and that employers will pay primary contributions as a minimum- i.e. that there is no scope in the FSS for negative secondary contributions. In addition, an explicit restriction is placed on employers wishing to over-pay secondary contributions, limiting deficit recovery contributions to the level of the actuarially assessed deficit. This is linked to the stabilisation mechanism (which removes the incentive) but explicitly restricts over-payments of secondary contributions for any other reason that employers may wish to over-pay.

2.3.2. The deficit recovery period has been reduced from 21 years to 17 years, 3 of which occur due to the natural passage of time, 1 of which is reactive to the improved funding levels and the recommendations from the Government Actuary's Department (GAD) following a prior amber flag for deficit recovery.

2.3.3. Risk sharing arrangements have been ratified in the FSS in anticipation of upcoming government legislation surrounding "new fair deal". In practice, this applies to outsourcing arrangements typically undertaken by local authorities. Going forward, letting employers will retain the majority of LGPS responsibilities and will be classed as a deemed employer. All admission agreements created because of contracting or outsourcing of services from 1 April 2023 will be signed on a pass-through basis. In practice, this means that contractors may just have the responsibility for collecting and paying contributions but generally all risks will be retained by the letting/outsourcing employer.

2.3.4. Employers wishing to pay secondary contributions for 3 years in advance in April 2023 are offered a discount of 3.5% of the total unadjusted amount listed in the rates and adjustments certificate

2.3.5. The approach to calculating cessation debts on a minimum risk basis (i.e. where the last active member leaves an employer and that employer does not have a guarantor or security/bond) has significantly changed to move away from the Gilt yield approach and towards a more appropriate prudence-plus approach. This approach reflect the Fund's actual investment strategy and relevant risks associated with ceased employers, helping to protect the remaining Fund employers following an employer cessation event.

2.3.6. Updating the relevant risks, including highlighting the increase in inflation as a major risk to the Fund's liabilities.

2.4. The revised FSS has undergone extensive consultation with the Fund actuary in developing each of the material changes since its last publication in 2020. Employers have been consulted on the changes and had the opportunity to return comments throughout the whole month of February 2023.

2.5. In accordance with Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the Investment Regulations), the Administering Authority must review and if necessary, revise its investment strategy from time to time, and at least every 3 years. The date of last revision and approval by the Pension Fund Committee was 7 March 2022

2.6. As the Fund's FSS must be prepared having regard to the Fund's ISS (Regulation 58(4)(b) of the Regulations), it is appropriate practice that the ISS is revised in conjunction with the changes to the FSS. These two statements should always be read in conjunction with one another.

2.7. Regulation 7 of the Investment Regulations states that "The Administering Authority must consult such persons as it considers appropriate as to the proposed contents of its investment strategy." Officers can confirm that the Fund's principal investment manager and advisor LPPI have been extensively consulted in the development of the revised ISS, as have the Fund's two independent advisors. Therefore, it can be confirmed that the appropriate persons have been consulted in the development of the Fund's ISS.

2.8. Regulation 7 of the Investment Regulations also states that the Fund must publish a statement of any revisions to the ISS. There were significant revisions approved by the Pension Fund Committee in March 2022, however, the revisions to the March 2023 version are largely minor and immaterial and can be summarised as follows.

2.8.1. Formatting and structure change to enable the Strategic Asset Allocation (SAA) to be updated in future without a full review of the ISS.

2.8.2. Updating of the relevant risks including inflation as a major risk to the Fund's investment strategy.

2.8.3. Enablement of the Fund to use both derivatives and leverage if applicable for hedging and Tactical Asset Allocation (TAA) purposes.

2.8.4. Increasing the focus on cash and treasury management

2.8.5. Revision of the Actuarial Benchmark following the 2022 triennial valuation.

2.9. Regulation 55 of the Regulations places a statutory responsibility on Pension Fund Administering Authorities to formulate and keep under review a Governance Compliance Statement. The details prescribed in Regulation 55 are all contained within the Fund's Governance Compliance Statement which is attached at Appendix 3 to this report.

2.10. Hymans Robertson published several “Good Governance” recommendations in its Phase 3 report to the SAB (February 2021). Whilst these recommendations are not (yet) backed by legislation, it is good practice to implement these recommendations where appropriate, ahead of any formal guidance. The two relevant recommendations regarding training are as follows (Section D of the SAB report):

2.10.1. Administering Authorities must publish a policy setting out their approach to the delivery, assessment and recording of training plans to meet these requirements.

2.10.2. The Administering Authority should develop a training plan to ensure these training requirements are met and maintain training records of key individuals against the training plan. These records should be published in the Governance Compliance Statement.

2.11. The Fund’s training plan shall be presented to Committee at the next meeting following the May 2023 local elections, however, the prior-year training records are annexed to the Governance Compliance Statement in line with the SAB recommendation

3. KEY IMPLICATIONS

3.1. The Administering Authority must produce, publish and keep under review its Governance Compliance Statement. Failure to do so could result in the Pensions Regulator issuing fines to the Authority where it is deemed to have failed in areas of scheme governance.

3.2. The key implications following the implementation of the FSS are detailed in the above sections of this report and have been fully consulted on in line with the Regulations

3.3. The Investment Strategy Statement addresses the 6 key points required under Regulation 7(2) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016;

3.3.1. sets the Strategic Asset Allocation (SAA) as per Regulation 7(3);

3.3.2. includes a statement that is compliant with Regulation 7(4) (i.e. that no more than 5% of the total value of all investments of fund money to be invested in entities which are connected with that Authority);

3.3.3. is presented for approval within 3 years of the last revision (7 March 2022) as per Regulation 7(6); and

3.3.4. states as per Regulations 7(8) that the Authority must invest, in accordance with its investment strategy, any fund money that is not needed immediately to make payments from the Fund.

3.4. The Fund is fully compliant with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016. However, the revised Investment Strategy Statement includes an optional section for Investment Principals. This sets out the Fund's investment beliefs, investment philosophy and headline investment principals which should be adhered to by the Fund in making any future investment decisions. This section aims to act as a supplementary framework for investment decision making that the Committee can refer to when making future capital allocation and investment decisions.

3.5. The Strategic Asset allocation (SAA) has been revised and is presented in the ISS, the process surrounding this revision is detailed in the Part-2 report taken to the March 2023 Committee meeting to be approved in tandem with the ISS. The revised SAA aims to maximise future risk-adjusted returns within the fund's risk appetite metrics.

3.6. Detailed advice has been provided by LPPI (the Fund's Investment Manager), Barnett Waddingham (the Fund's Actuary) and the Fund's Investment Advisors in proposing a revised SAA for this ISS.

3.7. The ISS also reflects the levelling up white paper, targeting up to 5% of the Fund's investments in projects which support local areas. For the avoidance of doubt, this is intended to be ancillary to the Fund's fiduciary duty and other investment principals/objectives and therefore should not come into conflict with these.

3.8. The Committee is also asked to note that this 5% local investment target is distinct from Regulation 7(4) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 which states that no more than 5% of the total value of all investments of fund money to be invested in entities which are connected with that Authority).

4. FINANCIAL DETAILS / VALUE FOR MONEY

4.1. Implementation of the revised ISS and FSS are at no additional cost to the Fund or the Administering Authority.

4.2. Reporting of the Governance Compliance Statement has no financial implications to the Fund or the Administering Authority.

5. LEGAL IMPLICATIONS

5.1. The Administering Authority has a statutory duty to keep under review its Governance Compliance Statement in accordance with the Regulations.

5.2. The ISS and the FSS have been prepared and are fully compliant with the Regulations and the Investment Regulations as applicable.

6. RISK MANAGEMENT

6.1. A detailed risk register is brought to the Committee quarterly for review and approval, the risks associated with poor governance, investment strategy and funding strategy are detailed in the register and the relevant mitigation actions refer to the relevant statutory policies provided as appendices to this report.

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: An Equality Impact Assessment is available at Appendix 4 to this report. The Equality Act 2010 places a statutory duty on the council to ensure that when considering any new or reviewed strategy, policy, plan, project, service or procedure the impacts on particular groups, including those within the workforce and customer/public groups, have been considered. There are no EQIA impacts as a result of taking this decision. Equality Impact Assessments are published on the council's website

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. Relevant stakeholder groups have been consulted as appropriate, as detailed in earlier sections of this report.

9. TIMETABLE FOR IMPLEMENTATION

9.1. From 1 April 2023.

10. APPENDICES

10.1. This report is supported by 4 Appendices:

- Appendix 1 – Funding Strategy Statement
- Appendix 2 – Investment Strategy Statement
- Appendix 3 – Governance Compliance Statement
- Appendix 4 - 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
Mandatory:	*Statutory Officers (or deputy)*		
Adele Taylor	Executive Director of Resources/S151 Officer	**17/02/2023**	
Emma Duncan	Deputy Director of Law and Strategy / Monitoring Officer	**17/02/2023**	
Deputies:			
Andrew Vallance	Head of Finance (Deputy S151 Officer)	**17/02/2023**	**23/02/2023**
Elaine Browne	Head of Law (Deputy Monitoring Officer)	**17/02/2023**	**02/03/2023**
Karen Shepherd	Head of Governance (Deputy Monitoring Officer)	**17/02/2023**	
Other consultees:			
Cllr Julian Sharpe	Chairman – Berkshire Pension Fund Committee	**17/02/2023**	
Alan Cross	Chairman – Local Pension Board	**17/02/2023**	**27/02/2023**

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

Royal County of Berkshire Pension Fund

Funding Strategy Statement – March 2023

Contents

Employer Consultation Period: 1 February 2023 – 28 February 2023

Date of Committee approval: 13 March 2023

Date of implementation and application: 1 April 2023

1. Introduction

1.1. This is the Funding Strategy Statement for the Royal County of Berkshire Pension Fund (the Fund). It has been prepared in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 (as amended) (the Regulations) and describes the Royal Borough of Windsor and Maidenhead's strategy, in its capacity as administering authority, for the funding of the Royal County of Berkshire Pension Fund.

1.2. The Fund's employers and the Fund Actuary, Barnett Waddingham LLP, have been consulted on the contents of this statement.

1.3. This statement should be read in conjunction with the Fund's Investment Strategy Statement (ISS) and has been prepared with regard to the guidance (Preparing and Maintaining a funding strategy statement in the LGPS 2016 edition) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

1.4. In developing the funding strategy, the administering authority has considered the likely outcomes of the review carried out under Section 13(4)(c) of the Public Service Pensions Act 2013. Section 13(4)(c) requires an independent review of the actuarial valuations of the LGPS funds; this involves reporting on whether the rate of employer contributions set as part of the actuarial valuations are set at an appropriate level to ensure the solvency of the Fund and the long-term cost efficiency of the Scheme so far as relating to the pension Fund. The review also looks at compliance and consistency of the actuarial valuations.

2. Purpose of the Funding Strategy Statement

2.1. Establish a clear and transparent fund-specific strategy that will identify how employers' pension liabilities are best met going forward;

2.2. Support the desirability of maintaining an as nearly constant primary contribution rate as possible, as defined in Regulation 62(6) of the Regulations;

2.3. Ensure that the regulatory requirements to set contributions to meet the future liability to provide Scheme member benefits in done so in a way that ensures the solvency and long-term cost efficiency of the Fund are met; and

2.4. Take a prudent longer-term view of funding those liabilities.

3. Aims of the Fund

3.1. Manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due;

3.2. Enable contribution rates to be kept as near to constant as possible and (subject to the administering authority not taking undue risks) at reasonable cost to all relevant parties (such as the taxpayers, scheduled, resolution and admitted bodies), while achieving and maintaining Fund solvency and long-term cost efficiency, which should be assessed in light of the risk profile of the Fund and employers, and the risk appetite of the administering authority and employers alike; and

3.3. Seek returns on investment within reasonable risk parameters (risk adjusted returns).

4. Purpose of the Fund:

4.1. Pay pensions, lump sums and other benefits to Scheme members as provided for under the Regulations;

4.2. Meet the costs associated in administering the Fund; and

4.3. Receive and invest contributions, transfer values and investment income.

5. Funding Objectives

5.1. Ensure that pension benefits can be met as and when they fall due over the lifetime of the Fund;

5.2. Ensure the short, medium and long term solvency of the Fund;

5.3. Set levels of employer contribution rates to target a 100% funding level over an appropriate time period and using appropriate actuarial assumptions, while taking into account the different characteristics of participating employers;

5.4. Build up the required assets in such a way that employer contribution rates are kept as stable as possible, with consideration of the long-term cost efficiency objective; and

5.5. Adopt appropriate measures and approaches to reduce the risk, as far as possible, to the Fund, other employers and ultimately the taxpayer from an employer defaulting on its pension obligations.

6. Key Parties

6.1. The key parties involved in the funding process and their responsibilities are set out below.

6.2. The administering authority for the Fund is the Royal Borough of Windsor and Maidenhead (RBWM). The main responsibilities of the administering authority are to:

6.2.1. Operate the Fund in accordance with the LGPS Regulations;

6.2.2. Collect employee and employer contributions, investment income and other amounts due to the Fund as stipulated in the Regulations;

6.2.3. Invest the Fund's assets in accordance with the Fund's Investment Strategy Statement;

6.2.4. Pay the benefits due to Scheme members as stipulated in the Regulations;

6.2.5. Ensure that cash is available to meet liabilities as and when they fall due;

6.2.6. Take measures as set out in the Regulations to safeguard the Fund against the consequences of employer default;

6.2.7. Manage the actuarial valuation process in conjunction with the Fund Actuary;

6.2.8. Prepare and maintain this FSS and also the ISS after consultation with other interested parties;

6.2.9. Monitor all aspects of the Fund's performance;

6.2.10. Effectively manage any potential conflicts of interest arising from its dual role as both Fund administrator and Scheme employer; and

6.2.11. Enable the Local Pension Board to review the valuation process as they see fit.

6.3. Scheme employers. In addition to the administering authority, a number of other Scheme employers participate in the Fund. The responsibilities of each employer that participates in the Fund, including the administering authority, are to:

6.3.1. Collect employee contributions and pay these together with their own employer contributions, as certified by the Fund Actuary, to the administering authority within the statutory timescales;

6.3.2. Notify the administering authority of any new Scheme members and any other membership changes promptly;

6.3.3. Develop a policy on certain discretions and exercise those discretions as permitted under the Regulations;

6.3.4. Meet the costs of any augmentations or other additional costs in accordance with agreed policies and procedures; and

6.3.5. Pay any exit payments due on ceasing participation in the Fund.

6.4. Scheme members. Active Scheme members are required to make contributions into the Fund as set by the Department for Levelling Up, Housing and Communities (DLUHC).

6.5. The Fund Actuary for the Fund is Barnett Waddingham LLP. The main responsibilities of the Fund Actuary are to:

6.5.1. Prepare valuations including the setting of employers' contribution rates at a level to ensure Fund solvency and long-term cost efficiency after agreeing assumptions with the administering authority and having regard to the FSS and the Regulations;

6.5.2. Prepare advice and calculations in connection with bulk transfers and the funding aspects of individual benefit-related matters such as pension strain costs, ill-health retirement costs, compensatory added years costs, etc;

6.5.3. Provide advice and valuations on the exiting of employers from the Fund;

6.5.4. Provide advice and valuations relating to new employers, including recommending the level of bonds or other forms of security required to protect the Fund against the financial effect of employer default;

6.5.5. Assist the administering authority in assessing whether employer contributions need to be revised between valuations as permitted or required by the Regulations;

6.5.6. Ensure that the administering authority is aware of any professional guidance or other professional requirements which may be of relevance to their role in advising the Fund; and

6.5.7. Advise on other actuarial matters affecting the financial position of the Fund.

7. Funding Strategy

7.1. The factors affecting the Fund's finances are constantly changing, so it is necessary for its financial position and the contributions payable to be reviewed from time to time by means of an actuarial valuation to check that the funding objectives are being met.

7.2. The most recent actuarial valuation of the Fund was carried out at 31 March 2022. The overall results of the 2022 valuation are summarised as follows:

Surplus / (Deficit)	**(£446m)**
Funding Level	**86%**

7.3. At a whole Fund level, the primary rate required to cover the employer cost of future benefit accrual was 16.9% of payroll p.a.

7.4. The individual employer contribution rates are set out in the Rates and Adjustments Certificate which forms part of the Fund's 2022 valuation report.

7.5. The actuarial valuation involves a projection of future cashflows to and from the Fund. The main purpose of the valuation is to determine the level of employers' contributions that should be paid to ensure that the existing assets and future contributions will be sufficient to meet all future benefit payments from the Fund. A summary of the methods and assumptions adopted is set out in the sections below.

7.6. Funding Method

7.6.1. The key objective in determining employers' contribution rates is to establish a funding target and then set levels of employer contribution rates to meet that target over an agreed period. The funding target is to have sufficient assets in the Fund to meet the accrued liabilities for each employer in the Fund.

7.6.2. For all employers, the method adopted is to consider separately the benefits accrued before the valuation date (past service) and benefits expected to be accrued after the valuation date (future service). These are evaluated as follows:

7.6.3. The past service funding level of the Fund is the ratio of accumulated assets to liabilities in respect of past service. It makes allowance for future increases to members' pay and pensions. A funding level in excess of 100% indicates a surplus of assets over liabilities; while a funding level of less than 100% indicates a deficit; and

7.6.4. The future service funding rate (also referred to as the primary rate as defined in Regulation 62(5) of the Regulations) is the level of contributions required from the individual employers which, in combination with employee contributions is expected to cover the cost of benefits accruing in future.

7.6.5. The adjustment required to the primary rate to calculate an employer's total contribution rate is referred to as the secondary rate, as defined in Regulation 62(7). Further details of how the secondary rate is calculated for employers is given below in the Deficit recovery/surplus amortisation periods section.

7.6.6. The approach to the primary rate will depend on specific employer circumstances and in particular may depend on whether an employer is an "open" employer – one which allows new recruits access to the Fund, or a "closed" employer – one which no longer permits new staff access to the Fund. The expected period of participation by an employer in the Fund may also affect the total contribution rate.

7.6.7. For open employers, the actuarial funding method that is adopted is known as the Projected Unit Method. The key feature of this method is that, in assessing the future service cost, the primary rate represents the cost of one year's benefit accrual only.

7.6.8. For closed employers, the actuarial funding method adopted is known as the Attained Age Method. The key difference between this method and the Projected Unit Method is that the Attained Age Method assesses the average cost of the benefits that will accrue over a specific period, such as the length of a contract or the remaining expected working lifetime of active members.

7.6.9. The approach by employer may vary to reflect an employer's specific circumstance, however, in general the closed employers in the Fund are admission bodies who have joined the Fund as part of an outsourcing contract and therefore the Attained Age Method is used in setting their contributions. All other employers (for example councils, higher education bodies and academies) are generally open employers and therefore the Projected Unit Method is used. The administering authority holds details of the open or closed status of each employer.

7.7. Valuation assumptions and funding model

7.7.1. In completing the actuarial valuation, it is necessary to formulate assumptions about the factors affecting the Fund's future finances such as price inflation, pay increases, investment returns, rates of mortality, early retirement and staff turnover etc. The assumptions adopted at the valuation can therefore be considered as:

7.7.2. The demographic (or statistical) assumptions which are essentially estimates of the likelihood or timing of benefits and contributions being paid, and

7.7.3. The financial assumptions which will determine the estimates of the amount of benefits and contributions payable and their current (or present) value.

7.8. Future price inflation.

7.8.1. The base assumption in any valuation is the future level of price inflation over a period commensurate with the duration of the liabilities, as measured by the Retail Price Index (RPI). This is derived using the 20 year point on the Bank of England implied Retail Price Index (RPI) inflation curve, with consideration of the market conditions over the six months straddling the valuation date.

7.8.2. The 20 year point on the curve is taken as 20 years and is consistent with the average duration of an LGPS Fund. A deduction of 0.3% p.a. is applied to the yield at the 20 year point to reflect the shape of the yield curve. A further deduction of 0.4% p.a. is applied to reflect the view that investors are willing to pay a premium for inflation-linked products in return for protection against unexpected inflation.

7.9. Future pension increases.

7.9.1. Pension increases are linked to changes in the level of the Consumer Price Index (CPI). Inflation as measured by the CPI has historically been less than RPI due mainly to different calculation methods. However, RPI is due to be aligned with CPIH (CPI but with allowance for housing costs) from 2030. Therefore, reflecting the anticipated amendment to RPI from 2030 and therefore the relative difference between RPI and CPI, a deduction of 0.35% p.a. is made to the RPI assumption to derive the CPI assumption.

7.10. Future pay increases.

7.10.1. As some of the benefits are linked to pay levels at retirement, it is necessary to make an assumption as to future levels of pay increases. Historically, there has been a close link between price inflation and pay increases with pay increases exceeding price inflation in the longer term. The long-term pay increase assumption adopted at 31 March 2022 was CPI plus 1.0% p.a. which includes allowance for promotional increases.

7.11. Future investment returns/discount rate

7.11.1. To determine the value of accrued liabilities and derive future contribution requirements it is necessary to discount future payments to and from the Fund to present day values.

7.11.2. The discount rate that is applied to all projected liabilities reflects a prudent estimate of the rate of investment return that is expected to be earned from the Fund's long-term investment strategy by considering average market yields in the six months straddling the valuation date.

7.11.3. The discount rate as determined by the Actuary may be referred to as the "ongoing" discount rate. It may be appropriate for an alternative discount rate approach to be taken to reflect an individual employer's situation. This may be, for example, to reflect an employer targeting a cessation event or to reflect the administering authority's views on the level of risk that an employer poses to the Fund. The Fund Actuary will incorporate any such adjustments after consultation with the administering authority. A summary of the financial assumptions adopted for the 2022 valuation is set out in the following table:

RPI inflation	**3.2% p.a.**
CPI inflation	**2.9% p.a.**
Pension/deferred pension increases and CARE revaluation	**In line with CPI inflation**
Pay increases	**CPI inflation + 1.0% p.a.**
Discount rate	**5.1% p.a.**

7.12. Asset valuation.

7.12.1. For the purpose of the valuation, the asset value used is the market value of the accumulated fund at the valuation date, adjusted to reflect average market conditions during the six months straddling the valuation date. This is referred to as the smoothed asset value and is calculated as a consistent approach to the valuation of the liabilities.

7.12.2. The Fund's assets are notionally allocated to employers at an individual level by allowing for actual Fund returns achieved on the assets and cashflows paid into and out of the Fund in respect of each employer (e.g., contributions received, and benefits paid).

7.13. Demographic assumptions

7.13.1. The demographic assumptions incorporated into the valuation are based on Fund-specific experience and national statistics, adjusted as appropriate to reflect the individual circumstances of the Fund and/or individual employers.

7.13.2. Further details of the assumptions adopted are included in the Fund's 2022 valuation report.

7.14. McCloud/Sargeant judgments

7.14.1. When the Government reformed public service pension schemes in 2014 and 2015, they introduced protections for older members. In December 2018, the Court of Appeal ruled that younger members of the Judges' and Firefighters' Pension schemes have been discriminated against because the protections do not apply to them.

7.14.2. The Government has confirmed that there will be changes to all main public sector schemes, including the LGPS, to remove this age discrimination. A consultation has been run in relation to the changes proposed for the LGPS and legislation is now being drafted to bring forward these changes. We understand the updated Regulations are to be consulted on over the course of 2022/23 with revised Regulations effective from October 2023.

7.14.3. For the 2022 valuation, as required by the Department for Levelling Up, Housing & Communities, in calculating the value of members' liabilities it was assumed that:

7.14.4. The current underpin (which only applies to those members within 10 years of their NPA on 31 March 2012) will be revised and will apply to all members who were active in the Scheme on or before 31 March 2012 and who join the post 1 April 2014 scheme without a disqualifying service gap;

7.14.5. The period of protection will apply from 1 April 2014 to 31 March 2022 but will cease when a member leaves active service or reaches their final salary scheme normal retirement age (whichever is sooner);

7.14.6. Where a member remains in active service beyond 31 March 2022 the comparison of their benefits will be based on their final salary when they leave the LGPS or when they reach their final salary scheme normal retirement age (again whichever is sooner);

7.14.7. Underpin protection will apply to qualifying members who leave active membership of the LGPS with an immediate or deferred entitlement to a pension; and

7.14.8. The underpin will consider when members take their benefit.

7.14.9. Further details of the McCloud/Sergeant judgment can be found below in the Regulatory risks section.

7.15. Guaranteed Minimum Pension (GMP) indexation and equalisation

7.15.1. On 23 March 2021, the Government published the outcome to its Guaranteed Minimum Pension Indexation consultation, concluding that all public service pension schemes, including the LGPS, will be directed to provide full indexation to members with a GMP reaching State Pension Age (SPA) beyond 5 April 2021. This is a permanent extension of the existing 'interim solution' that has applied to members with a GMP reaching SPA on or after 6 April 2016. Details of the consultation outcome can be found here.

7.15.2. The 2022 valuation approach for GMP is that the Fund will pay limited increases for members that have reached SPA by 6 April 2016, with the government providing the remainder of the inflationary increase. For members that reach SPA after this date, the Fund will be required to pay the entire inflationary increase.

7.16. Stabilisation mechanism

7.16.1. The LGPS Regulations (Regulation 62(6)(b)) specify that the Actuary must have regard to the desirability of maintaining as nearly constant a primary rate as possible. However, it is a key objective of the Fund to maintain stability of total rates as far as possible. The Fund therefore adopts a stabilisation approach as shown below to achieve this aim:

7.16.2. Where an employer is in deficit, the current contribution rate (2022/23) will be increased by a minimum of 1% of assumed gross pensionable pay;

7.16.3. For an employer that is in surplus, with no guarantor in the fun liable to pick up the residual liabilities and assets upon ceasing, the total contribution rate payable will be the higher of the 2022 primary rate and the current (2022/23) rate plus 1% of assumed gross pensionable pay, unless the employer has a funding level in excess of 130%. For the avoidance of doubt, employers with a funding level above 130% will still pay a minimum of the primary contribution rate.

7.16.4. Notwithstanding the above, there may be some cases where it is appropriate to set a different rate and the Administering Authority can apply discretion as appropriate. A general example is where an admitted body has a guarantor in the Fund, and as a result would be valued on an ongoing basis upon ceasing. For these employers, particularly those who have few active members, it may not be appropriate to set a secondary contribution rate if they have a large surplus, as they would have little chance of receiving an exit credit upon ceasing. In all fringe cases such as this, the Administering Authority may exercise discretion and has the final decision. Another example, relating specifically to pooled employers, is detailed in section 7.18.5

7.16.5. An employer with a funding level in excess of 130% pays the 2022 primary rate as a minimum (i.e., there Is no scope for an adjustment to total contributions by applying negative secondary contributions).

7.16.6. The stabilisation mechanism will be reviewed at the next triennial valuation exercise, expected at 31 March 2025.

7.17. Deficit recovery/surplus amortisation periods

7.17.1. Whilst one of the funding objectives is to build up sufficient assets to meet the cost of benefits as they accrue, it is recognised that at any particular point in time, the value of the accumulated assets will be different to the value of accrued liabilities, depending on how the actual experience of the Fund differs to the actuarial assumptions. This theory applies down to an individual employer level; each employer in the Fund has their own share of deficit or surplus attributable to their section of the Fund.

7.17.2. Where the valuation for an employer discloses a deficit then the level of required employer contributions includes an adjustment to fund the deficit over a maximum period of 17 years from 1 April 2023. The adjustment (or secondary contribution) may be set either as a percentage of payroll or as a fixed monetary amount.

7.17.3. The Fund's deficit overall maximum recovery period is therefore 17 years from 1 April 2023, revised from 21 years at the date of the last FSS publication. The reduction of 4 years has been due to a combination of the passage of time and management decision making to reduce the deficit.

7.17.4. The deficit recovery period or amortisation period that is adopted for any particular employer will depend on:

7.17.4.1. The significance of the surplus or deficit relative to that employer's liabilities;

7.17.4.2. The covenant of the individual employer (including any security in place) and any limited period of participation in the Fund;

7.17.4.3. The remaining contract length of an employer in the Fund (if applicable); and

7.17.4.4. The implications in terms of stability of future levels of employers' contributions.

7.17.5. A general summary of the approach used for employers in the Fund is set out in the table below, however, the approach adopted may differ to reflect the situation specific to the employer as agreed by the Administering Authority.

Type of employer	Examples	Maximum recovery period*
Major scheduled bodies	Unitary authorities	17 years
Higher and further education bodies	Colleges (excluding University of West London)	8 years
Housing associations		8 years
Academies	Academies, free schools	9 years
Admission bodies	Contractors	Maximum of remaining contract length or 8 years

**An element of discretion may be exercised by the Fund as agreed in advance, subject to not breaching the Fund's overall maximum deficit recovery period as specified in Paragraph 7.17.2*

7.17.6. In circumstances where employers are in significant surplus, subject to the provisions of the Stabilisation Mechanism in section 7.16, the surplus may be amortised over a reasonable timeframe as agreed with the Administering Authority. This, in effect, leads to negative secondary contributions for a finite period of time, this may also be interpreted as a negative adjustment to the total contribution rate.

7.17.7. The Fund maintains a policy to restrict upfront payments of secondary contributions to the value of the deficit as certified by the Fund actuary.

7.18. Pooling of individual employers

7.18.1. The policy of the Fund is that each individual employer should be responsible for the costs of providing pensions for its own employees who participate in the Fund. Accordingly, contribution rates are set for individual employers to reflect their own particular circumstances. However, certain groups of individual employers are pooled for the purposes of determining contribution rates to recognise common characteristics or where the number of Scheme members is small.

7.18.2. Currently, other than Scheme employers that are already connected, the funding pools adopted for the Fund at the 2022 valuation are summarised in the table below:

Pool	Type of pooling	Notes
Academies	Past and future service pooling	All academies in the pool pay the same total contribution rate
Community Admission bodies	Past service pooling only	All CABs in the pool pay the same secondary rates but pay a primary rate bespoke to their membership
Colleges (excluding UWL)	Past service pooling only	All colleges in the pool pay the same secondary rates but pay a primary rate bespoke to their membership

7.18.3. The main purpose of pooling is to produce more stable employer contribution levels, although recognising that ultimately there will be some level of cross-subsidy of pension cost amongst pooled employers.

7.18.4. Forming/disbanding a funding pool

7.18.4.1. Where the Fund identifies a group of employers with similar characteristics and potential merits for pooling, it is possible to form a pool for these employers. Advice should be sought from the Fund Actuary to consider the appropriateness and practicalities of forming the funding pool.

7.18.4.2. Conversely, the Fund may consider it no longer appropriate to pool a group of employers. This could be due to divergence of previously similar characteristics or an employer becoming a dominant party in the pool (such that the results of the pool are largely driven by that dominant employer). Where this scenario arises, advice should be sought from the Fund Actuary.

7.18.4.3. Funding pools should be monitored on a regular basis, at least at each actuarial valuation, in order to ensure the pooling arrangement remains appropriate.

7.18.5. The stabilisation mechanism as outlined in 7.16 (referring to the minimum increase of contributions by 1%), may not be appropriate in some specific scenarios concerning the Higher and Further education pool. For example, where employers in the pool pay the same secondary rate but their own primary rate. There may be situations where the employers primary rate decreases due to membership changes and the blanket increase in secondary rate doesn't offset in primary rate, resulting in a total contribution rate decrease or an increase of less than 1%. The Administering Authority may exercise discretion not to apply the stabilisation mechanism in situations such as this.

7.19. Risk sharing

7.19.1. There are employers that participate in the Fund with a risk-sharing arrangement in place with another employer in the Fund.

7.19.2. For example, there are employers participating in the Fund with pass-through provisions: under this arrangement the pass-through employer does not take on the risk of underfunding as this risk remains with the letting authority or relevant guaranteeing employer. When the pass-through employer ceases participation in the Fund, it is not responsible for making any exit payment, nor receiving any exit credit, as any deficit or surplus ultimately falls to the letting authority or relevant guaranteeing employer.

7.19.3. At the 2022 valuation, risk-sharing arrangements were allowed for by allocating any deficit/liabilities covered by the risk-sharing arrangement to the relevant responsible employer.

7.19.4. From 1 April 2023, in anticipation of "new fair deal" being legislated before the date of the next triennial valuation, all new employers created through the outsourcing or contracting of other scheme employers will not be considered on a full risk transfer basis.

7.19.5. The Fund, from the date of this FSS, maintains a policy of pass-through arrangements only. Under this policy, the "fair deal" employer (letting employer), or employer transferring staff to a contractor (or equivalent), will retain the majority of scheme employer responsibilities and be classed as a "deemed employer".

7.19.6. Under this arrangement, the contractor may or may not have direct responsibility for making payments to the LGPS, but the indirect responsibility for guaranteeing these payments will fall to the "fair deal" or outsourcing employer.

7.19.7. There are several approaches to pass through arrangements and several risk categories to be considered for responsibility under this pass-through arrangement policy. The full approach to risk-sharing shall be agreed in advance between the Fund and the letting employer in consultation with the Fund Actuary before any contract procurement commences as this is highly likely to impact contract pricing.

7.19.8. The final terms of the risk sharing agreement shall be ratified in the admission agreement between the Fund and the Deemed employer, as previously agreed by the Letting Employer.

7.19.9. The Fund Actuary shall be engaged in all pass-through arrangement and risk-sharing negotiations to ensure the Fund and the letting employer receive appropriate professional advice due to the complicated and technical nature of these arrangements.

7.20. Contribution payments

7.20.1. Employers pay contributions on a monthly basis. Primary contributions are certified as a percentage of payroll and therefore amounts paid by employers each month will fluctuate in line with payroll each month. Secondary contributions can be certified as a percentage of payroll or as a monetary amount. Monetary amounts are payable in 12 equal monthly instalments throughout the relevant year unless agreed otherwise with the administering authority.

7.20.2. Employers must pay contributions in line with the Rates and Adjustments Certificate, but they may be able to alter the timing of contributions payable and/or pay in additional contributions with agreement from the administering authority.

7.20.3. The administering authority has agreed to allow a discount to major scheduled bodies who pay their total secondary contributions up front, as long as the payment is received by the end of April 2023. The discount applied is notified to employers and set out in the Rates and Adjustment certificate. The discount for paying three years of contributions in advance is roughly 3.5%. Employers should discuss with and gain agreement from the administering authority before making up front payments at the discounted rate.

7.20.4. For the avoidance of doubt, the total secondary contributions referred to above just refers to those certified in the Rates and Adjustments certificate. The Rates and Adjustments certificate is issued based on the results of the 2022 triennial valuation and sets the rates payable of the three year period from 1 April 2023 until 31 March 2026.

7.20.5. The 3.5% discount referred to above may vary from employer to employer and is for example purposes only, applying only to the results of the 2022 valuation and may be subject to change or withdrawal in future valuation periods. Discounts may, from time to time, be offered to other employers but the percentage amount may vary considerably especially where their recovery period is less than three years from 1 April 2023. Employers interested in paying their secondary contributions in bulk should contact the administering authority to discuss and agree relevant arrangements.

7.20.6. Employers may, from time to time, wish to consider an upfront payment of Secondary (or deficit recovery) contributions greater than those certified in the three year rates and adjustment certificate. Larger up-front payments may be agreed at the discretion of the Fund and subject to prior agreement on the specific terms of the upfront payment (discount rate, timing etc.).

7.20.7. The Fund maintains a policy to restrict upfront payments of secondary contributions to the value of the deficit as certified by the Fund actuary.

8. New employers joining the Fund

8.1. When a new employer joins the Fund, the Fund Actuary is required to set the contribution rates payable by the new employer and allocate a share of Fund assets to the new employer as appropriate. The most common types of new employers joining the Fund are admission bodies and new academies. These are considered in more detail below.

8.2. All new employers joining the fund where relevant shall be applicable to the risk sharing provisions set out in Section 7.19, fully implemented by 1 April 2023.

8.3. Admission bodies

8.3.1. New admission bodies in the Fund are commonly a result of a transfer of staff from an existing employer in the Fund to another body (for example as part of a transfer of services from a council or academy to an external provider under Schedule 2 Part 3 of the Regulations). Typically, these transfers will be for a limited period (the contract length), over which the new admission body employer is required to pay contributions into the Fund in respect of the transferred members.

8.3.2. Funding at start of contract:

8.3.2.1. Generally, when a new admission body joins the Fund, they will become responsible for all the pensions risk associated with the benefits accrued by transferring members and the benefits to be accrued over the contract length. This is known as a full risk transfer. In these cases, it may be appropriate that the new admission body is allocated a share of Fund assets equal to the value of the benefits transferred, i.e., the new admission body starts off on a fully funded basis. This is calculated on the relevant funding basis and the opening position may be different when calculated on an alternative basis (e.g., on an accounting basis).

8.3.2.2. However, there may be special arrangements made as part of the contract such that a full risk transfer approach is not adopted. In these cases, the initial assets allocated to the new admission body will reflect the level of risk transferred and may therefore not be on a fully funded basis or may not reflect the full value of the benefits attributable to the transferring members.

8.3.3. Contribution rate

8.3.3.1. The contribution rate may be set on an open or a closed basis. Where the funding at the start of the contract is on a fully funded basis then the contribution rate will represent the primary rate only; where there is a deficit allocated to the new admission body, the contribution rate will also incorporate a secondary rate with the aim of recovering the deficit over an appropriate recovery period.

8.3.3.2. Depending on the details of the arrangement, for example if any risk sharing arrangements are in place, then additional adjustments may be made to determine the contribution rate payable by the new admission body. The approach in these cases will be bespoke to the individual arrangement.

8.3.4. Security

8.3.4.1. To mitigate the risk to the Fund that a new admission body will not be able to meet its obligations to the Fund in the future, the new admission body may be required to put in place a bond in accordance with Schedule 2 Part 3 of the Regulations, if required by the letting authority and administering authority.

8.3.4.2. If, for any reason, it is not desirable for a new admission body to enter into a bond, the new admission body may provide an alternative form of security which is satisfactory to the administering authority.

8.3.5. Risk sharing

8.3.5.1. Although a full risk transfer (as set out above) is most common, subject to agreement with the administering authority where required, new admission bodies and the relevant letting authority may make a commercial agreement to deal with the pensions risk differently. For example, it may be agreed that all or part of the pensions risk remains with the letting authority.

8.3.5.2. Although pensions risk may be shared, it is common for the new admission body to remain responsible for pensions costs that arise from:

8.3.5.2.1. Above average pay increases, including the effect on service accrued prior to contract commencement; and

8.3.5.2.2. Redundancy and early retirement decisions.

8.3.5.2.3. Any other scenario not specifically mentioned whereby a decision is taken by the employer that disproportionally increases pension liabilities.

8.3.5.3. The risk-sharing arrangements must be clearly documented in the admission agreement, the transfer agreement or any other side agreement.

8.3.5.4. Any agreed arrangement should not lead to any undue risk to the other employers in the Fund. Legal and actuarial advice in relation to risk-sharing arrangements should be sought where required.

8.3.5.5. This section is subject to the provisions outlined in section 7.19

8.4. New academies

8.4.1. When a school converts to academy status, the new academy (or the sponsoring multi-academy trust) becomes a Scheme employer in its own right.

8.4.2. Funding at start

8.4.2.1. On conversion to academy status, the new academy will be allocated assets based on the active cover of the relevant local authority at the conversion date. The active cover approach is based on the funding level of the local authority's active liabilities, after fully funding the local authority's deferred and pensioner liabilities. The new academy will join the existing academy pool, with the academy pool funding level.

8.4.3. Contribution rate

8.4.3.1. The contribution rate payable when a new academy joins the Fund will be in line with the contribution rate certified for the Academies funding pool at the 2022 valuation.

9. Contribution reviews between actuarial valuations

9.1. It is anticipated for most Scheme employers that the contribution rates certified at the formal actuarial valuation will remain payable for the period of the rates and adjustments certificate.

9.1.1. 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.

9.1.2. A contribution review may be requested by an employer or be required by the administering authority. The review may only take place if at least one of the following conditions are met:

9.1.2.1. 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;

9.1.2.2. 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

9.1.2.3. a Scheme employer or employers have requested a review of Scheme employer contributions and have undertaken to meet the costs of that review. A request under this condition can only be made if 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.

9.1.3. Guidance on the administering authority's approach considering the appropriateness of a review and the process in which a review will be conducted is set out the Fund's separate Contribution review policy which can be accessed on the Pension Fund's website. This includes details of the process that should be followed where an employer would like to request a review.

9.1.4. 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, regardless of the direction of change in the contribution rates.

9.1.5. Employers should be mindful of the Fund's stabilisation mechanism as prescribed in Section 7.16 when requesting a contribution review, this mechanism applies automatically in all scenarios unless the administering authority exercise their discretion to make an exemption.

9.1.6. 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 that 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 the separate contribution review policy.

9.1.7. With the exception of any cases falling under Regulation 64(4), the administering authority will not accept a request for a review of contributions where the effective date is within 12 months of the next Rates and Adjustments Certificate.

10. Cessation valuations

10.1. When a Scheme employer exits the Fund and becomes an exiting employer, as required under the Regulations the Fund Actuary will be asked to carry out an actuarial valuation in order to determine the liabilities in respect of the benefits held by the exiting employer's current and former employees. The Fund Actuary is also required to determine the exit payment due from the exiting employer to the Fund or the exit credit payable from the Fund to the exiting employer.

10.2. Any deficit in the Fund in respect of the exiting employer will be due to the Fund as a single lump sum payment, unless it is agreed by the administering authority and the other parties involved that an alternative approach is permissible. For example:

10.2.1. It may be agreed with the administering authority that the exit payment can be spread over some agreed period;

10.2.2. the assets and liabilities relating to the employer may transfer within the Fund to another participating employer; or

10.2.3. the employer's exit may be deferred subject to agreement with the administering authority, for example if it intends to offer Scheme membership to a new employee within the following three years.

10.3. The Fund maintains a separate Employer Flexibilities policy referring to the Deferred Debt Agreements and Debt Spreading Agreements available to employers under Regulations 64(7A) and 64(7B) of the Local Government Pension Scheme (LGPS) Regulations 2013 (as amended).

10.4. Any surplus in the Fund in respect of the exiting employer may be treated differently to a payment of an exit credit, subject to the agreement between the relevant parties and any legal documentation and always subject to the Fund's exit credit policy as outlined in section 10.7.

10.5. In assessing the value of the liabilities attributable to the exiting employer, the Fund Actuary may adopt differing approaches depending on the employer and the specific details surrounding the employer's cessation scenario. For example, those subject to a minimum risk cessation as outlined in section 10.6.

10.6. Minimum risk policy

10.6.1. Cessation Deficits calculated on a minimum-risk basis usually apply to an employer when the last remaining active scheme member ceases to exist (i.e., is transferred, leaves employment or retires) in the Fund and there is no guarantor to take over the liabilities.

10.6.2. Prior to 31 March 2023, the minimum-risk basis was calculated using 20-year Gilt yields, broadly replicating what happens in the private sector, when a defined benefit scheme wishes to "buy out" its liabilities and pass them on to an insurer. In the private sector, the resulting funds are then used to pay the benefits to the members whose liabilities the insurer has just taken on. The value the insurer places on the bought-out liabilities is therefore highly correlated with the future return they can expect to receive from gilts.

10.6.3. There is of course no current provision for LGPS liabilities to be bought out in this way although the gilts-based approach has been a common proxy for calculating minimum risk debts for many years. In this case, the role of "insurer" is taken on by the remaining employers in the Fund, who are essentially liable for additional contributions if future funding experience does not go as well as hoped. The term "minimum risk" is something of a misnomer, as investment risk is often left on the table.

10.6.4. The use of gilt yields, having been at very low levels for so long, has historically led to significantly larger exit payments being requested than if an ongoing methodology was applied. This has the effect of protecting Funds as it reduces the risk that the exit payment is insufficient, and that Funds will need to call upon their remaining employers to meet any future deficit that could arise.

10.6.5. In response to recent economic events, the Gilt yield approach is no longer deemed appropriate for the Fund from a risk management perspective, as advised by the Fund Actuary. Gilt yields no longer serve to protect the remaining employers in the Fund by reducing risk. By way of an example, Gilt yields hit 5.2% in 2022, exceeding the ongoing discount rate, making this approach redundant as a proxy for minimum risk.

10.6.6. From 1 April 2023, the Fund maintains a policy of taking a "prudence-plus" approach to determining a minimum risk discount rate. The alternative methodology links the minimum risk discount rate to that used for ongoing funding but incorporating a higher and constant level of prudence. The assumptions adopted will therefore be consistent with the current ongoing funding position, but with additional prudence included in order to take into account potential uncertainties and risk e.g., due to adverse market changes, additional liabilities arising from regulatory or legislative change and political/economic uncertainties. A key advantage of this approach is that it reduces the reliance on gilt yields to the extent that the Fund is actually invested in this asset class and better serves the Fund and its remaining employers from a risk management perspective.

10.6.7. The appropriate level of prudence on this basis was reviewed as part of the Fund's 2022 valuation, when a stochastic analysis was used to assess the "success probabilities" of certain levels of prudence. The Fund's approach is to target a 90% success probability that an exiting employer's assets plus the calculated exit payment/exit credit will be sufficient to meet the residual liabilities. This corresponds to a 4.3% prudence adjustment to the best estimate discount rate assumption (or "prudence-plus margin"). This adjustment will be reviewed on a regular basis, and as a minimum as part of each actuarial valuation of the Fund. For the avoidance of doubt, the prudence margin is not the minimum-risk discount rate, but the level of prudence to be deducted from the Funds ongoing best estimate discount rate.

10.6.8. As this is a significant change to the FSS, the Fund is introducing a transition period, whereby all cessation valuations provided before 31 March 2023 shall have the prior methodology honoured provided the full cessation is concluded within 6 months of the date of this FSS (to 30 September 2023). Under this transition period, the Fund Actuary may adopt a discount rate based on Spot Gilt Yields, Smoothed Gilt Yields or other lower risk assets and adopt different assumptions to those used at the previous triennial valuation to protect the other Scheme employers in the Fund from having to fund any future deficits from the liabilities that will remain in the Fund.

10.7. Exit credit policy

10.7.1. The Local Government Pension Scheme (LGPS) (Amendment) Regulations 2018 were introduced in May 2018 which allow administering authorities to make an exit credit payment to exiting employers. This will be reviewed on a case by case basis before any payment is made. Considerations will be based on any previous agreements made and discussions between the administering authority, the exiting employer and the guaranteeing employer (if applicable).

10.7.2. Having regard to any relevant considerations, the administering authority will take the following approach to the payment of exit credits:

10.7.2.1. Any employer who cannot demonstrate that they have been exposed to underfunding risk during their participation in the Fund will not be entitled to an exit credit payment. This is on the basis that these employers would not have been asked to pay an exit payment had a deficit existed at the time of exit.

10.7.2.2. The level of risk that an employer has borne will be taken into account when determining the amount of any exit credit. It is the responsibility of the exiting employer to set out why the arrangements make payment of an exit credit appropriate.

10.7.2.3. Any exit credit payable may be subject to a maximum of the actual employer contributions paid into the Fund as certified in the Fund's rates and adjustments certificates, up to any cap arrangements that may have been in place and excluding any additional payments such as strain payments.

10.7.2.4. As detailed above, the Fund Actuary may adopt differing approaches when assessing whether an exit debt is payable by the employer, depending on the specific details surrounding the employer's cessation scenario.

10.7.2.5. Exit credits will only be paid if the ceasing employer has a surplus on the minimum risk basis at the cessation date. Allowance will be made for additional liabilities incurred as a result of redundancies.

10.7.2.6. The administering authority will pay out any exit credits within six months of the cessation date where possible. A longer time may be agreed between the administering authority and the exiting employer where necessary. If the employer does not provide all the relevant information to the administering authority within one month of the cessation date the administering authority will not be able to guarantee payment within six months of the cessation date.

10.7.2.7. Under the Regulations, the administering authority has the discretion to take into account any other relevant factors in the calculation of any exit credit payable and they will seek legal advice where appropriate.

10.7.2.8. For the avoidance of doubt, the exit credit policy detailed here takes precedent over all other areas of documentation whereby exit credits or surpluses may be referred to (for example in draft cessation reports)

10.8. Managing exit payments

10.8.1. Where a cessation valuation reveals a deficit and an exit payment is due, the expectation is that the employer settles this debt immediately through a single cash payment. However, should it not be possible for the employer to settle this amount, providing the employer puts forward sufficient supporting evidence to the administering authority, the administering authority may agree a deferred debt agreement (DDA) with the employer under Regulation 64(7A) or a debt spreading agreement (DSA) under Regulation 64B.

10.8.2. The Fund maintains a separate Employer Flexibilities policy and keeps this under review. Please refer to this policy for detail and guidance on implementing, monitoring and terminating DDAs and DSAs, this includes details of when a DDA or a DSA may be permitted, and the information required from the employer when putting forward a request for a DDA or DSA.

10.8.3. 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.

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

10.8.5. 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.

10.9. Regulatory factors

10.9.1. At the date of drafting this FSS, the government is currently consulting on potential changes to the Regulations, some which may affect the timing of future actuarial valuations. This is set out in the Local Government Pension Scheme: changes to the local valuation cycle and the management of employer risk consultation document.

10.9.2. Further details of this can be found in the Regulatory risks section below.

11. Bulk transfers

11.1. Bulk transfers of staff into or out of the Fund can take place from other LGPS Funds or non-LGPS Funds. In either case, the Fund Actuary for both Funds will be required to negotiate the terms for the bulk transfer – specifically the terms by which the value of assets to be paid from one Fund to the other is calculated.

11.2. The agreement will be specific to the situation surrounding each bulk transfer but in general the Fund will look to receive the bulk transfer on no less than a fully funded transfer (i.e., the assets paid from the ceding Fund are sufficient to cover the value of the liabilities on the agreed basis).

11.3. A bulk transfer may be required by an issued Direction Order. This is generally in relation to an employer merger, where all the assets and liabilities attributable to the transferring employer in its original Fund are transferred to the receiving Fund.

11.4. Consolidation of Multi-Academy Trusts (MATs)

11.4.1. Where an academy is transferring into or out of the Fund as part of a MAT consolidation exercise, the Fund generally expects that this will proceed through a Direction Order from the Secretary of State. In these situations, and subject to the terms agreed between the Fund Actuary to both LGPS Funds, typically all the assets attributable to the academy in the ceding Fund are transferred to the receiving Fund.

11.4.2. The Fund's preference would be for any transfer to include all members, including deferred and pensioner members. Should a situation arise where an academy is transferring out of the Fund and only active members are transferring, the Fund would seek to retain a level of assets to be at least sufficient to fully fund any deferred and pensioner members left behind, as measured by the Fund's ongoing funding basis at the transfer date.

11.4.3. Where the academy is transferring into the Fund, where appropriate, the academy will become part of the Fund's Academy pool. However, the Fund would not accept a transfer in which would lead to a deterioration in its overall funding level, and in particular as a minimum receive a transfer amount that was no less than the equivalent individual CETVs for the transferring members, based on Government Actuary factors in force at the transfer date. The agreed basis of transfer could take into account the funding basis of the Fund and a top up payment could be made to ensure the Fund would not be significantly worse off or be subject to an unacceptable level of risk.

11.5. Early retirement costs

11.5.1. The Fund Actuary's funding basis makes no allowance for premature retirement except on grounds of permanent ill health. Scheme employers are required to pay additional contributions whenever an employee retires before attaining the age at which the triennial valuation assumes that benefits are payable. The calculation of these costs is carried out with reference to a calculation approved by the Actuary to the Fund.

11.5.2. The Fund monitors each Scheme employer's ill health experience on an ongoing basis. If the cumulative number of ill health retirements in any financial year exceeds the allowance at the previous triennial valuation by a statistically significant amount, the Scheme employer may be charged additional contributions on the same basis as apply for non-ill health cases.

12. Links with the Investment Strategy Statement (ISS)

12.1.1. The Fund's FSS is designed to be read in conjunction with the Fund's ISS.

12.1.2. The main link between the Funding Strategy Statement (FSS) and the ISS relates to the discount rate that underlies the funding strategy as set out in the FSS, and the expected rate of investment return which is expected to be achieved by the long-term investment strategy as set out in the ISS.

12.1.3. As explained above, the ongoing discount rate that is adopted in the actuarial valuation is derived by considering the expected return from the long-term investment strategy. This ensures consistency between the funding strategy and investment strategy.

12.1.4. Many of the risks outlined in Section 13 involve mitigations or counter measures that are dealt with through the ISS, for example ensuring that the cash-flow profile of the Fund's investments matches the maturity profile of the Fund's membership.

13. Risks and counter measures

13.1. Whilst the funding strategy attempts to satisfy the funding objectives of ensuring sufficient assets to meet pension liabilities and stable levels of employer contributions, it is recognised that there are risks that may impact on the funding strategy and hence the ability of the strategy to meet the funding objectives.

13.2. The major risks to the funding strategy are financial, although there are other external factors including demographic risks, regulatory risks and governance risks.

13.3. A separate risk register is maintained by the Fund and is reviewed quarterly by the Pension Fund Committee, further detail on any of these risks can be found in this risk register available on the Fund's website.

13.4. Financial risks

13.4.1. The main financial risk is that the actual investment strategy fails to produce the expected rate of investment return (in real terms) that underlies the funding strategy. This could be due to a number of factors, including market returns being less than expected and/or the fund managers who are employed to implement the chosen investment strategy failing to achieve their performance targets.

13.4.2. The valuation results are highly sensitive to the real discount rate (i.e., the difference between the discount rate assumption and the price inflation assumption). Broadly speaking an increase/decrease of 0.5% p.a. in the real discount rate will decrease/increase the valuation of the liabilities by 10%, and decrease/increase the required employer contribution by around 2.5% of payroll p.a.

13.4.3. In prior valuations, the risk of adverse intra-valuation period inflation experience (i.e., the difference between actuarial long-term inflation assumptions and actual inflation experience across the triennial period) has been somewhat of a misnomer. The Fund's approach to determining long-term Inflation expectations is outlined in paragraph 7.8. Any significant and pronounced deviation to these expectations poses a significant risk to the Fund, e.g., April 2023 assumed 2.9% inflation compared to 10.1% actual experience, ceteris paribus this equates to a 7.2% increase in liabilities. The Fund has flagged this as one of the most significant financial risks to this valuation period.

13.4.4. The Pension Fund Committee regularly monitors the investment returns achieved by the fund managers and receives advice from the independent advisers and officers on investment strategy. The Committee may also seek advice from the Fund Actuary on valuation related matters.

13.4.5. In addition, the Fund Actuary provides funding updates between valuations to check whether the funding strategy continues to meet the funding objectives.

13.5. Demographic risks

13.5.1. Allowance is made in the funding strategy via the actuarial assumptions for a continuing improvement in life expectancy. However, the main demographic risk to the funding strategy is that it might underestimate the continuing improvement in longevity. For example, an increase of one year to life expectancy of all members in the Fund will increase the liabilities by approximately 4%.

13.5.2. The actual mortality of pensioners in the Fund is monitored by the Fund Actuary at each actuarial valuation and assumptions are kept under review. The Fund commissions a bespoke longevity analysis by

Barnett Waddingham's specialist longevity team in order to assess the mortality experience of the Fund and help set an appropriate mortality assumption for funding purposes.

13.5.3. In addition, in 2009 the Fund entered into a longevity insurance contract which covers all pensions in payment at the end of July 2009. This contract means the Fund pays a premium to the insurer and the insurer pays the actual pension amounts due. This contract is designed to mitigate the risk of members living longer than anticipated.

13.5.4. The liabilities of the Fund can also increase by more than has been planned as a result of the additional financial costs of early retirements and ill-health retirements. However, the administering authority monitors the incidence of early retirements; and procedures are in place that require individual employers to pay additional amounts into the Fund to meet any additional costs arising from early retirements.

13.6. Climate risk

13.6.1. There are a large number of interlinked systemic long-term financial risks related to climate change which could potentially have a material impact on the assets and/or the liabilities of the Fund. The most obvious of these climate change risks will be the financial risks to the value of the Fund's assets, the potential increased volatility of markets and potential changes in life expectancy. It is possible that some of these factors will impact the assets and liabilities of the Fund in the same direction, although not necessarily by the same amount.

13.6.2. The Fund therefore has a fiduciary duty to consider climate change risk when making investment decisions and to ensure any decisions support the effective management of climate change. The Fund therefore expects their appointed investment managers to be informed about climate change risks and take investment opportunities accordingly within their processes. More detail is included in the Fund's Investment Strategy Statement and Responsible Investment policy.

13.6.3. As part of the 2022 valuation, the Fund Actuary provided the Fund with a climate risk analysis which assessed the potential exposure of the Fund's funding position to climate risk under different climate scenarios. The principles behind the analysis were agreed with the Government Actuary's Department (GAD).

13.6.4. The results of this analysis demonstrated that the funding strategy agreed as part of the 2022 valuation was sufficiently robust in the context of climate scenario analysis and any potential contribution impacts.

13.6.5. The Fund will continue to assess this risk on a regular basis.

13.7. Maturity risk

13.7.1. The maturity of a Fund (or of an employer in the Fund) is an assessment of how close on average the members are to retirement (or already retired). The more mature the Fund or employer, the greater proportion of its membership that is near or in retirement. For a mature Fund or employer, the time available to generate investment returns is shorter and therefore the level of maturity needs to be considered as part of setting funding and investment strategies.

13.7.2. The cashflow profile of the Fund needs to be considered alongside the level of maturity: as a Fund matures, the ratio of active to pensioner members falls, meaning the ratio of contributions being paid into the Fund to the benefits being paid out of the Fund also falls. This therefore increases the risk of the Fund having to sell assets in order to meets its benefit payments. This risk is mitigated by increasing the level of income-paying assets as the Fund matures and is dealt with through the ISS.

13.7.3. The government has published a consultation (Local Government Pension Scheme: changes to the local valuation cycle and management of employer risk) which may affect the Fund's exposure to maturity risk. More information on this can be found in the Regulatory risks section below.

13.8. Regulatory risks

13.8.1. The benefits provided by the Scheme and employee contribution levels are set out in Regulations determined by central government. The tax status of the invested assets is also determined by the government.

13.8.2. The funding strategy is therefore exposed to the risks of changes in the Regulations governing the Scheme and changes to the tax regime which may affect the cost to individual employers participating in the Scheme.

13.8.3. However, the administering authority participates in any consultation process of any proposed changes in Regulations and seeks advice from the Fund Actuary on the financial implications of any proposed changes.

13.8.4. There are a number of general risks to the Fund and the LGPS, including:

13.8.4.1. If the LGPS was to be discontinued in its current form, it is not known what would happen to members' benefits;

13.8.4.2. More generally, as a statutory scheme the benefits provided by the LGPS, or the structure of the scheme could be changed by the government;

13.8.4.3. The State Pension Age is due to be reviewed by the government in the next few years.

13.8.5. At the time of preparing this FSS, specific regulatory risks of particular interest to the LGPS are in relation to the McCloud/Sargeant judgments and the timing of future funding valuations consultation. These are discussed in the sections below.

13.9. McCloud/Sargeant judgments

13.9.1. The Court of Appeal judgment on the McCloud and Sargeant cases, relate to age discrimination against the age-based transitional provisions put into place when the new judicial pension arrangements were introduced in 2015. The members argued that these transitional provisions were directly discriminatory on grounds of age and indirectly discriminatory on grounds of sex and race, based on the correlation between these two factors reflected in the judicial membership. The Tribunal ruled against the Government, deeming the transitional provisions as not a proportionate means of achieving a legitimate aim.

13.9.2. The Government subsequently applied to the Supreme Court to appeal the judgment, but their application was denied on 27 June 2019. On 16 July 2020, the Government published a consultation on the proposed remedy to be applied to LGPS benefits in response to the McCloud and Sargeant cases. A ministerial statement in response to this was published on 13 May 2021 and revised Regulations are awaited to bring a remedy into play.

13.9.3. At the time of drafting this FSS, Regulations and therefore confirmation of the remedy are not yet finalised and are expected in 2023.

13.10. Cost control mechanism

13.10.1. As a result of the public service pension schemes reforms, the Government established a cost control mechanism for all those schemes to ensure a fair balance of risks between scheme members and the taxpayer. The process has been complex and has still not been fully resolved. Although the 2016 cost cap valuation report for the LGPS has been published, at the time of writing there is still a challenge outstanding regarding the inclusion of McCloud in the cost cap. Therefore, there is still a possibility that the 2016 valuation may have to be revisited with the small chance that benefit improvements will be required and potentially backdated to April 2019.

13.10.2. For the purposes of the 2022 valuation, we have made no allowance for any potential benefit changes. The Fund's prudence allowance already allows for an element of regulatory uncertainty and any potential impact is not deemed to be material.

13.11. Consultation: Local Government Pension Scheme: changes to the local valuation cycle and management of employer risk

13.11.1. On 8 May 2019, the government published a consultation seeking views on policy proposals to amend the rules of the LGPS in England and Wales. The consultation covered:

13.11.1.1. amendments to the local Fund valuations from the current three year (triennial) to a four year (quadrennial) cycle;

13.11.1.2. a number of measures aimed at mitigating the risks of moving from a triennial to a quadrennial cycle;

13.11.1.3. proposals for flexibility on exit payments;

13.11.1.4. proposals for further policy changes to exit credits; and

13.11.1.5. proposals for changes to the employers required to offer LGPS membership.

13.11.2. The proposals for flexibility on exit payments and for further policy changes to exit credits have been finalised, however, are still to be finalised for the remaining three proposals. This FSS will be revisited once the outcome is known and reviewed where appropriate.

13.12. Timing of future actuarial valuations

13.12.1. LGPS valuations currently take place on a triennial basis which results in employer contributions being reviewed every three years. In September 2018 it was announced by the Chief Secretary to HMT, Elizabeth Truss, that the national Scheme valuation would take place on a quadrennial basis (i.e., every four years) along with the other public sector pension schemes. The results of the national Scheme valuation are used to test the cost control mechanism and HMT believed that all public sector schemes should have the cost control test happen at the same time.

13.13. Changes to employers required to offer LGPS membership

13.13.1. At the time of drafting this FSS, under the current Regulations further education corporations, sixth form college corporations and higher education corporations in England and Wales are required to offer membership of the LGPS to their non-teaching staff.

13.13.2. With consideration of the nature of the LGPS and the changes in nature of the further education and higher education sectors, the government has proposed to remove the requirement for further education corporations, sixth form college corporations and higher education corporations in England to offer new employees access to the LGPS. Given the significance of these types of employers in the Fund, this could impact on the level of maturity of the Fund and the cashflow profile. For example, increased risk of contribution income being insufficient to meet benefit outgo, if not in the short term, then in the long term as the payroll in respect of these types of employers decreases with fewer and fewer active members participating in the Fund.

13.13.3. This also brings an increased risk to the Fund in relation to these employers becoming exiting employers in the Fund. Should they decide not to admit new members to the Fund, the active membership attributable to the employers will gradually reduce to zero, triggering an exit under the Regulations and a potential significant exit payment. This has the associated risk of the employer not being able to meet the exit payment and thus the exit payment falling to the other employers in the Fund.

13.14. Employer risks

13.14.1. Many different employers participate in the Fund. Accordingly, it is recognised that a number of employer-specific events could impact on the funding strategy including:

13.14.1.1. Structural changes in an individual employer's membership;

13.14.1.2. An individual employer deciding to close the Scheme to new employees; and

13.14.1.3. An employer ceasing to exist without having fully funded their pension liabilities.

13.14.2. However, the administering authority monitors the position of employers participating in the Fund, particularly those which may be susceptible to the events outlined and takes advice from the Fund Actuary when required. In particular, the Fund will commission an employer risk review from the Fund Actuary on a regular basis, every three years as a minimum, to help identify the employers in the Fund that might be considered as high risk. In the case of admitted bodies, the Fund has a policy of requiring some form of security from the employer, in the form of a guarantee or a bond, in case of employer default where the risk falls to the Fund. Where the risk of default falls on the liabilities of an original letting authority, the Fund provides advice to the letting authority to enable them to make a decision on whether a guarantee, some other form of security or a bond should be required.

13.14.3. In addition, the administering authority keeps in close touch with all individual employers participating in the Fund to ensure that, as administering authority, it has the most up to date information available on individual employer situations. It also keeps individual employers briefed on funding and related issues.

13.15. Governance risks

13.15.1. Accurate data is necessary to ensure that members ultimately receive their correct benefits. The administering authority is responsible for keeping data up to date and results of the actuarial valuation depend on accurate data. If incorrect data is valued, then there is a risk that the contributions paid are not adequate to cover the cost of the benefits accrued.

13.16. Monitoring and review

13.16.1. This FSS is reviewed formally, in consultation with the key parties, at least every three years to tie in with the triennial actuarial valuation process.

13.16.2. The most recent valuation was carried out at 31 March 2022, certifying the contribution rates payable by each employer in the Fund for the period from 1 April 2023 to 31 March 2026.

13.16.3. The timing of the next funding valuation is due to be confirmed as part of the government's Local Government Pension Scheme: changes to the local valuation cycle and management of employer risk consultation which closed on 31 July 2019. At the time of drafting this FSS, it is anticipated that the next funding valuation will be due as at 31 March 2025.

13.16.4. The administering authority also monitors the financial position of the Fund between actuarial valuations and may review the FSS more frequently if necessary.

Royal County of Berkshire Pension Fund

Investment Strategy Statement – March 2023

1. Introduction

1.1. This is the Investment Strategy Statement ("ISS") adopted by the Royal County of Berkshire Pension Fund ("the Fund"), which is administered by the Royal Borough of Windsor and Maidenhead ("the Administering Authority").

1.2. Under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (Regulation 7) the Fund is required to publish this ISS at least every three years, it was last approved in March 2022. The Regulations require administering authorities to outline how they meet each of six objectives aimed at improving the investment and governance of the Fund.

1.3. This Statement addresses each of the objectives included in Regulation 7(2) of the 2016 Regulations:

- ***Objective 7.2 (a): A requirement to invest fund money in a wide range of instruments***;
- ***Objective 7.2(b): The authority's assessment of the suitability of particular investments and types of investment***;
- ***Objective 7.2(c): The authority's approach to risk, including ways in which risks are to be measured and managed***;
- **Objective 7.2(d): The authority's approach to pooling investments, including the use of collective investment vehicles**;
- **Objective 7.2(e): How social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments**;
- **Objective 7.2(f): The exercise of rights (including voting rights) attaching to investments**

1.4. Each of the above objectives are dealt with in turn in Section **3** of the ISS

1.5. The Pension Fund Committee (the "Committee") oversees the management of the Fund's assets. Although not trustees, the Members of the Committee owe a fiduciary duty similar to that of trustees to the council-tax payers and guarantors of other scheme employers, who would ultimately have to meet any shortfall in the assets of the Fund, as well as to the contributors and beneficiaries of the Fund.

1.6. The relevant terms of reference for the Committee within the Council's Constitution are as follows:

To exercise the general powers and duties of an Administering Authority in the maintenance of the Royal County of Berkshire Pension Fund as may be required in accordance with the Superannuation Fund Act 1972, The Public Service Pensions Act 2013 and Local Government Pension Scheme Regulations existing under those Acts including, but not restricted to the following;

(i) Setting of the Investment Strategy and Funding Strategy Statements and determination of the Strategic Asset Allocation of the Pension Fund's assets in the light of professional advice and other suitably qualified independent advice, legislative constraints and Codes of Practice.

(ii) *Responsibility for the statutory policies and administration of the Royal County of Berkshire Pension Fund maintained by the Administering Authority in accordance with the Local Government Pension Scheme Regulations, The Local Government Pension Scheme (Management of Investment of Funds) Regulations, all other associated legislation and Pension Regulator Codes of Practice.*

(iii) *Determination of the arrangements for obtaining appropriate investment advice including the appointment of a suitably qualified independent person or persons to give expert advice on Pension Fund investment and management arrangements.*

(iv) *The periodic review and monitoring of the Pension Fund's investment performance in line with the Advisory and Management Agreement entered into with the Local Pensions Partnership (Investments) Limited (LPPI).*

(v) *To consider the Annual Report and Accounts of the Fund.*

(vi) *The reporting of any breaches of the law to the Pensions Regulator.*

1.7. The Director of Resources (S.151 officer) , the Head of Finance (Deputy S.151 officer), the Head of Pension Fund, the appointed independent advisors and actuaries support the Committee. The day-to-day management of the Fund's assets in accordance with this strategy is delegated to LPPI ("the Investment Manager").

1.8. This ISS will be reviewed at least once every three years as per the statutory guidance, or more frequently as required - in particular following actuarial valuations, future asset/liability studies, performance reviews, or legislation changes (e.g. Taskforce for Climate Related Financial Disclosures ("TCFD")) which may indicate a need to change investment policy, or significant changes to the Funding Strategy Statement ("FSS").

1.9. The Strategic Asset Allocation, as detailed in Section 4 of this document may be changed from time to time without full review and consultation of the ISS.. The mechanics for this such an amendment will be a separate review and approval of ***Schedule 1: RCBPF Strategic Asset Allocation*** by the Committee.

1.10. The Administering Authority confirms (on accordance with Regulation 7(4) of the Investment Regulations) that the Fund has no investments in entities that are connected with the authority but if in future it chooses to do so, these will be limited to no more than 5% of the Fund's assets.

1.11. The Administering Authority confirms (in accordance with Regulation 7(8) of the Investment Regulations) that the Fund will invest, in accordance with its investment strategy, any Fund money that is not needed to make payments from the Fund. Section 4 of the ISS sets the strategic allocation targets and maximum percentage of total Fund value for Fund Cash holdings.

1.12. The Funds Investment Strategy applies to all Fund assets in respect of all employers, for the avoidance of doubt the ISS does not enable bespoke investment strategies for individual or groups of employers under any circumstances. Should this be considered in the future, the ISS will be required to be revised and consulted on again.

2. Investment Principles

2.1. Governing all investment decisions are the Committee's core investment principles, beliefs and philosophy. They have been established based on the views of the Committee members, based on the expert advice of the Investment Manager and the Fund's independent advisors, these are listed as follows:

Principle 1: Investment Governance

2.1.1. The Fund has access to the necessary skills, expertise, and resources to manage the whole Fund, as well as managing the Fund's cash needs internally.

2.1.2. The Investment Manager, independent advisors, officers and the local pension board are a source of expertise and research to inform and assist the Committee's decisions.

2.1.3. The ultimate aim of the Fund's investment activities is to pay pension liabilities when they become due. The Committee will therefore work with the Investment Manager to ensure that the liquidity profile of the Fund is appropriate to ensure the long-term ability of the Fund to meet these obligations.

2.1.4. The Fund is continuously improving its governance structure through bespoke training to make well informed strategic allocation decision but acknowledges that it is not possible to achieve optimum market timing or to predict future financial market outcomes.

2.1.5. All meetings and investment decisions relating to the setting of Investment Strategy and Strategic Asset Allocation will be minuted.

Principle 2: Long Term Approach

2.1.6. The strength of the majority of employers' covenant allows the Fund to take a long-term approach to its investment strategy, enabling the investment in less liquid assets and the ability to assess the performance of the Investment Manager in these asset classes over a longer-term time frame.

2.1.7. The most important aspect of risk is not the volatility of returns, but the risk of absolute loss of capital over the medium and long term. An important focus for the Fund is to ensure stability and affordability of employer contributions over the long-run.

2.1.8. Illiquidity is a risk which offers a potential source of additional compensation to the long-term investor. As a long term investor, the Fund seeks to be a liquidity provider which presents opportunities in times of market stress.

2.1.9. Over the long term, equities are generally expected to outperform other liquid assets, particularly government bonds and cash. The Fund seeks to invest a significant portion of assets in high quality equity or equity-like securities.

Principle 3: Environmental, Social and Governance ("ESG") factors

2.1.10. Certain ESG factors are financially material and may therefore influence the risk and return characteristics of the Fund's investments and the likelihood that the Fund's objectives will be achieved.

2.1.11. All things being equal, well governed companies that manage their business in a responsible manner are generally less vulnerable to idiosyncratic downside risk and may therefore produce higher returns over the long term.

2.1.12. In order to improve corporate governance, investment managers should exercise the voting rights attached to the shares they own, as well as engage with management of the companies they significantly invest in.

2.1.13. The Fund's Responsible Investment (RI) Policy reflects the urgency of the threat that ESG risks present to the Fund and includes the expectation that the Investment Manager will pursue a policy of active, effective engagement with companies in which ownership stakes are held.

2.1.14. The Committee recognises the Administering Authority's net-zero commitment along with that of many of the other scheme employers. The Committee also recognises that a growing number of scheme members want to see significant weight given to these issues. Due consideration to these issues shall be made throughout the investment process and in line with the Fund's RI Policy.

Principle 4: Asset allocation

2.1.15. Allocations to asset classes other than equities, cash and government bonds (e.g., corporate bonds, private markets, property, infrastructure and diversifying strategies) offer the Fund other forms of risk premia (e.g., additional solvency risk/liquidity risk).

2.1.16. Diversification across asset classes and asset types that have low correlation with each other across the market cycle will tend to reduce the volatility of the overall Fund return.

2.1.17. As the funding level improves, the Committee may look to specific lower risk strategies to reduce the volatility of the Fund's actuarial funding level.

2.1.18. With the aim of reducing longevity risk (the risk of increases in mortality rates beyond unhedged actuarial expectations (pensioners living longer than anticipated and therefore benefits extending longer than planned)), a longevity insurance contract has been entered into covering all pensioner members of the Fund who had started receiving their pension by the end of July 2009 including their dependants.

Principle 5: Management Strategies

2.1.19. Active management will typically incur higher investment management fees but can provide additional return. Fees should be carefully considered and aligned to the best interests of the Fund.

2.1.20. Active management performance should be monitored over multi-year rolling cycles and assessed to confirm that the original investment thesis, perceived value-add and process on appointment are being delivered and that continued appointment is appropriate.

2.1.21. Employing a range of management styles can reduce the volatility of overall Fund returns.

2.2. The Fund has an overall return objective of 6% annually (paragraph 3.13) and will aim for an appropriate level of risk within its asset allocation to deliver that return, so as to achieve a long-term funding aim while aiming to deliver an appropriate investment income yield to maintain a positive Fund cash-flow position (paragraph 2.4).

2.3. The Fund aims to, where possible, ensure that the portfolio is inflation resilient through its asset allocation activities.

2.4. The Fund aims to keep asset value drawdowns to a minimum, recognising the positive non-investment cashflows through contributions employer deficit recovery payments, plus an appropriate minimum investment income yield. Based upon the 2022 Triennial Valuation the Fund is expected to remain net cash-flow positive in the near term, although progressively, and likely following the next triennial valuation, this position is expected to change.

2.5. Cash balances should be diligently managed to ensure they remain within the ranges set in the strategic asset allocation by employing a strict treasury management processes. Where cash balances are held, an appropriate return is targeted of at least SONIA or other relevant interbank overnight rate of return. It should be noted that whilst cash offers the benefit of liquidity, it generally creates a drag on fund performance so must be managed and invested appropriately.

2.6. The Fund may, from time to time, use derivatives or other complex financial instruments to meet its investment objectives and/or appropriately manage various investment risks provided adequate professional advice is sought and the risks are fully and prudently considered by the Committee. An example is the use of forward rate agreements to obtain synthetic currency exposure.

2.7. The Fund may, from time to time, use borrowing or other debt-type instruments to help meet its liquidity requirements and/or appropriately manage various investment risks provided adequate professional advice is sought and the risks are fully and prudently considered by the Committee. An example is the use of short-term borrowing to fund cash-flow requirements in lieu of receiving a known dividend distribution.

3. ISS Objectives

Objective 7.2 (a): A requirement to invest fund money in a wide range of instruments

3.1. Funding and investment risk is discussed in more detail later in this ISS. However, at this stage it is important to state that the Committee is aware of the risks it runs within the Fund and the consequences of these risks.

3.2. To mitigate investment risk, the Committee recognises that the Fund should have an investment strategy that has:

3.2.1. Exposure to a diverse range of sources of return, such as market return, manager skill and using illiquid holdings.

3.2.2. Exposure to a range of instruments for specific risk hedging purposes to be used where appropriate (longevity, currency etc.).

3.2.3. Diversification in the asset classes used.

3.2.4. Diversification in the approaches to the management of the underlying assets.

3.2.5. Adaptability to be able to maintain liquidity for the Fund.

3.3. The Fund's approach to diversification is to divide its assets into seven distinct categories; public equities, fixed income, credit, infrastructure, private equity, real estate and cash as well as entering into a longevity insurance contract . The size of the assets invested in each category will vary, the strategic asset allocation is detailed in Section 4 of this ISS. It is important to note that each category is itself diversified. As a result, the Fund's assets are invested in a wide range of instruments.

3.4. The main risk the Committee are concerned with is to ensure the long-term ability of the Fund to meet pension and other benefit obligations in full as they fall due. As a result, the Committee place a high degree of importance on ensuring the expected return on the assets is sufficient to do so and does not have to rely on a level of risk which the Committee considers excessive.

3.5. The Fund currently has a positive cash flow position, however, the gap between contributions received and benefits paid is narrowing and consequently the Fund will progressively evolve to being cash-flow negative. The Fund may at times have a negative cash flow position, consequently the Fund liquidity must be closely monitored by the Investment Manager and Fund officers. In addition, a portion of the Fund's assets are invested to generate an income yield.

3.6. At all times the Committee seeks to ensure that their investment decisions, including those involving diversification, are in the best long-term interest of Fund beneficiaries and seeks appropriate advice from the Investment Manager and independent investment advisors as appropriate.

3.7. To mitigate these risks the Committee regularly (at least on a quarterly basis) reviews both the performance and expected returns from the Fund's investments to measure whether it has met and is likely to meet in future its asset class return objectives as well as its overall return objective as defined in paragraph 3.13. The Committee will keep the Investment Manager and this ISS under review to ensure that the approaches are consistent.

3.8. The Fund aims to allocate up to 5% of its Assets for investment in local projects which support local areas, subject to all suitability criteria in Objective 7.2(b) being met and the Fund having no conflict in undertaking its fiduciary duty to scheme members and employers.

Objective 7.2(b): The authority's assessment of the suitability of particular investments and types of investment

3.9. Suitability is a critical test for whether a particular investment should be made. When assessing the suitability of investments, the Investment Manager (as delegated by the Committee) considers the following from its due diligence:

3.9.1. Prospective return
3.9.2. Risk
3.9.3. Concentration
3.9.4. Risk management qualities the investment has when the portfolio as a whole is considered
3.9.5. Geographic and currency exposures
3.9.6. Possible correlation and interactions with other investments in the portfolio
3.9.7. Whether the management of the asset meets the Fund's ESG criteria.

3.10. Each of the Fund's investments has an individual performance benchmark which their reported performance is measured against.

3.11. The Committee monitors the suitability of the Fund's asset allocations on a quarterly basis. The Committee do not have access to data on individual investments and therefore monitor performance at the asset class level unless LPPI report exceptions. To that end LPPI monitor the investment returns and the volatility of the individual investments together with the Fund level returns and risk whilst the Committee consider these wholistically at the asset-class and whole-fund level. This latter point being to ensure the risks caused by interactions between investments within the portfolio are properly understood and considered.

3.12. Where comparative statistics are available for presentation by the Investment Manager or other external body, the Committee will also compare the Fund's asset performance with those of similar funds. The Committee relies on external advice in relation to the collation of the statistics for review.

3.13. The Fund targets a long-term absolute return of 6% per-annum, a rate advised by the actuary at the last triennial valuation (equivalent to 2.9% (long-term CPI assumption) + 3.1% at 31 March 2022). This is referred to by the Fund as the 'Actuarial Benchmark', or the required rate of annual return to achieve a 100% funding level at the end of the deficit recovery period (31 March 2040) without additional deficit recovery (secondary) contributions from employers. This rate is subject to further change and shall be revised at the next triennial valuation. For the avoidance of doubt – this is not the actuarial discount rate. The term 'actuarial Benchmark' may be used interchangeably with the term 'overall return objective'.

3.14. The Fund will aim for an appropriate level of risk within its asset allocation, so as to achieve a long-term funding aim. No explicit volatility target is set in this Investment Strategy Statement.

3.15. Investments are assessed by the Investment Manager to determine suitability considering all factors but not limited to; consideration of the long-term absolute return target, portfolio volatility and the suitability indicators as listed in paragraph 3.9

Objective 7.2(c): The authority's approach to risk, including ways in which risks are to be measured and managed

3.16. The Fund has adopted the CIPFA (2018) framework for managing risks in the LGPS, to assist it in risk identification, assessment, and mitigation. In line with best practice, the Fund maintains a risk register with all known material risks, each with several mitigation/control measures and several carefully calculated risk scores. The main risks to the Fund, however, are highlighted within the FSS.

3.17. The Committee recognises that there are many risks involved in the investment of the assets of the Fund. Several of these key investment risks are highlighted below along with how the Fund seeks to mitigate them:

Investment Manager risk:

3.17.1. Selection of investment strategies is delegated to the Investment Manager. The Investment Manager selects and monitors underlying investment managers on behalf of the Fund. This oversight includes manager performance and associated risks. the Investment Manager regularly reviews the risk and return objectives of these investment managers, evaluates their performance and appraises management processes

Geopolitical and political risks:

3.17.2. Geopolitical risks are considered, where appropriate, by the Investment Manager. They are expected to be managed by the avoidance of high levels of concentration in specific geographical areas.

3.17.3. Political risks are considered, where appropriate, by the Investment Manager. They are expected to be managed by pursuing investments in countries that the "rule of law" prevails and the institutional set up is strong. Avoiding high levels of concentration risk is also a route to managing these risks.

Currency risks:

3.17.4. Currency risks are tolerated and managed within the parameters set in the Fund's Risk Appetite Statements (within the Fund's risk management policy). Currency risk is incorporated in any analysis that guides the Fund's strategic asset allocation and thus ultimately is considered as part of pursuing the Fund's long term funding objectives.

3.17.5. The Fund maintains the ability to manage currency exposure through the use of derivatives alongside its strategic asset allocation, effectively targeting specific currency weights – the Fund refers to this process as strategic currency allocation(SCA). Any SCA if introduced after the date of approving this ISS , if approved by the Committee shall be documented in ***Schedule 1: RCBPF Strategic Asset Allocation***.

Solvency and mismatching risk:

3.17.6. This risk is monitored and managed, taking into account the Fund's risk appetite statement, through an assessment of the expected development of the liabilities relative to the expected development of the current and alternative investment policies; and

3.17.7. Is monitored by assessing the progress of the actual growth of the liabilities relative to the selected investment policy.

Liquidity risk:

3.17.8. This is a function of liquid asset holdings and expected portfolio income relative to the level of cash flow required over a specified period and in stress events; and

3.17.9. Is managed by assessing the level of cash held and payable/receivable over a period of time in order to limit the impact of the cash flow requirements from the unplanned sale of investments.

Custodial risk:

3.17.10. This is measured by assessing the creditworthiness of the global custodian and the ability of the organisation to settle trades on time and provide secure safekeeping of the assets under custody.

3.18. The risks to the Fund concerned with the investment of Fund assets are controlled in the following ways:

3.18.1. The adoption and monitoring of asset allocation benchmarks, ranges and performance targets constrain the Investment Manager from deviating significantly from the intended approach while permitting the flexibility to enhance returns.

3.18.2. The appointment of more than one manager by the Investment Manager with different mandates and approaches provides for the diversification of manager risk.

3.19. The Advisory Management Agreement (AMA) agreement constrains the Investment Manager's actions in areas of particular risk and sets out the respective responsibilities of both the Investment Manager and the Fund.

3.20. The Committee are aware investment risk is only one aspect of the risks facing the Fund.

3.21. The Committee are of the view that the diversification of the Fund assets is sufficiently broad to ensure the investment risk is appropriate and will continue to be so. When putting in place the investment strategy the Committee carefully considered both the individual asset risk characteristics and those of the combined portfolio to ensure the risks were appropriate. Estimating the likely volatility of future investment returns is difficult as it relies on both estimates of individual asset class returns and the correlation between them.

3.22. To help manage risk, the Committee has agreed a risk management policy (including specific investment and funding risk appetite statements) alongside this statement. Within the risk appetite statements, the Investment Manager is engaged to monitor and manage the risk focusing on four key parameters; funding level, contributions, liquidity and asset allocation.

3.23. When reviewing the investment strategy on a quarterly basis the Committee considers advice from their Independent Advisers and the need to take additional steps to protect the value of the assets that may arise or capitalise on opportunities if they are deemed suitable. In addition to this the risk register is updated on a quarterly basis.

3.24. At each review of the Investment Strategy Statement the assumptions on risk and return and their impact on asset allocation will be reviewed.

Objective 7.2(d): The authority's approach to pooling investments, including the use of collective investment vehicles

3.25. The Government requires LGPS funds to pool their investments as a solution that ensures maximum cost effectiveness for the Fund, both in terms of return and management cost. The Funds approach to pooling arrangements meet the criteria set out in the Local Government Pension Scheme: Investment Reform Criteria and Guidance.

3.26. The Fund became an investment client of LPPI as part of the Government's pooling agenda on 1 June 2018, outsourcing all active day-to-day asset management activities along with pooling funds into LPPI's investment "buckets" as appropriate. LPPI was launched in December 2015 by two pension funds; the Lancashire County Pension Fund (LCPF) and the London Pensions Fund Authority (LPFA) with the Fund later joining in 2018. LPPI now has circa £23bn under direct management, with seven funds launched as at March 2023.

3.27. The Fund has transitioned c.80% of assets to the LPPI pooled investment vehicles as of March 2023. Going forward the Fund will look to transition further assets as and when there are suitable investment opportunities available that meet the needs of the Fund and where there are no excessive cost, legal or other restraints such as those caused by the legacy investments in illiquid private market investments. As such, the remaining c20% is currently held outside of LPPI pooled funds but are externally managed by LPPI as the Investment Manager under the terms of the AMA. The Committee is aware that certain assets held within the Fund have limited liquidity and disposing/transferring them would come at a disproportionate cost. The position is periodically reviewed by the Investment Manager

3.28. LPPI's Investment Committee, which is independent of clients and shareholders in terms of both its directive and membership, is responsible for scrutinising the actions of its investment team, reporting and transparency, consultation on the strategy and business plan, matters reserved to shareholders, RI and emerging issues. The LPPI Investment Committee meets on a quarterly basis. LPPI regularly hosts investment/client conferences, to which all members and clients are invited. External independent oversight and assurance of the pool company is provided by the FCA, depositary, external auditors and the Department for Levelling Up, Housing and Communities (DLUHC).

Objective 7.2(e): How social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments

3.29. The Committee (following the recommendation of the Responsible Investment working group ("the task and finish group")) approved a revised RI policy in October 2022. This RI policy is available for viewing on the Fund's website and is kept continuously under review. The Fund's RI policy sets out in detail how ESG considerations are taken into account in the selection, non-selection, retention and realisation of investments.

3.30. The RI policy sets out the Fund's values and principles in respect of RI, its priorities in respect of ESG and its approach to RI implementation. One of the underpinning values of the RI policy and in deed the Fund's approach to investment and governance in general is continuous improvement. Consequently, the Fund seeks to ensure it is continuously adapting to changes in this multi-faceted and complex area to ensure it achieves best outcomes.

3.31. Taskforce for Climate Related Financial Disclosures ("TCFD") implementation in the LGPS is expected from late 2024 (pending legislative guidance) and will require statutory disclosures by the Fund. The Fund's RI policy enables compliance with TCFD, however, may be revised as appropriate as guidance becomes available.

Objective 7.2(f): The exercise of rights (including voting rights) attaching to investments

3.32. The Committee has delegated the Fund's voting rights to the Investment Manager, who are required, where practical, to make considered use of voting in the interests of the Fund. The Committee expects the Investment Manager to vote in the best interests of the Fund. In addition, the Fund expects its Investment Manager to work collaboratively with others, particularly other LGPS Investment Managers, if this will lead to greater influence and deliver improved outcomes for shareholders and more broadly.

3.33. As the role of voting and engagement is outsourced to LPPI, the Fund has included the Investment Manager's shareholder voting policy on the Fund's website, which was last approved in December 2022 and shall be kept under review.

3.34. The Fund through its participation with LPPI and through other means will work closely with other LGPS Funds to enhance the level of engagement both with external managers and the underlying companies in which it invests.

3.35. The Fund is a member of the Local Authority Pension Fund Forum (LAPFF) and in this way joins with other investors to magnify its voice and maximise the influence of investors as asset owners.

3.36. Ongoing voting and engagement is covered within the Funds RI Policy

3.37. The Committee expects LPPI and any other directly appointed asset managers to comply with the Stewardship Code (2020) and this routinely monitored.

4. Strategic Asset Allocation

4.1. Under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (Regulation 7(3)), "The authority's investment strategy must set out the maximum percentage of the total value of all investments of fund money that it will invest in particular investments or classes of investment."

4.2. ***Schedule 1: RCBPF Strategic Asset Allocation*** sets out the Target Allocation for each asset class, along with the minimum and maximum Tolerance Ranges, the investment return benchmark and the target rate of return (or investment objective) for each asset class.

4.3. The Fund entered a Longevity insurance contract in 2009 with the aim of hedging longevity increases for all retired members and their dependants as at the time of entering into the contract. Changes in longevity and mortality assumptions present liquidity strain. This has been considered in setting the Funds SAA.

Schedule 1: RCBPF Strategic Asset Allocation

Table 1: SAA (TO BE REVISED ONCE A DECISION IS TAKEN ON AGENDA ITEM 13 – March 2023 COMMITTEE)

Asset Class	Target Allocation	Tolerance Range	Benchmark	Investment Objective
Global Equity	50%	45%-55%	MSCI All Country World (net dividends reinvested) Index (GBP)	Benchmark plus 2%
Private Equity	15%	10% -20%	MSCI World SMID (net dividends reinvested) Index (GBP)	Benchmark plus 4% - 6%
Fixed Income	1.5%	0% - 3%	Bloomberg Barclays Global Aggregate Bond Index (GBP Hedged)	Benchmark plus 0.5%
Credit	12.5%	7.5% - 17.5%	50% S&P/LSTA Leveraged Loans Index (GBP Hedged), 50% Bloomberg Barclays Multiverse Corporate Index (GBP Hedged)	Benchmark plus 3% - 5%
Real Estate	7.5%	2.5% - 12.5%	MSCI UK Quarterly Property Index (GBP)	Benchmark plus 2%
Infrastructure	12.5%	7.5% - 17.5%	UK CPI + 4% p.a	Benchmark plus 2%
Cash	1%	0% - 3%	SONIA	Benchmark

1.1. The Fund does not currently operate a Strategic Currency Allocation

GOVERNANCE

COMPLIANCE

STATEMENT

Approved by Pension Fund Committee – 13 March 2023
Last approved – 7 March 2022

1. INTRODUCTION

This document details the compliance of the Royal Borough of Windsor and Maidenhead, as the administering authority of the Royal County of Berkshire Pension Fund, with the guidance issued for governance of the Local Government Pension Scheme by the Secretary of State for Levelling Up, Housing and Communities. It has been prepared as required by Regulation 55 of the Local Government Pension Scheme Regulations 2013 (as amended).

The Regulations require the administering authority to prepare this written statement setting out whether or not it delegates its functions or part of its functions to a committee, a sub-committee or an officer of the authority.

Where the administering authority does delegate all or part of its functions the statement must include the terms, structure and operational procedures of the delegation, the frequency of any committee or sub-committee meetings and whether such a committee or sub-committee includes representatives of Scheme employers and members, and if so, whether those representatives have voting rights.

In addition, the administering authority must state the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not comply, the reasons for not complying.

The administering authority must also set out details of the terms, structure and operational procedures relating to the local pension board established under regulation 106 of the Local Government Pension Scheme Regulations 2013 (as amended) as inserted by the Local Government Pension Scheme (Amendment) (Governance) Regulations 2015.

This governance compliance statement must be published by the administering authority, kept under review and amended following any material change to any matters included within once any consultation has been concluded.

2. STRUCTURE

The Royal Borough of Windsor & Maidenhead (RBWM) has been designated as the administering authority to the Royal County of Berkshire Pension Fund in accordance with Part 1 of Schedule 3 of the Local Government Pension Scheme Regulations 2013.

For the purposes of managing the Pension Fund, RBWM delegates its powers under the Constitution of the Council where it sets out the functions of the Royal County of Berkshire Pension Fund Committee (hereinafter referred to as 'the Committee'), the Royal County of Berkshire Pension Fund Advisory Panel (hereinafter referred to as 'the Advisory Panel') and the Berkshire Pension Board (hereinafter referred to as 'the Pension Board'). As such several principles have been set out to ensure compliance with the scheme regulations.

i. The management of the administration of benefits and strategic allocation of fund assets.

   Compliant – The Constitution of the Council defines the responsibilities of 'the Committee' to manage the Pension Fund.

ii. Representatives of Scheme employers should sit on 'the Advisory Panel' to underpin the work of 'the Committee'.

   Compliant – Membership of 'the Advisory Panel' includes one Elected Member from each of the other five Berkshire Unitary Authorities.

iii. The structure of 'the Committee' and 'the Advisory Panel' should ensure effective communication across both levels.

Compliant – 'The Advisory Panel' meets concurrently with 'the Committee' with both receiving the same information.

iv. At least one seat on 'the Committee' should be allocated for a member of 'the Advisory Panel'.

Compliant – All five seats on 'the Committee' are allocated to the five RBWM members of 'the Advisory Panel'.

v. The structure of 'the Pension Board' must consist of an equal number of Scheme member and Scheme employer representatives all of whom have voting rights.

Compliant – Membership of 'the Pension Board' consists of three Scheme member representatives and three Scheme employer representatives.

3. REPRESENTATION

All key stakeholders should be afforded the opportunity to be represented by 'the Committee', 'the Advisory Panel' and 'the Pension Board'. To ensure compliance, a number of principles have been identified.

The key stakeholders are:

i. Scheme employers.

Compliant – The six Berkshire Unitary Authorities are represented through membership of 'the Committee' and 'Advisory Panel' which meet concurrently. In addition, three Scheme employer representatives make up membership of 'the Pension Board'

ii. Scheme members (including deferred and retired members).

Compliant – 'The Advisory Panel' has representatives from the major employers and in addition 3 Scheme member representatives sit on 'the Pension Board'

iii. Independent Professional Observers.

Compliant – From March 2022, two Independent Advisers attend each meeting of 'the Committee' and 'the Advisory Panel' (formerly three independent advisors). Independent Advisers are also required to attend meetings of 'the Pension Board' as may be requested.

iv. Expert advisers (on an ad-hoc basis)

Compliant – Expert advisers are invited to meetings of 'the Committee' and 'the Advisory Panel' as required. In addition, expert advisers are required to attend meetings of 'the Pension Board' as may be requested.

v. Where lay members sit on either 'the Committee', 'the Advisory Panel' or 'the Pension Board' they are treated equally in terms of access to papers, meetings and training and are given full opportunity to contribute to the decision-making process with or without voting rights.

Compliant – Members of 'the Committee', 'the Advisory Panel' and 'the Pension Board' are treated equally in respect of access to papers, meetings and training. All members are given full opportunity to contribute to the decision-making process although only members of 'the Committee' have voting rights.

4. SELECTION AND ROLE OF LAY MEMBERS

Members of 'the Committee', 'the Advisory Panel' and 'the Pension Board' need to be fully aware of the status, role and function that they are required to perform.

Compliant – Bodies nominating individuals for membership of 'the Committee', 'the Advisory Panel' or 'the Pension Board' are periodically reminded that it is their responsibility to ensure that all members are aware of their responsibilities. The Chair of 'the Committee' will remind members of both 'the Committee' and 'the Advisory Panel' of their responsibilities as required. The Chair of 'the Pension Board' will remind members of 'the Pension Board' of their responsibilities as required. Each set of papers for every Committee/Board meeting contains a reminder to members of their duty in respect to potential conflicts of interest. Members are expected to declare conflicts of interest and abide by RBWM's rules on conflicts of interest.

5. VOTING

The policy of the administering authority on voting rights must be clear and transparent and include justification for not extending voting rights to each body or group represented on 'the Advisory Panel' or 'the Pension Board'.

Compliant – The Constitution of RBWM sets out the terms of reference and voting rights of 'the Committee', 'the Advisory Panel' and 'the Pension Board'.

6. TRAINING / FACILITY TIME / EXPENSES

i. In relation to the way in which statutory and related decisions are taken by RBWM, a clear policy on training, facility time and reimbursement of expenses in respect of members involved in that decision making process must be made.

Compliant – All members of 'the Committee' and 'the Advisory Panel' are entitled to attend or request training. Members of 'the Pension Board' are required to have a working knowledge of the LGPS regulations and other associated legislation as it relates to the governance and administration of the Scheme and so must commit to undertaking the relevant training in order to achieve this requirement. All members of 'the Committee, 'the Advisory Panel and 'the Board' are entitled to request the use of facilities belonging to RBWM in respect of their respective duties and reasonable expenses incurred will be reimbursed upon request. Furthermore, a training framework/plan is approved by 'the Committee' and training records are held by the Fund.

ii. Any policy must apply equally to all members of the Committee/Advisory Panel/Board.

Compliant – No distinction is made between members of 'the Committee', 'the Advisory Panel' or 'the Board'.

7. MEETINGS (frequency/Quorum)

i. RBWM will hold meetings of 'the Committee' at least quarterly.

Compliant – Meetings are held quarterly. To be quorate two members are required to attend.

ii. RBWM will hold meetings with ‘the Advisory Panel’ at least twice a year synchronised with the dates for meetings of ‘the Committee’.

Compliant – Both ‘the Committee’ and ‘the Advisory Panel’ meet concurrently

iii. RBWM will hold meetings of ‘the Pension Board’ ahead of each meeting of ‘the Committee’ and ‘the Advisory Panel’.

Compliant – ‘The Pension Board’ meets quarterly at a satisfactorily and mutually agreed date ahead of each meeting of ‘the Committee’ and ‘the Advisory Panel’. To be quorate at least 50% of the Scheme Member representatives and Scheme Employer Representatives must attend with at least one member being present from each group.

iv. Where lay members are included in the formal governance arrangements, RBWM will provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.

Compliant – ‘The Pension Board’ has three lay member (scheme member) representatives. An annual meeting for scheme members is held in November/December along with a scheme employer meeting being held in March/April. In addition, pension surgeries and employer training events are held throughout the year.

8. ACCESS

Subject to any rules in RBWM’s Constitution, all members of ‘the Committee’, ‘the Advisory Panel’ and ‘the Pension Board’ will have equal access to committee papers, documents and advice that falls to be considered at meetings of ‘the Committee’, ‘the Advisory Panel’ and ‘the Board’.

Compliant – All members of ‘the Committee’, ‘the Advisory Panel’ and ‘the Pension Board’ have equal access to Committee/Advisory Panel/Board papers, documents and advice that falls to be considered at ‘Committee’, ‘Advisory Panel’ and ‘Board’ meetings.

9. SCOPE

RBWM will take steps to bring wider Scheme issues within the scope of their governance arrangements.

Compliant – Wider Scheme issues are considered by ‘the Committee’, ‘the Advisory Panel’ and ‘the Pension Board’ on a regular basis.

10. PUBLICITY

RBWM will publish details of their governance arrangements in such a way that interested stakeholders can express their interest in wanting to be part of those arrangements.

Compliant – The Governance Policy Statement and governance structure is published on the Royal County of Berkshire Pension Fund website (www.berkshirepensions.org.uk) and is available on request from the Pension Fund. The Royal Borough of Windsor and Maidenhead’s constitution including terms of reference for the relevant decision-making bodies are available on the council’ website

ANNEX 1 – TRAINING RECORDS

BERKSHIRE PENSION FUND COMMITTEE / ADVISORY PANEL - TRAINING LOG

		Committee						Advisory Panel				
	Training Framework	**JS**	**DH**	**SB**	**WD**	**SS**		**SA**	**GD**	**MG**	**AL**	**IL**
	Essential Training: 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											
Date	**Additional Training**											
20/09/2020	Pension Fund Governance											
10/08/2021	Asset Classes *(June/Sept Intra-quarter LPPI session - SAA health check)*											
01/09/2021	Strategic Asset Allocation (SAA) *(June/Sept Intra-quarter LPPI session - SAA health check follow-up)*											
02/11/2021	High Level Hedging - Currency Focus (SCA) - *(Sept/Dec intra-quarter LPPI session)*											
16/12/2021	An introduction to (LPPI) *(LPPI Session at AGM)*											
16/12/2021	Reporting Investment Performance *(LPPI Session at AGM)*											
16/12/2021	The role of the Actuary *(Barnett Waddingham session at AGM)*											
21/01/2022	Liability discounting technical session and valuation process											
03/02/2022	Real assets portfolio overview (Real estate & infrastructure classes) - LPPI training session											
01/03/2022	LPPI Investment Conference - Day 1 - General investment training											
02/03/2022	LPPI Investment Conference - Day 2 - General investment training											
21/04/2022	Risk Appetite Statement Training - LPPI											
27/04/2022	Longevity Contract Training - BW											
25/04/2022	Responsible Investment Training (RI working Group Session 1) - LPPI											
10/05/2022	Responsible Investment Training (RI working Group Session 2) - LPPI											
13/06/2022	Responsible Investment Training (RI working Group Session 3) - LPPI											
01/08/2022	Responsible Investment Training (RI working Group Session 4) - LPPI											
16/11/2022	Triennial valuation training and results - at AGM - Barnett Waddingham											
01/12/2022	Annual report audit overview - Deloitte - at Committee pre-meet											
06/12/2022	Triennial valuation training session and results overview - Barnett Waddingham											
01/03/2023	LPPI Investment Conference - Day 1 - General investment training											
02/03/2023	LPPI Investment Conference - Day 2 - General investment training											

Key:	
	JS: Cllr Julian Sharpe (RBWM)
	DH: Cllr David Hilton (RBWM)
	SB: Cllr Simon Bond (RBWM)
	WD: Cllr Wisdom Da Costa (RBWM)
	SS: Cllr Shamsul Shelim (RBWM)
	SA: Cllr Safdar Ali (Slough)
	GD: Cllr Glenn Dennis (Reading)
	MG: Cllr Maria Gee (Wokingham)
	AL: Cllr Alan Law (West Berkshire)
	IL: Cllr Ian Leake (Bracknell Forest)

Approved by Pension Fund Committee – 13 March 2023
Last approved – 7 March 2022

BERKSHIRE PENSION BOARD - TRAINING LOG

Date	Training Framework	AC	AP	JF	NC	JC	KF
	TPR's Public Sector Online Toolkit (7 modules): https://www.thepensionsregulator.gov.uk/en/public-service-pension-schemes						
	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						
	Additional TPR modules						
	Pension scams						
Date	**Training Items April 2022 to March 2025**						
22/06/2022	Barnett Waddingham LGPS Local Pension Board Members' All Day Event						
14/07/2022	CIPFA Conference						

Key:	
	AC: Alan Cross
	AP: Arthur Parker
	JF: Jeff Ford
	NC: Nikki Craig
	JC: Julian Curzon
	KF: Kieron Finlay

Equality Impact Assessment

For support in completing this EQIA, please consult the EQIA Guidance Document or contact equality@rbwm.gov.uk

www.rbwm.gov.uk

Royal Borough of Windsor & Maidenhead

1. Background Information

Title of policy/strategy/plan:	Statutory Policies
Service area:	Finance
Directorate:	Pension Fund

Provide a brief explanation of the proposal: • What are its intended outcomes? • Who will deliver it? • Is it a new proposal or a change to an existing one?
13 March 2023 Committee Meeting – This report covers three key statutory documents as required by the LGPS regulations which are brought back to the Pension Fund Committee for periodic review and re-approval. Appendix 1 covers the Fund's Funding Strategy Statement (FSS), Appendix 2 covers the Fund's Investment Strategy Statement (ISS) and Appendix 3 covers the Fund's Governance Compliance Statement and annual report of training records.

2. Relevance Check

Is this proposal likely to <u>directly</u> impact people, communities or RBWM employees? • If Yes, state 'Yes' and proceed to Section 3. • If No, please explain why not, including how you've considered equality issues. • Will this proposal need a EQIA at a later stage? (for example, for a forthcoming action plan)
No, full assessment not required as this report is unlikely to have a specific impact on individuals or groups of people with protected characteristics

If 'No', proceed to 'Sign off'. If unsure, please contact equality@rbwm.gov.uk

3. Evidence Gathering and Stakeholder Engagement

Who will be affected by this proposal? For example, users of a particular service, residents of a geographical area, staff
Among those affected by the proposal, are protected characteristics (age, sex, disability, race, religion, sexual orientation, gender reassignment, pregnancy/maternity, marriage/civil partnership) **disproportionately represented?** For example, compared to the general population do a higher proportion have disabilities?
What engagement/consultation has been undertaken or planned? • How has/will equality considerations be taken into account? • Where known, what were the outcomes of this engagement?
What sources of data and evidence have been used in this assessment? Please consult the EQIA Evidence Matrix for relevant data. Examples of other possible sources of information are in the Guidance document (Section 2.3).

4. Equality Analysis

Please detail, **using supporting evidence**:

- How the protected characteristics below might influence the needs and experiences of individuals, in relation to this proposal.
- How these characteristics might affect the impact of this proposal.

Tick positive/negative impact as appropriate. If there is no impact, or a neutral impact, state 'Not Applicable'.
More information on each protected characteristic is provided in the EQIA Guidance document (available on the intranet).

	Details and supporting evidence	Potential positive impact	Potential negative impact
Age			
Disability			
Sex			
Race, ethnicity and religion			
Sexual orientation and gender reassignment			
Pregnancy and maternity			
Marriage and civil partnership			
Armed forces community			
Socio-economic considerations e.g. low income, poverty			
Children in care/Care leavers			

5. Impact Assessment and Monitoring

If you have not identified any disproportionate impacts and the questions below are not applicable, leave them blank and proceed to Sign Off.

What measures have been taken to ensure that groups with protected characteristics are able to benefit from this change, or are not disadvantaged by it? For example, adjustments needed to accommodate the needs of a particular group
Where a potential negative impact cannot be avoided, what measures have been put in place to mitigate or minimise this? • For planned future actions, provide the name of the responsible individual and the target date for implementation.
How will the equality impacts identified here be monitored and reviewed in the future?

6. Sign Off

Completed by: Damien Pantling	**Date**: 18/02/2023
Approved by:	**Date:**

If this version of the EQIA has been reviewed and/or updated:

Reviewed by:	**Date**:

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 – 13 March 2023
Responsible Officer(s):	Damien Pantling, Head of Pension Fund
Wards affected:	None

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Royal Borough of Windsor & Maidenhead

REPORT SUMMARY

This report addresses several key documents prepared by the Fund that are not explicitly required by the Regulations and are thereby prepared and reported on as a matter of good governance in the LGPS.

Appendix 1 contains the Fund's annual business plan and budget for 2023/24 along with the medium-term plan for the next four years. Appendix 2 contains the Fund's internal audit report following a recent diligent review by the Administering Authorities new internal auditors SWAP.

1. DETAILS OF RECOMMENDATION(S)

RECOMMENDATION: That the Pension Fund Committee notes the report;

i) Approves the 2023/24 Business Plan attached at Appendix 1, including the annual budget and medium term plan;

ii) Delegates authority to the Head of Fund to approve expenditure within the controllable budget envelope; and

iii) Notes the contents of the internal audit report and approves the relevant Internal Audit actions.

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

2.1. Publication of the Pension Fund Budget, Business Plan and Medium-Term Strategy demonstrates that the Fund is properly governed, managed and that appropriate plans are in place.

2.2. Appendix 1 refers to the Fund's annual business plan. Key initiatives and targets are outlined for 2023/24 along with results against the key initiatives and targets previously set by the Committee for 2022/23 (approved March 2022).

2.3. In addition to the standard annual business plan and medium-term plan (next 4 years), the Committee are provided with a full Income and Expenditure budget for 2022/23 including all dealings with Fund members, investment operations, controllable and uncontrollable administration and management activities.

2.4. This marks the first time a full annual revenue budget has been set by the Fund, acting as a significant governance and process improvement which will enable the Head of Fund to actively manage the allocated budget, monitor income and expenditure against the allocated budget and report any applicable variances as time progresses.

2.5. In addition to providing the full budget for 2023/24, a forecast is provided for the current year (2021/22) and the reported outturn is provided for three prior years for comparison purposes. Over the reported comparison period, significant controllable budget savings have been delivered through contract review, re-procurements and post-pooling investment efficiencies which has helped to enable the Fund to remain cash-flow positive.

2.6. The Committee are asked to note the 2023/24 Budget and delegate authority to the Head of Fund to spend within the controllable budget envelope. Any material forecast overspend shall be brought back to the Committee for formal scrutiny and approval. The uncontrollable items such as dealings with members and investment expenditure in respect of performance shall be monitored and material variances shall be reported back to the Committee as appropriate. Line-by-line financial detail is not provided in this report as it is intended instead to provide a strategic overview, plus providing a detailed breakdown in the public domain incurs risk of negative influence to the upcoming procurement processes. Detailed information can be requested from Officers if required.

2.7. The Committee are asked to note that the 2023/24 financial year is forecast to be the last year of overall cash-flow positivity on dealings with stakeholders directly involved in the Fund. This was previously expected to be longer, however, the favourable results of the 2022 triennial valuation have significantly reduced the level of deficit recovery contributions compared to what was previously forecast.

2.8. The Administering Authority's new internal audit service provider SWAP (South West Audit Partnership) Internal Audit Services undertook a detailed review of the Fund's governance processes as a follow-up exercise to the adverse ISA260 audit report in 2019/20 and subsequent governance review that concluded in October 2020. Officers have previously reported to the Committee on progress against the governance recommendations and this Internal Audit review effectively gives a second opinion on this whilst exploring the Fund's governance processes in more detail. See Appendix 2 for the Fund's internal audit report and recommendations provided by SWAP.

2.9. In addition to providing a review of the prior governance recommendations, the Internal Auditors reviewed the Good Governance recommendations published by the LGPS Scheme Advisory Board (SAB) and assessed the Fund against these. It is important to note that these SAB recommendations are not yet in regulation but provided as an opinion on what best governance looks like in the LGPS.

2.10. Overall, the Internal Audit report has concluded with a reasonable assurance opinion, a positive result overall and a significant improvement on the past but still scope for improvement and several recommendations have been outlined in the report. Of the two main recommendations summarised in the report, relevant actions have been taken as follows:

2.10.1. An additional finance trainee post has been created and this is provided for in the updated 2023/24 budget as published in the business plan.

2.10.2. The transition to a segregated pension fund ledger is underway and is on track for implementation by 1 April 2023.

3. KEY IMPLICATIONS

3.1. The Business Plan and Medium-Term Strategy defines desired key initiatives and targets by objective and officers will report achievement against these objectives at each annual review of the business plan.

3.2. The annual budget is a significant governance improvement that will enable appropriate budget management, monitoring and future reporting to the Pension Fund Committee on any material variances

3.3. The internal auditor's findings and overall reasonable assurance opinion is a positive message for the Fund, however, there is still work to do and Officers have used the Internal Audit report's recommendations to develop actions aimed at improving Fund governance processes.

4. FINANCIAL DETAILS / VALUE FOR MONEY

4.1. Increased transparency on controllable budgets and cash-flows with increased officer accountability to the Pension Fund Committee is in line with good governance and best practice. This process mitigates the risk of unapproved overspend and encourages proper budget management and stewardship.

5. LEGAL IMPLICATIONS

5.1. This report and the relevant appendices are focused on good governance and process improvement as opposed to statutory compliance with the LGPS regulations.

6. RISK MANAGEMENT

6.1. A detailed risk register is brought to the Committee quarterly for review and approval, the risks associated with poor governance are detailed in the register and a relevant mitigation action is to improve governance processes such as the publication of this report and its relevant appendices.

6.2. The risk of poor, little or no budget management is mitigated through advanced approval of a controllable budget that is delegated as appropriate to the budget holder

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: An Equality Impact Assessment is available at Appendix 3 to this report. The Equality Act 2010 places a statutory duty on the council to ensure that when considering any new or reviewed strategy, policy, plan, project, service or procedure the impacts on particular groups, including those within the workforce and customer/public groups, have been considered. There are no EQIA impacts as a result of taking this decision. Equality Impact Assessments are published on the council's website

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. A budget consultation has been undertaken by Administering Authority officers. Formal public budget consultation is not required by the constitution for the Pension Fund in the same way it is for the General Fund, however, any budget items that relate to the general fund have been agreed with Administering Authority officers to ensure that there is consistency with the Council's approved budget.

9. TIMETABLE FOR IMPLEMENTATION

9.1. Ongoing.

10. APPENDICES

10.1. This report is supported by 3 Appendices:

- Appendix 1 – 2023/24 Business Plan, Budget and Medium-term strategy
- Appendix 2 – Internal Audit Report
- Appendix 3 - EQIA

11. BACKGROUND DOCUMENTS

11.1. This report is supported by 0 background documents:

12. CONSULTATION (MANDATORY)

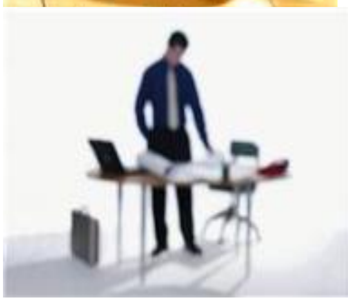
Name of consultee	Post held	Date sent	Date returned
Mandatory:	*Statutory Officers (or deputy)*		
Adele Taylor	Executive Director of Resources/S151 Officer	**17/02/2023**	
Emma Duncan	Deputy Director of Law and Strategy / Monitoring Officer	**17/02/2023**	
Deputies:			
Andrew Vallance	Head of Finance (Deputy S151 Officer)	**17/02/2023**	**23/02/2023**
Elaine Browne	Head of Law (Deputy Monitoring Officer)	**17/02/2023**	**02/03/2023**
Karen Shepherd	Head of Governance (Deputy Monitoring Officer)	**17/02/2023**	
Other consultees:			
Cllr Julian Sharpe	Chairman – Berkshire Pension Fund Committee	**17/02/2023**	
Alan Cross	Chairman – Local Pension Board	**17/02/2023**	**27/02/2023**

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

2023/24 BUSINESS PLAN, BUDGET AND MEDIUM-TERM STRATEGY



Approved by Pension Fund Committee – 13 March 2023

CONTENTS

1. INTRODUCTION

This document is intended to outline how the Royal County of Berkshire Pension Fund will deal with its key responsibilities during the 2023/24 financial year and the over the medium-term from 2024/25 to 2026/27. The Administering Authority to the Royal County of Berkshire Pension Fund is the Royal Borough of Windsor & Maidenhead (RBWM).

The Business Plan will be used to guide and direct the Fund, provide clarity and alignment on goals and objectives and establish key initiatives for the forthcoming year. In addition, it is available to all stakeholders to better understand what the Fund is planning to do to provide an efficient service across the County of Berkshire whilst supporting the overall corporate aims of RBWM as the Administering Authority to the Pension Fund.

This Business Plan will be updated annually and presented to the Pension Fund Committee for adoption. The plan will also review the previous year's plan and detail whether the objectives therein were met.

2. STRATEGIC INTENT – MISSION STATEMENT

The Royal County of Berkshire Pension Fund aims:

To deliver an efficient pension service to all stakeholders in the Fund that:

- *Is cost effective, high quality, innovative and fit for purpose;*
- *Ensures that Scheme members receive the right benefits at the right time;*
- *Ensures Scheme members are kept informed about their benefits and changes in regulations which will affect them;*
- *Recognises that pensions are an important part of employees' reward packages which assists employers to deliver their strategic goals;*
- *Provides staff in the Pension Fund team with a satisfying work environment and career development path.*

3. BUSINESS OBJECTIVES

The Pension Fund's objectives have been drafted considering the Administering Authority's vision, objectives, guiding principles and values to ensure they are free of conflict. A suite of bespoke business aims and objectives for the Fund are presented as follows:

Business Aim	Business Objective
Stakeholder Satisfaction	To deliver an effective pension service that meets the expectations of Scheme members and other stakeholders as measured by a low number of complaints and adherence to agreed KPIs.
Value for Money	To set an investment strategy that achieves the medium-term investment return objective. Achieve value for money in all contracts.

	Manage all other direct Fund costs associated with the Fund and paying pension benefits. To ensure we always remain compliant with legislative and regulatory requirements, avoiding any financial penalties or negative publicity, identifying and reducing business risks and minimising any negative internal and external audit comments and feedback.
Equip Ourselves for the Future	To manage staff effectively in order to deliver high levels of morale, ensuring all staff are effectively performance managed and developed. To transform, develop and improve the Pension Team through creating an evidence-based continuous improvement culture and ensuring that all agreed projects and other initiatives are delivered to time and budget and achieve the expected benefits.
Delivering Together	To work together with Elected Members to deliver the goals and objectives of the Pension Fund Committee, to be measured by positive feedback from Lead Members.

4. VALUES

The pension team will adopt the following values and behaviours, which have been drafted considering the councils core underlying values; "invest in strong foundations, empowered to improve, one team and vision, and Respect and Openness":

- There will be no 'ambushing' or surprises - discuss internally first before raising in public;
- We will always be realistic when negotiating timescales and be considerate of other's priorities and time;
- Everyone's view matters and we will always give credit where it is due;
- We will always consider Scheme members and other stakeholders in everything we do;
- We will always look to do something rather than find ways not do it and we will always look to support a reasonable request;
- We will accept being challenged and only challenge ideas not people;
- We will always lead by example;
- We will use electronic/digital forms of communication wherever possible but will always use a stakeholder's preferred method of contact where possible whether that be face-to-face, via telephone or email;
- We will always respect each other and work together to meet the Fund's objectives;
- We will promote and celebrate success;

- We will take full responsibility for our actions.

5. 2023/24 PENSION FUND BUDGET INFORMATION AND FORECAST REPORT

The 2023/24 Pension Fund budget is provided in Section 6 to this report and contains several key assumptions, detailed as follows:

- Prior year figures (2019/20 – 2021/22), totals and breakdowns are provided from a combination of published draft accounts and prior draft Pension Fund budget reports.

- Current year forecast is prepared as at Period 10, 2022/23.

- The Budget for 2023/24 contained within the section "Net (Income)/Expenditure from Dealings with stakeholders directly involved in the Fund" is taken from a combination of; reports provided by the Actuary as part of the 2022 triennial valuation, known experience items through dealings with employers, estimated financial conditions such as pay increases and inflation, and general longevity experience trends.

- The budget for 2023/24 contained within the section "Net (Income)/Expenditure and (Positive)/Negative Return on Investments" is taken from a combination of; investment income forecasts as provided by the Investment Manager and in line with the Fund's Investment Strategy Statement, market value changes estimated using the Actuaries best estimate nominal discount rate (or best estimate of long-term financial returns on investments), management fees provided by Cost Transparency Reporting initiatives minus negotiated efficiencies over the course of the budget period.

- The Budget for 2023/24 contained within the section "Net (Income)/Expenditure from Administration & Governance of the Pension Fund" is effectively the controllable budget by the Budget Manager and has been derived using the following assumptions:

    - General efficiencies are made on Third Party Expenses, through various re-procurements, contract negotiations, in-house provision of previously outsourced tasks.

    - Actuarial and third party fees temporarily increased to account for triennial valuation and related work spanning most of 2022/23 and some of 2023/24.

    - Staff related expenses assumes one additional post for CIPFA finance graduate/apprentice, assumes all vacant posts are filled and assumes the Deputy Head of Pension Fund post is recruited on a full-time basis.

    - Support service recharge overheads and pension deficit payments as agreed in advance with RBWM finance team.

    - Inflation is applied to all budget lines as appropriate, being CPI to the third party fees, 10.1% statutory pensions increase to the dealings with members and local pay arrangements to the staff related expenditure.

- Significant cost efficiencies have been made since 2021/22 across most areas of the Pension Fund and are notable in the Investment Management and Administration and Governance sections of the Budget table.

- Inflation and Cash-flow remain the Fund's two largest risks to meeting the agreed 2023/24 budget, with cash-flow uncertainties influencing investment returns and income as well as inflation influencing all other lines in the budget.

6. 2023/24 PENSION FUND BUDGET TABLE

Royal County of Berkshire Pension Fund - Budget	2019/20 Outturn £m	2020/21 Outturn £m	2021/22 Outturn £m	**2022/23 Forecast** £m	2023/24 Budget £m
Contributions from Members	(28.635)	(30.337)	(31.542)	(31.393)	(32.240)
Employers Normal (Primary) Contributions	(69.417)	(79.455)	(74.040)	(71.061)	(83.480)
Employers Deficit Recovery (Secondary) Contributions	(27.506)	(27.588)	(40.211)	(42.997)	(41.130)
Employers Augmentation contributions	(1.555)	(1.630)	(2.391)	(2.391)	(1.992)
Transfers in from other pension funds and AVC to purchase LGPS benefits	(14.488)	(6.959)	(9.791)	(9.791)	(10.257)
Total Income	**(141.601)**	**(145.969)**	**(157.975)**	**(157.633)**	**(169.099)**
Pension Benefits Payable	90.704	94.947	98.371	100.000	112.853
Commutation and lump sum retirement benefits	19.557	16.893	19.926	22.000	24.222
Lump sum death benefits	3.100	2.405	4.263	5.000	5.505
Refunds to members leaving service	0.639	0.503	0.857	1.000	1.101
Group transfers to other pension funds	9.000	6.043	7.210	8.000	8.808
Individual transfers to other pension funds	10.893	9.563	15.827	17.000	13.321
Total Expenditure	**133.893**	**130.354**	**146.454**	**153.000**	**165.809**
Net (Income)/Expenditure from Dealings with stakeholders directly involved in the Fund	**(7.708)**	**(15.615)**	**(11.521)**	**(4.633)**	**(3.290)**
Staff Related Expenses	1.238	1.376	1.062	1.077	1.315
Third Party Expenses	3.537	3.270	1.052	1.153	1.033
Net (Income)/Expenditure from Administration & Governance of the Pension Fund	**4.775**	**4.647**	**2.114**	**2.230**	**2.348**
Cost of running the scheme as a % of net ASSETS	***0.24%***	***0.19%***	***0.08%***	***0.08%***	***0.08%***
Investment Income net of taxation	(40.462)	(29.261)	(34.632)	(33.000)	(30.000)
Profits/losses on disposal of investments and changes in the market value of investments	77.866	(398.107)	(283.465)	(131.079)	(142.019)
Investment management, performance, transaction, oversight & governance	42.465	43.076	37.896	36.312	35.250
Net (Income)/Expenditure and (Positive)/Negative Return on Investments	**79.869**	**(384.292)**	**(280.201)**	**(127.766)**	**(136.769)**
Investment Management Fees as a % of net ASSETS	***2.12%***	***1.79%***	***1.41%***	***1.29%***	***1.19%***
Net (increase)/decrease in the net assets available for benefits during the year	**76.936**	**(395.260)**	**(289.608)**	**(130.169)**	**(137.711)**
Closing Net Assets of the Scheme	*2,004.947*	*2,400.207*	*2,689.814*	*2,819.983*	*2,957.694*

Approved by Pension Fund Committee – 13 March 2023

7. KEY INITIATIVES AND BUSINESS TARGETS 2023/24

Business Objective	Key Initiatives and targets
To deliver an effective pensions service that meets the expectations of members and other stakeholders as measured by a low number of complaints and adherence to agreed KPIs.	Ensure that Pension Administration Software is kept up to date. To continue to work with the remaining Scheme employers yet to adopt i-Connect and to seek the most practical method of employer communication. Apply Annual Pension Increase Orders and HM Treasury Orders on time. Annual review of the Pension Administration Strategy. Annual review of Communications Policy with the continuing aim to provide Scheme information digitally wherever possible. Keep members up to date via newsletters and Scheme employers up to date via bulletins. Run Pension Surgeries at least twice annually for each Unitary Authority and at least once a year for other Scheme employers upon request. Continue to provide training and literature for Scheme employers to assist them in administering the Scheme on behalf of their employees. Continue to provide presentations and literature for Scheme members to provide greater understanding of their Scheme. Maintain the Pension Fund website to the highest standards ensuring that all information is current and accurate. Ensure the continued development and best use of Member Self Service to the highest possible standard primarily in line with scheme and pension software supplier changes but also endeavouring to reduce printing and postal costs. Continue to improve data quality in line with tPR recommendations in respect of Common and Scheme Specific data. Continue work to ensure timely implementation of McCloud Remedy. All annual benefits statements (Active and Deferred members) to be issued by 31 August 2023. Ensure that all requirements of the Pension Dashboard legislation are met as they relate to the LGPS. 95% of critical service standards achieved (stretch 100%).

	90% of non-critical service standards to be achieved (stretch of 95%).
To set an investment strategy in such a way as to achieve the medium-term investment return objective with minimal loss of capital, achieve value for money in all contracts and manage all other direct costs in managing the fund and paying benefits.	Continue to be an Investment Client of Local Pensions Partnership Investment Limited (LPPI) and ensure they implement the Investment Strategy as agreed by the Pension Fund Committee. Maintain quality forecasts and medium-term plans to ensure that no fire-sale of assets is required to meet benefit payments.
To ensure we always remain compliant with legislative and regulatory requirements, avoiding any financial penalties or negative publicity, identifying and reducing business risks and minimising any negative internal and external audit comments and feedback.	Produce Annual Financial Statements so they can be published by 30 November 2023. Complete contributions reconciliation. Achieve an unmodified (clean) audit opinion. Complete Year End procedures in advance of 31 August 2023 to enable prompt issue of annual benefit statements. Annual Benefit Statements (Active and Deferred members) to be issued by 31 August 2023. Apply Pensions Increase and HMT Revaluation Orders. Issue Payslips and P60’s by 31 May 2023 in line with statutory legislation. Service the Berkshire Pension Board to operate effectively. Ensure that all Pension Fund policies are current and regularly updated. Ensure continuing compliance with the Pensions Regulator’s Code of Practice number 14. Ensure continued compliance with General Data Protection Regulation (GDPR). Complete GMP Reconciliation in respect of Active and Deferred scheme members by 31 March 2024. Positive feedback from internal and external auditors that controls are better than in previous years. To maintain robust business continuity, disaster recovery and emergency plans for all areas. Reduce risk profile of the Pension Fund.
To manage staff effectively in order to deliver high levels of morale, ensuring all staff are performance managed with aligned objectives being set for all staff.	Monitor staff requirements to ensure a high-quality service is provided to stakeholders. All staff appraisals to be undertaken within required deadlines and areas for improvement identified with

	relevant objectives being set and monitored by managers.
To transform, develop and improve the Pensions Team through creating an evidence based continuous improvement culture and ensuring that all agreed projects and other initiatives are delivered to time and budget and achieve the expected benefits.	Ensure that staff receive appropriate training internally and from external providers. Deliver 90% of tasks within the pension teams' operational plan (stretch of 95%) – set out in the administration strategy. Deliver all agreed programmes and projects to time and budget.
To work together with Elected Members to deliver the goals and objectives of the Pension Fund Committee, to be measured by positive feedback and external review if applicable.	Ensure Pension Fund Committee, Advisory Panel and Pension Board members receive appropriate training. Ensure that Pension Fund Committee, Advisory Panel and Pension Board members understand the Fund's strategy. Positive feedback from Committee Members on performance and engagement. Positive feedback from external review (external auditors, internal auditors, peer-review)
To review the Pension Team structure to ensure greater resilience and reduce risks incurred by the loss of key staff.	To review all key areas and set out a strategy in 2023 for achieving the business aim of full resilience by 31 December 2023.
To maintain Integrated Risk Management into the management of the Fund	Work with our key stakeholders in identifying at risk scheme employers. Review risk appetite statement with LPPI and ensure training is provided on funding level and contribution risk outputs. Develop best in class risk-framework and ensure it is kept up to date and regularly reviewed.
To work with the Fund's Investment Manager, (LPPI) to ensure the Investment Strategy is fit for purpose and implemented.	Investment aims are met and in line with the Investment Strategy Statement and Strategic Asset Allocation requirements.

8. REVIEW OF 2022/23 KEY INITIATIVES AND TARGETS

In 2022/23 we said that we would:

Business Objective	Key Initiatives and targets	
To deliver an effective pensions service that meets the expectations of members and other stakeholders as measured by a low number of complaints and adherence to agreed KPIs.	Ensure that Pension Administration Software is kept up to date. To continue to work with Scheme employers to increase the percentage of member records administered via i-Connect from 90% at March 2022. Annual review of the Pension Administration Strategy. Annual review of Communications Policy with the continuing aim to provide Scheme information digitally wherever possible. Keep members up to date via newsletters and Scheme employers up to date via bulletins. Run Pension Surgeries at least twice annually for each Unitary Authority and at least once a year for other Scheme employers upon request. Continue to provide training and literature for Scheme employers to assist them in administering the Scheme on behalf of their employees. Continue to provide presentations and literature for Scheme members to provide greater understanding of their Scheme. Maintain the Pension Fund website to the highest standards ensuring that all information is current and accurate. Ensure the continued development and best use of Member Self Service to the highest possible standard primarily in line with scheme and pension software supplier changes but also endeavouring to reduce printing and postal costs. Continue to improve data quality in line with tPR recommendations in respect of Common and Scheme Specific data. All annual benefits statements to be issued within statutory deadline of 31 August 2022. 95% of critical service standards achieved (stretch 100%). 90% of non-critical service standards to be achieved (stretch of 95%).	Achieved Achieved Achieved – approved in October 2022 Achieved – approved in October 2022 Achieved Achieved Achieved Achieved Achieved Achieved Achieved

		Achieved. Achieved. Achieved.
To set an investment strategy in such a way as to achieve the medium-term investment return objective with minimal loss of capital, achieve value for money in all contracts and manage all other direct costs in managing the fund and paying benefits.	Continue to be an Investment Client of Local Pensions Partnership Investment Limited (LPPI) and ensure they implement the Investment Strategy as agreed by the Pension Fund Committee. Maintain quality forecasts and medium term plans to ensure that no fire-sale of assets is required to meet benefit payments.	Achieved Achieved
To ensure we always remain compliant with legislative and regulatory requirements, avoiding any financial penalties or negative publicity, identifying and reducing business risks and minimising any negative internal and external audit comments and feedback.	Produce Annual Financial Statements so they can be published by 31 November 2022. Complete contributions reconciliation. Achieve an unmodified (clean) audit opinion. Complete Year End procedures in advance of 31 August 2022 to enable prompt issue of annual benefit statements. Annual Benefit Statements (Active and Deferred members) to be issued by 31 August 2022. Apply Pensions Increase and HMT Revaluation Orders. Issue P60's and payslips by 31 May 2022 in line with statutory legislation. Service the Berkshire Pension Board to operate effectively. Ensure that all Pension Fund policies are current and regularly updated. Ensure continuing compliance with the Pensions Regulator's Code of Practice number 14. Ensure continued compliance with General Data Protection Regulation (GDPR). Complete GMP Reconciliation in respect of Active and Deferred scheme members by 31 March 2023.	Achieved Achieved Ongoing Achieved Achieved Achieved Achieved Achieved Achieved Achieved Achieved

	Positive feedback from internal and external auditors that controls are better than in previous years. To maintain robust business continuity, disaster recovery and emergency plans for all areas. Reduce risk profile of the Pension Fund.	Partially achieved – Work continues to progress with HMRC in respect of value discrepancies. Achieved Achieved Achieved
To manage staff effectively in order to deliver high levels of morale, ensuring all staff are performance managed with aligned objectives being set for all staff.	Monitor staff requirements to ensure a high-quality service is provided to stakeholders. All staff appraisals to be undertaken within required deadlines and areas for improvement identified with relevant objectives being set and monitored by managers.	Achieved Achieved
To transform, develop and improve the Pensions Team through creating an evidence based continuous improvement culture and ensuring that all agreed projects and other initiatives are delivered to time and budget and achieve the expected benefits.	Ensure that staff receive appropriate training internally and from external providers. Deliver 90% of tasks within the pension teams' operational plan (stretch of 95%) – set out in the administration strategy. Deliver all agreed programmes and projects to time and budget.	Achieved Achieved Achieved
To work together with Elected Members to deliver the goals and objectives of the Pension Fund Committee, to be measured by positive feedback and external review if applicable.	Ensure Pension Fund Committee, Advisory Panel and Pension Board members receive appropriate training. Ensure that Pension Fund Committee, Advisory Panel and Pension Board members understand the Fund's strategy. Positive feedback from Committee Members on performance and engagement. Positive feedback from external review (external auditors, internal auditors, peer-review)	Achieved Achieved Achieved Achieved
To deliver the requirements and objectives set out in the independent governance review undertaken in 2020/21.	Only outstanding recommendations involve custodian procurement and review of LPPI's AMA. To be undertaken in 22/23	Achieved

To review the Pension Team structure to ensure greater resilience and reduce risks incurred by the loss of key staff.	To review all key areas and set out a strategy in 2022 for achieving the business aim of full resilience by 31 March 2023.	Partially achieved - Will be completed throughout 2023
To maintain Integrated Risk Management into the management of the Fund	Work with our key stakeholders in identifying at risk scheme employers. Review risk appetite statement with LPPI and ensure training is provided on funding level and contribution risk outputs. Develop best in class risk-framework and ensure it is kept up to date and regularly reviewed.	Achieved Achieved Achieved
To work with the Fund's Investment Manager, (LPPI) to ensure the Investment Strategy is fit for purpose and implemented.	Investment aims are met and in line with the Investment Strategy Statement and Strategic Asset Allocation requirements.	Achieved

9. MEDIUM TERM PLAN 2024/27

The following table details the medium-term plan for the Pension Fund for the period 2024 to 2027.

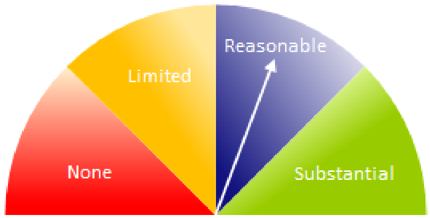
Objective	Rationale	Timescale
Investment Pooling.	Required by the Department for Levelling Up, Housing and Communities (DLUHC).	All investments to be pooled with Local Pensions Partnership Investments Limited (LPP) by the mid-2020's.
Attain accreditation to the Pensions Administration Standards Association (PASA).	Accreditation will confirm that the Pension Administration Team are adhering to industry best practice.	Accreditation to be achieved by 2025.
i-Connect	Will lead to improved quality of data held by Fund and increased efficiency of the service	Work with scheme employers to achieve 100% onboarding (or maximum viable) over medium-term period.
Data Quality	High standards of data quality ensure correct calculation of pension benefits and provides all stakeholders with accurate real-time information.	Ongoing
Maintain sufficient cash-flow to avoid fire-sale of assets to meet benefits payable	Avoid sale of assets at low process negatively impacting long-term sustainability of the Fund	Ongoing
Continuous review of investment strategy	Ensure that investment strategy is "fit for purpose", considering funding level, risk appetite and target discount rate	Ongoing

Pensions Governance Review – Final Report – January 2023

Audit Objective

Establish if the Pension Fund has implemented governance recommendations and considered findings of the Good Governance in the LGPS Phase 3 guidance.

Assurance Opinion



There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.

Number of Actions

Priority	Number
Priority 1	0
Priority 2	2
Priority 3	0
Total	**2**

Risks Reviewed

Risks Reviewed	Assessment
There is a corporate risk of the pension fund being in deficit or does not have adequate governance arrangements. This results in the Fund not being full funded position by the agreed date of 31st March 2040.	Low

Key Findings

Positive Findings

Following on from the ISA 260 External Audit Report and the Independent Governance Review, there has been significant governance and control environment enhancements implemented by the Head of Pension Fund and these form part of embedded working practices. This includes implementation of most actions raised as part of the Independent Governance Review and the ISA 260 Report with the appropriate oversight from the relevant Fund Committee. The Head of Fund has reviewed the Good Governance in the LGPS best practice guidance and provided well considered, balanced and pragmatic responses with regards to current control processes in place and how these could be improved in the future (once the consultation period has ended and the guidance becomes regulation).

The review confirmed there were 2 reportable findings

- Due to the procurement exercise undertaken to explore alternative financial management systems, the separation of the Council and Pension Fund's ledger has not been implemented within the timescales agreed with External Audit.
- At the time of testing, monthly Valuation Reconciliations have not been undertaken from July 2022.

Audit Scope

The following areas were included within the scope: -

- Compliance with the relevant legislation and the Council's Procurement and Contract Rules.
- Publishing in accordance with the Local Government Transparency Code.
- Staff awareness of their contract monitoring responsibilities.
- Monitoring of performance against the delivery targets set within the contract.
- The process for managing non-compliance with the contract, enforcing penalties and issues of supplier failure.

Other Relevant Information

RBWM is the administering authority for the Royal County of Berkshire Pension Fund. The Fund administers pensions on behalf of 300 employers with a fund total of £3bn. The Head of Fund's focus since being in post is ensuring the accounting practices align with best practice/best in class and that recommendations arising from various assurance providers have been implemented and form part of normal working practice. The reportable findings below detail the issues encountered during this particular audit review. These along with the suggested management action should be considered by the Head of Pension Fund and Head of Finance at RBWM to further improve the governance and control environment arrangements.

Full details of our audit testing are available upon request. Our audit assurance framework and definitions can be found here (www.swapaudit.co.uk/audit-framework-and-definitions)

Finding 1: Separations of Ledgers – Pension Fund and the Council	Action			
The External Auditor (Deloitte) within their ISA 260 report for the year-ending 31st March 2020 noted that the general ledgers of both entities were not maintained in isolation. As a result of this and weaknesses within the journal process noted by External Audit, there was an increased risk of monies being transferred between the two entities without appropriate sign-off, approval and management oversight. Due to the procurement exercise undertaken to explore alternative financial management systems, the separation of the Council and Pension Fund's ledger has not been implemented within the timescales agreed with External Audit (April 2022). Now a management decision has been made to continue utilising the current system (Agresso), the Head of Finance and the Senior Systems Accountant have commenced work on this task. The Head of Pension Fund has confirmed that work is underway on the system build to enable separate ledgers.	**Suggested Actions:** The Head of Finance and the Senior Systems Accountant should continue to work on separating the ledgers of the Pension Fund and Council as a priority. Updates should be provided to all relevant staff, Committees and to External Audit where appropriate. **Agreed Management Actions:** The Head of Finance and Head of Pension Fund are working together to ensure Pension Fund and Council's ledgers are separated as soon as possible. Target implementation date is 1st April 2023, with a backstop date of 31 March 2024 at the latest.			
	Priority	2	**SWAP Reference**	
	Responsible Officer		Head of Finance in conjunction with the Head of Pension Fund	
	Timescale		1st April 2024	

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Finding 2: Monthly Valuation Reconciliations

Fund Monthly Valuation Reconciliations have not been undertaken from July 2022 onwards. Since arriving at the Fund, the Head of Pensions Fund has been focused on the accounting requirements to ensure compliance both with the CIPFA standards and best in class within the LGPS.

Audit testing confirmed the 31st March 2022 Monthly Valuation Reconciliation wasn't prepared until 29th April 2022 and not signed off until the 16th June 2022. The Head of Pensions Fund confirmed the review commenced in early May but took until mid-June to fully sign off the queries and amendments – referring to the bringing the Fund's accounting requirements up to scratch (better quality working papers, evidencing detail etc).

Discussions with the Head of Fund confirmed the main reason Monthly Valuation Reconciliations have not been undertaken within a timely manner is due to workloads and scarce resources especially within the Accounting Team where there is only 1 accountant covering the Fund which totals £3bn. This is an ongoing issue which may suggest there is a resource shortage. In terms of workload there were a number of other conflicting priorities including the external audit, the triennial valuation, IAS19 reports for all employers and working through various issues with the accounting data provided to the Fund by the custodian.

As a result of Reconciliations not being undertaken within a timely manner, there is a risk of Valuation discrepancies not being identified and resolved within a timely manner. This may also have an impact of the Head of Fund's ability to undertake in year budget monitoring and identify valuation trends throughout the year.

Action

Suggested Actions: Resource should be allocated to ensure all Monthly Valuation Reconciliations are undertaken and the backlog is cleared ahead of year-end.

Agreed Management Actions: Monthly Valuation Reconciliations will be undertaken and signed off prior to and part of the year-end close down process. The Pension Fund are due to recruitment to CIPFA Trainee Graduate position shortly. One of the tasks of this post will be to undertake Monthly Valuation Reconciliations.

Seeking to recruit a finance graduate (CIPFA trainee) in Summer 2023 to help reduce pressure on the Fund accountant and enable us to produce more timely valuation reconciliations

Priority	2	**SWAP Reference**	
Responsible Officer	Head of Pension Fund		
Timescale	1st April 2023		

Unrestricted

Equality Impact Assessment

For support in completing this EQIA, please consult the EQIA Guidance Document or contact equality@rbwm.gov.uk

www.rbwm.gov.uk

Royal Borough of Windsor & Maidenhead

1. Background Information

Title of policy/strategy/plan:	Good Governance
Service area:	Finance
Directorate:	Pension Fund

Provide a brief explanation of the proposal: • What are its intended outcomes? • Who will deliver it? • Is it a new proposal or a change to an existing one?
13 March 2023 Committee Meeting – This report addresses several key documents prepared by the Fund that are not explicitly required by the Regulations and are thereby prepared and reported on as a matter of good governance in the LGPS. Appendix 1 contains the Fund's annual business plan and budget for 2023/24 along with the medium-term plan for the next four years. Appendix 2 contains the Fund's internal audit report following a recent diligent review by the Administering Authorities new internal auditors SWAP.

2. Relevance Check

Is this proposal likely to <u>directly</u> impact people, communities or RBWM employees? • If Yes, state 'Yes' and proceed to Section 3. • If No, please explain why not, including how you've considered equality issues. • Will this proposal need a EQIA at a later stage? (for example, for a forthcoming action plan)
No, full assessment not required as this report is unlikely to have a specific impact on individuals or groups of people with protected characteristics

If 'No', proceed to 'Sign off'. If unsure, please contact equality@rbwm.gov.uk

3. Evidence Gathering and Stakeholder Engagement

Who will be affected by this proposal? For example, users of a particular service, residents of a geographical area, staff
Among those affected by the proposal, are protected characteristics (age, sex, disability, race, religion, sexual orientation, gender reassignment, pregnancy/maternity, marriage/civil partnership) **disproportionately represented?** For example, compared to the general population do a higher proportion have disabilities?
What engagement/consultation has been undertaken or planned? • How has/will equality considerations be taken into account? • Where known, what were the outcomes of this engagement?
What sources of data and evidence have been used in this assessment? Please consult the EQIA Evidence Matrix for relevant data. Examples of other possible sources of information are in the Guidance document (Section 2.3).

4. Equality Analysis

Please detail, **using supporting evidence**:

- How the protected characteristics below might influence the needs and experiences of individuals, in relation to this proposal.
- How these characteristics might affect the impact of this proposal.

Tick positive/negative impact as appropriate. If there is no impact, or a neutral impact, state 'Not Applicable'.
More information on each protected characteristic is provided in the EQIA Guidance document (available on the intranet).

	Details and supporting evidence	Potential positive impact	Potential negative impact
Age			
Disability			
Sex			
Race, ethnicity and religion			
Sexual orientation and gender reassignment			
Pregnancy and maternity			
Marriage and civil partnership			
Armed forces community			
Socio-economic considerations e.g. low income, poverty			
Children in care/Care leavers			

5. Impact Assessment and Monitoring

If you have not identified any disproportionate impacts and the questions below are not applicable, leave them blank and proceed to Sign Off.

What measures have been taken to ensure that groups with protected characteristics are able to benefit from this change, or are not disadvantaged by it? For example, adjustments needed to accommodate the needs of a particular group
Where a potential negative impact cannot be avoided, what measures have been put in place to mitigate or minimise this? • For planned future actions, provide the name of the responsible individual and the target date for implementation.
How will the equality impacts identified here be monitored and reviewed in the future?

6. Sign Off

Completed by: Damien Pantling	**Date**: 18/02/2023
Approved by:	**Date:**

If this version of the EQIA has been reviewed and/or updated:

Reviewed by:	**Date**:

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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 – 13 March 2023
Responsible Officer(s):	Damien Pantling, Head of Pension Fund
Wards affected:	None

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Royal Borough of Windsor & Maidenhead

REPORT SUMMARY

This report deals with the administration of the Pension Fund for the period 1 October 2022 to 31 December 2022. It recommends that Pension Fund Committee 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.

The Committee are asked to 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.

1. DETAILS OF RECOMMENDATION(S)

RECOMMENDATION: That the Pension Fund Committee notes the report;

- **i) Notes all areas of governance and administration as reported;**
- **ii) Notes all key performance indicators; and**
- **iii) Approves publication of the quarterly Administration report on the Pension Fund website.**

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

2.1. The Royal County of 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. No direct financial implications arising from this report.

5. LEGAL IMPLICATIONS

5.1. None.

6. RISK MANAGEMENT

6.1. The Pension Fund Committee review and approve a risk register on a quarterly basis, prepared in line with CIPFA's guidance on "managing risks in the LGPS – 2018". The latest risk register (including relevant actions and mitigations) has been prepared alongside the amendments within these revised policies, with any relevant changes considered and documented as appropriate in the quarterly review of the risk management report.

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: An Equality Impact Assessment is available at Appendix 2 to this report. The Equality Act 2010 places a statutory duty on the council to ensure that when considering any new or reviewed strategy, policy, plan, project, service or procedure the impacts on particular groups, including those within the workforce and customer/public groups, have been considered. There are no EQIA impacts as a result of taking this decision. Equality Impact Assessments are published on the council's website

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. The Pension Board were consulted in detail through the approval of this report.

9. TIMETABLE FOR IMPLEMENTATION

9.1. The Local Pension Board was consulted on the contents of this report

10. APPENDICES

10.1. This report is supported by 2 appendices:

- Appendix 1: Administration Report 1 October 2022 to 31 December 2022
- Appendix 2: 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
Mandatory:	***Statutory Officers (or deputy)***		
Adele Taylor	Executive Director of Resources/S151 Officer	**17/02/2023**	
Emma Duncan	Deputy Director of Law and Strategy / Monitoring Officer	**17/02/2023**	
Deputies:			
Andrew Vallance	Head of Finance (Deputy S151 Officer)	**17/02/2023**	**23/02/2023**
Elaine Browne	Head of Law (Deputy Monitoring Officer)	**17/02/2023**	**02/02/2023**
Karen Shepherd	Head of Governance (Deputy Monitoring Officer)	**17/02/2023**	
Other consultees:			
Cllr Julian Sharpe	Chairman – Berkshire Pension Fund Committee	**17/02/2023**	
Alan Cross	Chairman – Local Pension Board	**17/02/2023**	**27/02/2023**

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, 01628 796701

THE ROYAL COUNTY OF BERKSHIRE PENSION FUND

ADMINISTRATION REPORT

QUARTER 4 – 2022 (Q3 2022/23)

1 October 2022 to 31 December 2022

Contents

1. ADMINISTRATION

1.1. Scheme Membership

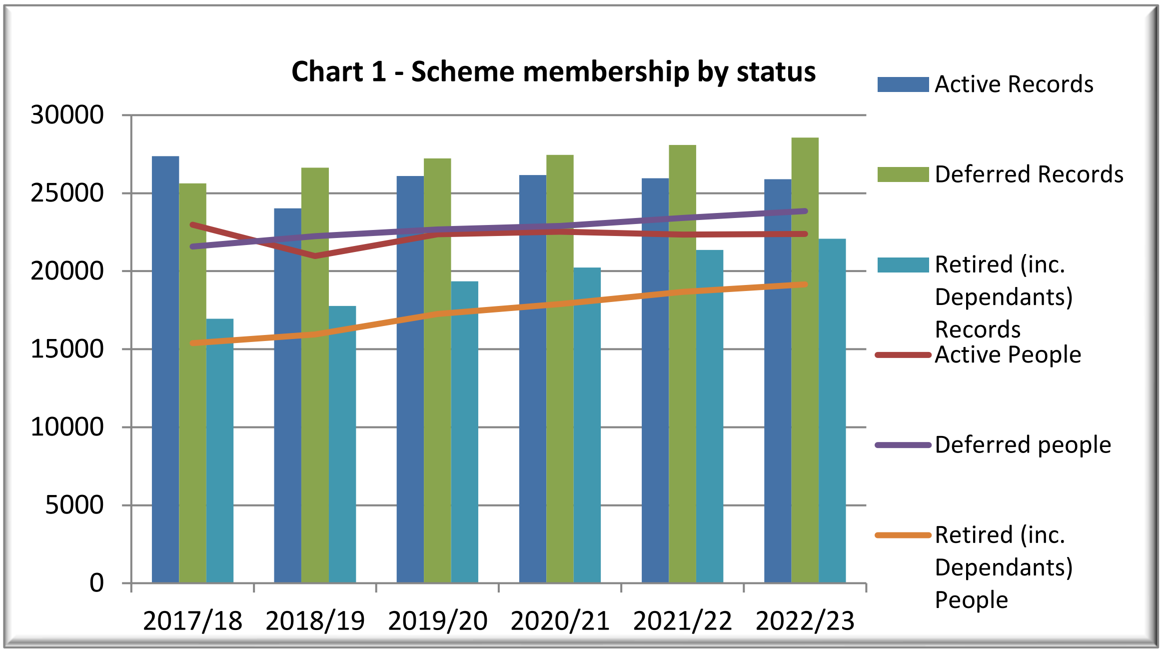


Table 1 – Total Membership as at 31 December 2022

Active Records	25,886	Active People	22,393
Deferred Records	28,568	Deferred People	23,852
Retired Records	22,073	Retired People	19,153
TOTAL	**76,527**	**TOTAL**	**65,398**

1.2. Membership by Employer

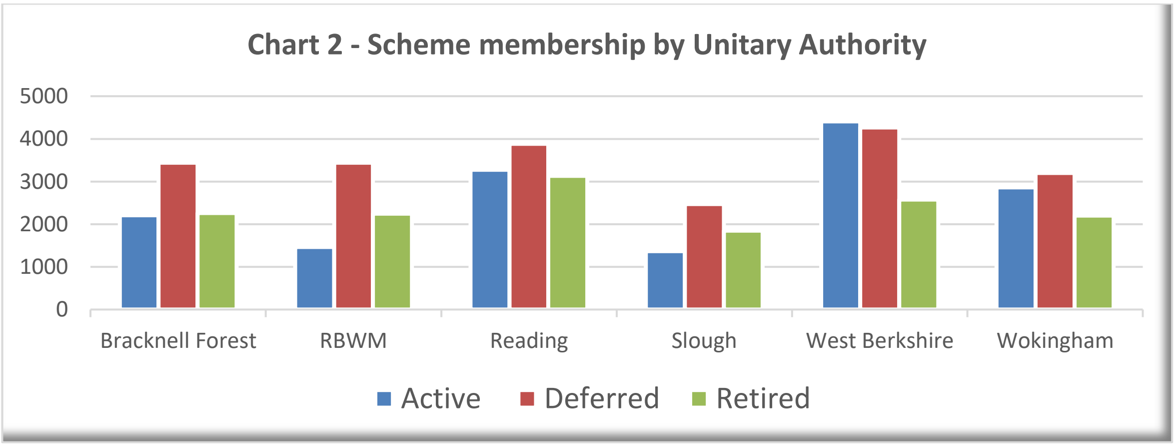
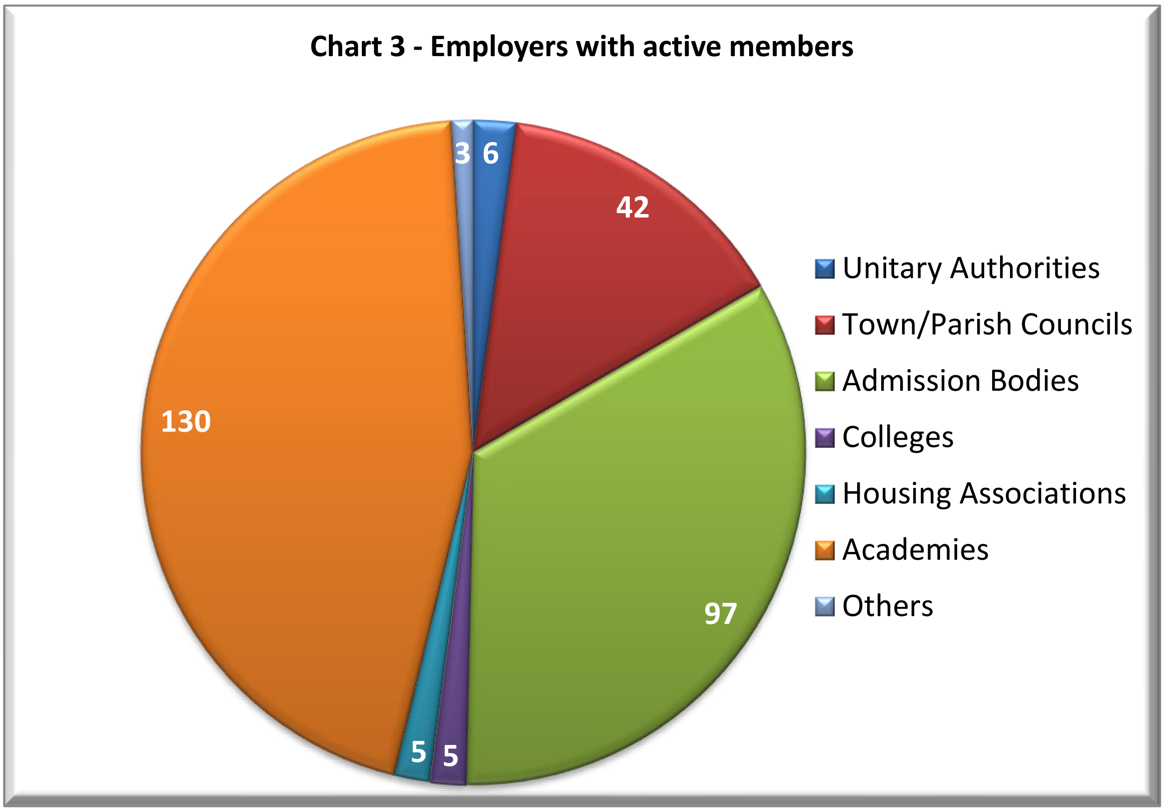


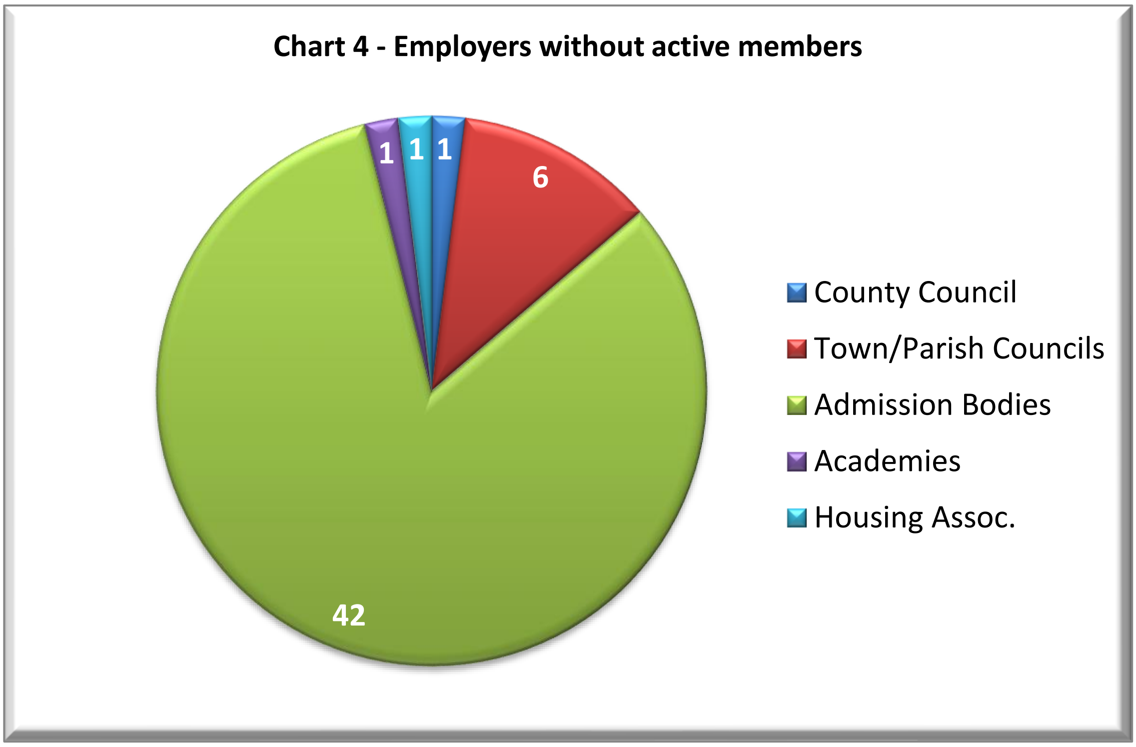
Table 2 - Membership movements in this Quarter (and previous Quarter)

	Bracknell	RBWM	Reading	Slough	W Berks	Wokingham
Active	**-56** *-43*	**-21** *+5*	**+53** *-46*	**+31** *-35*	**-90** *-151*	**+15** *-11*
Deferred	**-2** *+42*	**-13** *-33*	**+15** *+20*	**-16** *+12*	**+67** *+38*	**+19** *+55*
Retired	**+19** *+56*	**+20** *+51*	**+33** *+72*	**+12** *+28*	**+29** *+121*	**+25** *+59*

1.3. Scheme Employers



<u>New employers since last report:</u>
Admission Bodies: None
Academies: *None*



Exiting employers: None

1.4. Scheme Employer Key Performance Indicators

Table 3 – i-Connect users Quarter 3 (1 October 2022 to 31 December 2022)

Employer	Starters	Leavers	Changes	Total	Submission Received Within Specification
Bracknell Forest Council	177	182	246	605	100%
RBWM	127	101	147	375	100%
Reading BC	269	125	378	772	100%
Slough BC	137	64	154	355	100%
West Berks Council	428	227	524	1,179	100%
Wokingham BC	140	132	165	437	100%
Academy/ School	479	277	696	1,452	29.58%
Others	113	74	141	369	100%

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

The benefits of i-Connect are:

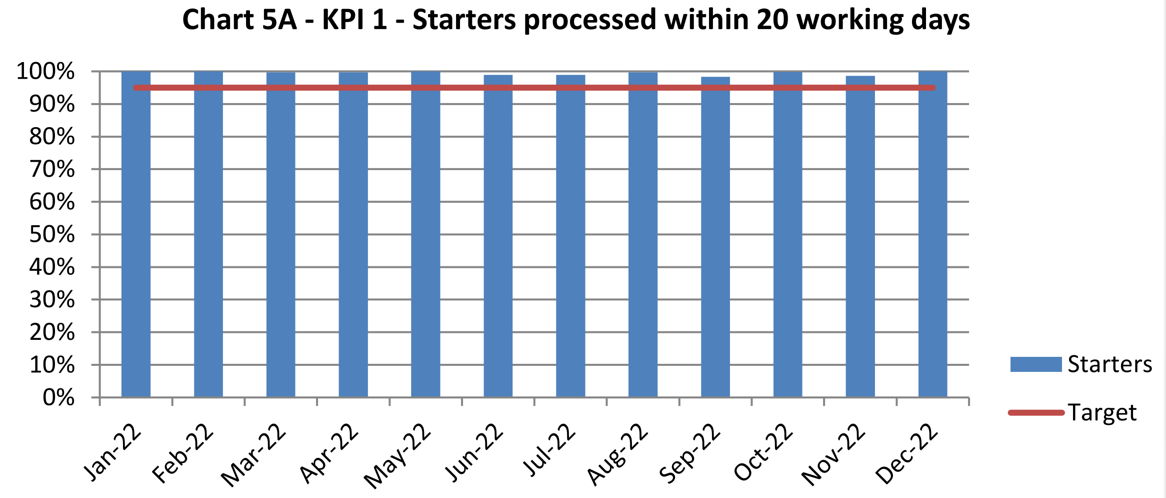
- Pension records are maintained in 'real-time';
- Scheme members are presented with the most up to date and accurate information through "my pension ONLINE" (Member self-service);
- Pension administration data matches employer payroll data;
- Discrepancies are dealt with as they arise each month;
- 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 1 October 2022, The Holt School have on board i-connect Software representing circa 70 scheme member records. Officers continue to work closely with The Slough & East Berkshire MAT which represents circa 200 scheme member records endeavouring to on board before Year End 2023 processing begin.

Overall, including The Slough & East Berkshire MAT, 131 scheme employers are yet to on board i-Connect Software which represents circa. 2,200 scheme member records (8.50% of total Active Scheme members).

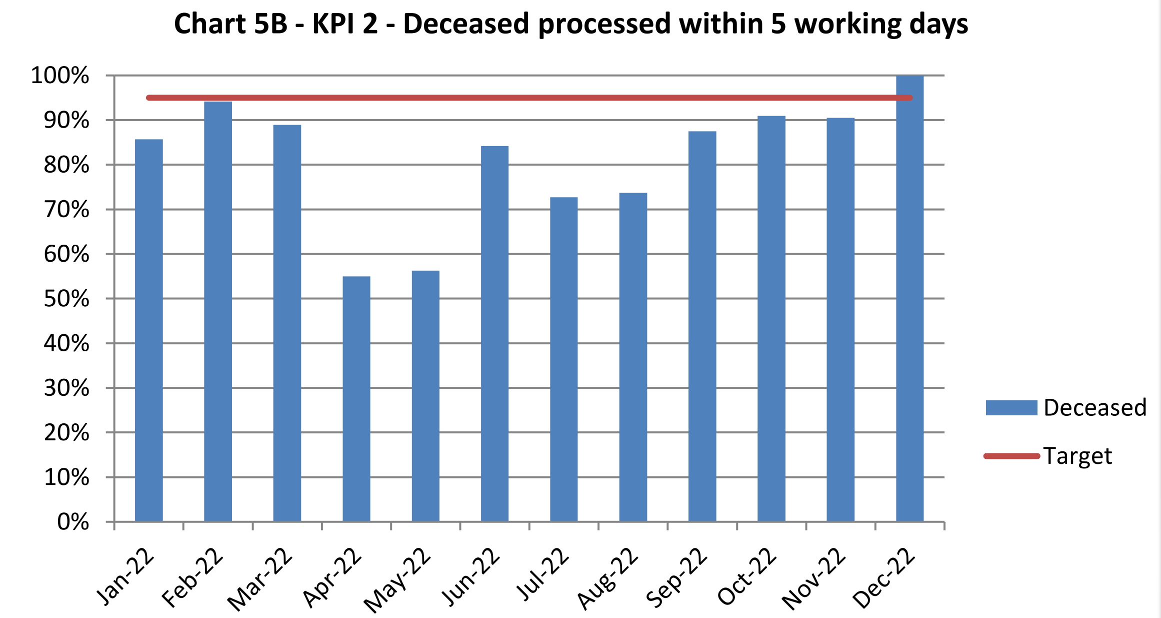
The Pension Fund remains committed to continuing to work with these scheme employers to help them to onboard, where it is possible for them to do so. Scheme employers with fewer than 10 scheme members (77 employers) have the option of using an on-line portal version of i-Connect Software rather than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

1.5. Key Performance Indicators



	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22
Starters	100	100	99.73	99.7	100	98.9	98.9	99.7	98.37	99.81	98.58	100
Target	95	95	95	95	95	95	95	95	95	95	95	95
Total	473	576	747	353	764	654	728	673	429	1040	989	591

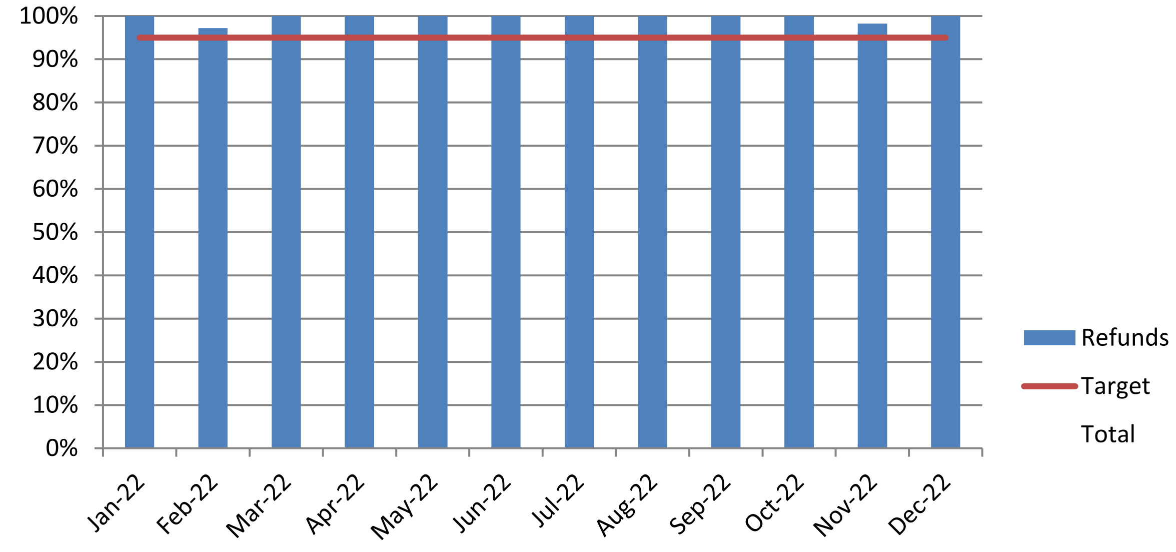
CIPFA Benchmark: Two months from date of joining the scheme or if earlier within one month of receiving jobholder information.



	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22
Refunds	85.71	94.12	88.89	55	56.25	84.21	72.73	73.68	87.5	90.91	90.48	100
Target	95	95	95	95	95	95	95	95	95	95	95	95
Total	21	17	18	20	16	19	22	19	16	11	21	6

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.

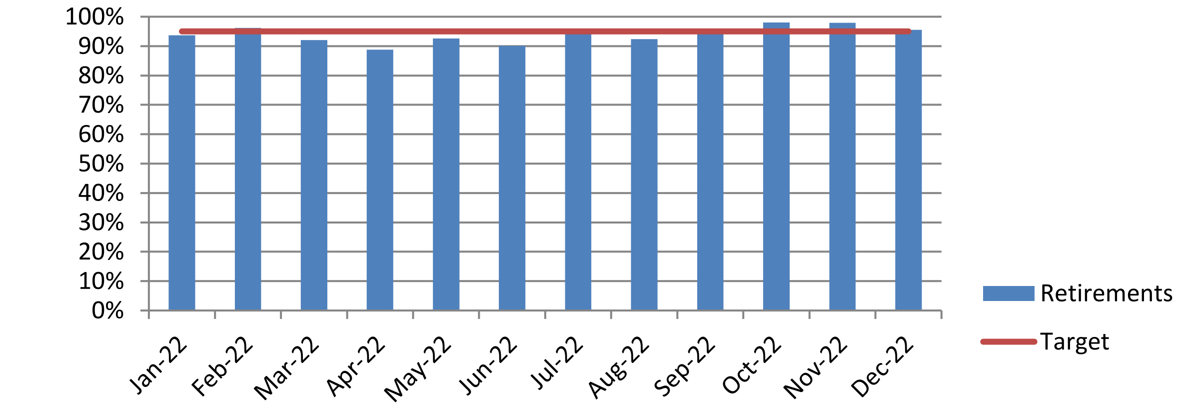
Chart 5C - KPI 3 - Refunds processed within 10 working days



	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22
Refunds	100	97.22	100	100	100	100	100	100	100	100	98.25	100
Target	95	95	95	95	95	95	95	95	95	95	95	95
Total	49	36	60	28	35	38	26	37	48	44	57	54

CIPFA Benchmark: No more than two months from date of receiving the scheme members signed declaration requesting to receive a refund of employee pension contributions.

Chart 5D - KPI 4 - Retirements processed within 5 working days

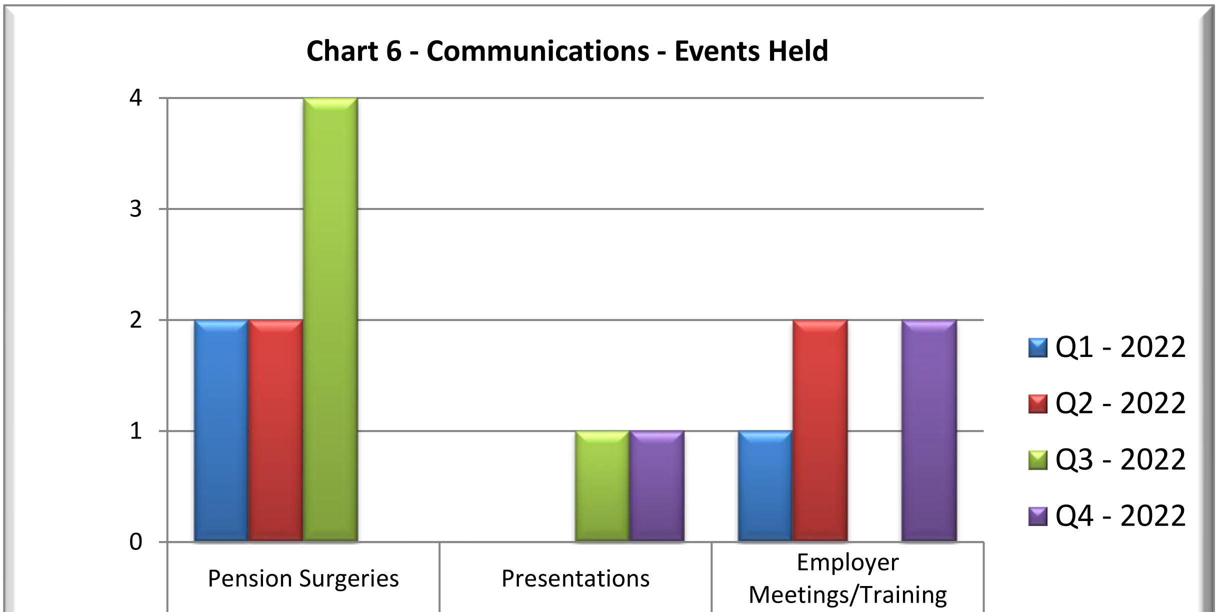


	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22
Retirements	93.71	96.19	92.03	88.79	92.54	90.08	95.28	92.42	95.69	98.01	97.96	95.52
Target	95	95	95	95	95	95	95	95	95	95	95	95
Total	159	105	138	116	134	121	106	132	116	151	98	67

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

Events shown have been held remotely, including hybrid.



	Pension Surgeries	Presentations	Employer Meetings/Training
Q1 - 2022	2	0	1
Q2 - 2022	2	0	2
Q3 - 2022	4	1	0
Q4 - 2022	0	1	2

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
29/11/2022	Email	[NAME], you need to have a huge pay rise…..Thank you for your responses, please tell you line manager that I have been very impressed by the service-with a virtual smile - that I have received. I will think of you as I blow out my 100 candles……
20/12/2022	E-mail	[NAME], Thank you very much for your letter and thank you to you and all your team who have been very supportive and helpful. It's a really strange feeling to retire especially as I have worked full time since I was just under 16. I guess I look upon it as a new phase. Thanks again for making this all happen so seamlessly and your prompt responses and support. Much appreciated. Best Wishes.

24/12/2022	E-mail	To [NAME], Thanks for all your help and support sorting my pension for me, have a lovely Christmas.

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.

Officers understand the Department for Levelling Up, Housing and Communities (DLUHC) is to consult on further regulations governing the application of the McCloud remedy to the LGPS.

The DLUHC has confirmed to the Local Government Pension Committee (LGPC), in a recent update, that work continues on the steps to rectify the discrimination as it affects the LGPS in England and Wales, with the government planning to publish its response to the 2020 consultation on amendments to the statutory underpin later this year, after which the LGPS Scheme Advisory Board will resume its McCloud implementation groups.

An updated version of the draft regulations implementing the remedy will be published alongside the consultation response, covering new powers relating to the statutory underpin. However, a further consultation will take place in 2023 to ensure the updated draft regulations are accurate in light of the changes made.

The government will also consult on other aspects of the McCloud remedy which did not feature in our original consultation, such as compensation and rates of interest.

These new regulations are expected to come into force in October 2023, while a consultation will also take place covering new statutory guidance on McCloud implementation.

2.2. 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 late 2024 and officers will provide further details to Members in due course.

2.3. Berkshire Pension Fund Website and other Communication

Officers reported during September 2022 that they are only too aware of the need to ensure Scheme employers and their Scheme members are kept, more than ever before, up to date about all changes to the Scheme that impact on them, delivering news about such changes quickly and efficiently.

Officers have looked at driving changes to the communication work that they do, including a review and development of the Pension Fund website to further improve on existing functionality, all aimed at improving engagement with Scheme employers and their Scheme members. The review of the website is now complete, ahead of the original deadline of 31 March 2023.

An ongoing item is to a) target those Scheme members who are yet to register for 'my pension ONLINE' and b) target those who are already registered but chose, as part of the implementation of 'my pension ONLINE' in 2013, to continue to receive a paper copy Annual Benefit Statement to go solely online.

In respect of a), Officers are working with Heywood Pension Technologies who have launched a Transformational Member Experience Programme aimed at developing the functionality and user experience of 'my pension ONLINE' product. Officers are willing to act as a TEST site and will target those Scheme member who are yet to register as part of this programme going LIVE.

In respect of b), Officers have sent the first of three letters to Scheme members, in consideration of the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013. A deadline to respond to at least one of the three letters is 31 March 2023, if a reply to continue receiving a paper copy Annual Benefit Statement is not received by this date no further paper copies will be sent.

Equality Impact Assessment

For support in completing this EQIA, please consult the EQIA Guidance Document or contact equality@rbwm.gov.uk

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Royal Borough of Windsor & Maidenhead

1. Background Information

Title of policy/strategy/plan:	Administration Report
Service area:	Finance
Directorate:	Pension Fund

Provide a brief explanation of the proposal: • What are its intended outcomes? • Who will deliver it? • Is it a new proposal or a change to an existing one?
13 March 2023 Committee Meeting – This report deals with the administration of the Pension Fund for the period 1 October 2022 to 31 December 2022. It recommends that Pension Fund Committee 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. The Committee are asked to 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. Relevance Check

Is this proposal likely to directly impact people, communities or RBWM employees? • If Yes, state 'Yes' and proceed to Section 3. • If No, please explain why not, including how you've considered equality issues. • Will this proposal need a EQIA at a later stage? (for example, for a forthcoming action plan)

No, full assessment not required as this report is unlikely to have a specific impact on individuals or groups of people with protected characteristics

If 'No', proceed to 'Sign off'. If unsure, please contact equality@rbwm.gov.uk

3. Evidence Gathering and Stakeholder Engagement

Who will be affected by this proposal? For example, users of a particular service, residents of a geographical area, staff
Among those affected by the proposal, are protected characteristics (age, sex, disability, race, religion, sexual orientation, gender reassignment, pregnancy/maternity, marriage/civil partnership) **disproportionately represented?** For example, compared to the general population do a higher proportion have disabilities?
What engagement/consultation has been undertaken or planned? • How has/will equality considerations be taken into account? • Where known, what were the outcomes of this engagement?
What sources of data and evidence have been used in this assessment? Please consult the EQIA Evidence Matrix for relevant data. Examples of other possible sources of information are in the Guidance document (Section 2.3).

4. Equality Analysis

Please detail, **using supporting evidence**:

- How the protected characteristics below might influence the needs and experiences of individuals, in relation to this proposal.
- How these characteristics might affect the impact of this proposal.

Tick positive/negative impact as appropriate. If there is no impact, or a neutral impact, state 'Not Applicable'.
More information on each protected characteristic is provided in the EQIA Guidance document (available on the intranet).

	Details and supporting evidence	Potential positive impact	Potential negative impact
Age			
Disability			
Sex			
Race, ethnicity and religion			
Sexual orientation and gender reassignment			
Pregnancy and maternity			
Marriage and civil partnership			
Armed forces community			

Socio-economic considerations e.g. low income, poverty			
Children in care/Care leavers			

5. Impact Assessment and Monitoring

If you have not identified any disproportionate impacts and the questions below are not applicable, leave them blank and proceed to Sign Off.

What measures have been taken to ensure that groups with protected characteristics are able to benefit from this change, or are not disadvantaged by it? For example, adjustments needed to accommodate the needs of a particular group
Where a potential negative impact cannot be avoided, what measures have been put in place to mitigate or minimise this? • For planned future actions, provide the name of the responsible individual and the target date for implementation.
How will the equality impacts identified here be monitored and reviewed in the future?

6. Sign Off

Completed by: Damien Pantling	**Date**: 18/02/2023
Approved by:	**Date:**

If this version of the EQIA has been reviewed and/or updated:

Reviewed by:	**Date**:

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 and Advisory Panel – 13 March 2023
Responsible Officer(s):	Damien Pantling, Head of Pension Fund
Wards affected:	None

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Royal Borough of Windsor & Maidenhead

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.

Following the release of an Environmental, Social and Governance (ESG) public statement in late 2020, the Fund approved a Responsible Investment (RI) policy on 22 March 2021 supported by several values, principles, and priorities. Since then, the Fund has been continuously improving its approach to RI and have been working towards an updated RI policy that was approved by the Committee on 12 October 2022.

This report aims to update the reader quarterly on the Fund's responsible investment activities and outcomes through presenting an RI report and dashboard as aligned with the Fund's RI policy – noting that climate change is one of the underlying priorities in the Fund's revised 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 covers the formal update on LPPI's net-zero commitment, and it's published interim targets.

1. DETAILS OF RECOMMENDATION(S)

RECOMMENDATION: That the Pension Fund Committee notes the report;

i) Approves the Fund's RI dashboard, RI report, active engagement report and achievement of associated outcomes for publication; and

ii) Acknowledges LPPI's net-zero interim targets as published in its roadmap to net-zero.

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

2.1 Since 1 June 2018, all Fund investments have been actively managed or overseen by the Fund's Investment Manager LPPI. Responsible investing is an underpinning principle 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 to Q4 2022 (or Q3 2022/23) are included respectively at Appendix 1 and Appendix 2 to this report.

2.3 Notably, the report and dashboard 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 1.76% of the portfolio.

2.3.2 Investments in green sectors (renewable energy generation, clean technology, and decarbonising activities) make up over 5.01% 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 (via LPPI) 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 related issues. The Fund's active engagement outcomes are reported at Q4 2022 (or Q3 2022/23) in Appendix 3 to this report.

2.6 Whilst a separate RI policy is not compulsory for LGPS Funds under the Regulations, the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, Regulation 7 requires that the Authority's Investment Strategy Statement (ISS) must include the its policy on how ESG considerations are taken into account in the selection, non-selection, retention and realisation of investments. The Fund's ISS (presented for approval by the Committee on 13 March 2023) defines that a separate RI policy shall be in place with detailed guidance on the points within the Regulations, and that implementation of said RI policy would be undertaken by LPPI.

2.7 A decision was taken by the Pension Fund Committee on 6 December 2021 to set up a RI working group (the Task & Finish Group) of Officers, Committee members, Board members, Advisory Panel members, LPPI and independent Advisors. Terms of Reference were agreed and the group first met in April 2022. The Task & Finish group undertook various other meetings and discussions to develop a comprehensive revised RI policy that is modern, consistent with the current external environment, and that it reflects the values, principles and priorities of the Pension Fund Committee. The revised RI policy also serves as a position statement on the Fund's approach to RI.

2.8 The revised RI policy was approved by the Pension Fund Committee on 12 October 2022. LPPI have also given a professional opinion that the policy shall be implemented in practice and tailored reporting has been reflected in the relevant RI report and dashboard (appendix 1 and 2). The revised RI policy encapsulates several changes such as the focus on continuous improvement as well as specific priorities of the Fund within the Environment, Social and Governance categories. The policy is underpinned by the Fund's fiduciary responsibility to pay scheme members benefits as they fall due.

2.9 LPPI have advised that they have received formal confirmation from the IIGCC (Institutional Investors Group on Climate Change) that their first set of net zero targets have been accepted, which means they are in line with the Net Zero Asset Managers commitment previously made and advised in prior versions of this report. This represents an important milestone in the journey to net zero for the Fund, and is reflective of the significant amount of work undertaken by LPPI's Net Zero Project Team to get to this point.

2.10 Since receiving this IIGCC confirmation, LPPI have published a dedicated net-zero update document outlining its approved interim net-zero targets. This document, as attached in Appendix 4 to this report, provides further background and information on LPPI's approach to net-zero including how it will be achieved in practice. A full suite of information in addition to the "Roadmap to Net-Zero"(Appendix 4) can be found on LPPI's website here.

3. KEY IMPLICATIONS

3.1 The Fund is 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 report and dashboard acts as a public document to be updated quarterly and aims to address the majority of public requests for information.

3.2 The RI policy has undergone extensive review by the 'Task & Finish' group and has been confirmed by LPPI to be implementable in practice with no material changes to the Fund's investment activities or objectives.

3.3 The Fund seeks to achieve good ESG credentials whilst maintaining strong investment performance. Evidence suggests these two are not mutually exclusive, therefore, the Fund seeks to achieve both over the long run provided it can meet its fiduciary responsibility to scheme members and employers.

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 revised responsible investment policy outcomes. Therefore, the Fund's fiduciary duty and ultimate goal to pay pensions is not adversely affected by implementation of its revised RI policy but this shall be kept continuously under review.

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 requirement 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 (Regulation 7) which requires that the authority's investment strategy statement (ISS) must include the authority's policy on how social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments. The Fund's ISS (last approved by the Pension Fund Committee on 7 March 2022) defines that a separate RI policy shall be in place with detailed guidance on the points within the Regulations, and that implementation of said RI policy would be undertaken by LPPI. The revised RI policy is this compliant with the regulations.

6. RISK MANAGEMENT

6.1 The Pension Fund Committee review and approve a risk register on a quarterly basis, prepared in line with CIPFA's guidance on "managing risks in the LGPS – 2018". The latest risk register (including relevant actions and mitigations) has been prepared alongside the amendments within this report, with any relevant changes considered and documented as appropriate in the quarterly risk management report.

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: An Equality Impact Assessment is available at Appendix 5 to this report. The Equality Act 2010 places a statutory duty on the council to ensure that when considering any new or reviewed strategy, policy, plan, project, service or procedure the impacts on particular groups, including those within the workforce and customer/public groups, have been considered. There are no EQIA impacts as a result of taking this decision. Equality Impact Assessments are published on the council's website

7.3 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.

7.4 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 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. Specific interim net-zero targets and plans are set out in the relevant appendices.

10. APPENDICES

10.1 This report is supported by 5 appendices:

- Appendix 1: Responsible Investment Report Q4 2022
- Appendix 2: Responsible Investment Dashboard Q4 2022
- Appendix 3: Active Engagement Report Q4 2022
- Appendix 4: LPPI roadmap to net-zero
- Appendix 5: EQIA

11. BACKGROUND DOCUMENTS

11.1 This report is supported by one background document available in the "policies and reports" section of the Pension Fund website

- Responsible Investment Policy (October 2022)

12. CONSULTATION (MANDATORY)

Name of consultee	Post held	Date sent	Date returned
Mandatory:	*Statutory Officers (or deputy)*		
Adele Taylor	Executive Director of Resources/S151 Officer	**17/02/2023**	
Emma Duncan	Deputy Director of Law and Strategy / Monitoring Officer	**17/02/2023**	
Deputies:			
Andrew Vallance	Head of Finance (Deputy S151 Officer)	**17/02/2023**	**23/02/2023**
Elaine Browne	Head of Law (Deputy Monitoring Officer)	**17/02/2023**	**02/03/2023**
Karen Shepherd	Head of Governance (Deputy Monitoring Officer)		
Other consultees:			
Cllr Julian Sharpe	Chairman – Berkshire Pension Fund Committee	**17/02/2023**	
Alan Cross	Chairman – Local Pension Board	**17/02/2023**	**27/02/2023**

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

This report has been prepared by LPPI for Royal County of Berkshire Pension Fund (RCBPF) as a professional client.

1. Introduction

This report on Responsible Investment (RI) is a companion to the LPPI RI Dashboard (Appendix 1) and the Quarterly Active Ownership Report (Appendix 2).

It covers stewardship in the period 1st October - 31st December 2022 plus insights on current and emerging issues for client pension funds.

[R] This symbol indicates a term explained in the reference section at the end of this report.

Key takeaways for the period:

- In Q4 2022 LPPI voted on 98% of company proposals, supporting 77% of these.
- Investments in Brown sectors (extraction, transportation, storage, supply, and generation of energy from fossil fuels) are 1.76% of the portfolio.
- Investments in Green sectors (renewable energy generation, clean technology, and decarbonising activities) are 5.01% of the portfolio.
- LPPI has applied to join the Net Zero Engagement Initiative (NZEI), a new engagement programme from the Institutional Investors Group on Climate Change (IIGCC[R]). It seeks to support collaborative engagement with carbon intensive companies that sit outside the top 166 largest emitters in the Climate Action 100+[R] universe.
- The PRI[R] recently released the results for the 2020/21 reporting cycle, with LPPI achieving over 70% in each module and scoring significantly higher than the peer group average.
- LPPI has recently released its Roadmap to Net Zero, which follows our formal submission to the IIGCC's Net Zero Asset Managers Initiative[R] in October.

2. RI Dashboard – Portfolio Characteristics

This section of the report shares key takeaways from the RI Dashboard at Appendix 1.

Asset class metrics (*Dashboard pages 1 and 2*) offer insights on the composition of the portfolio and its general characteristics. See the summary for Q4 2022 outlined below.

The Real-World Outcomes section of the dashboard features examples of socially positive investments and this quarter the focus is on Listed Equity. Pages 6-8 share information on a selection of investments within the RCBPF portfolio which are developing solutions in large, small and mid-cap companies.

Listed equities (Dashboard p1)

Sector Breakdown

Categorised by GICS[R] the largest sectoral exposures for the GEF are information tech. (26%), consumer staples (15%), and financials (14%).

Comparing the GEF with its benchmark (MSCI ACWI)[R] gives insight into how sector exposures for the fund differ from a global market index. The length of each horizontal bar indicates by how much exposures differ in total (+ or –) compared with the benchmark, which is the outcome of active managers making stock selection decisions rather than passively buying an index.

Top 10 Positions

The top 10 companies (10 largest positions) make up 22% of the total LPPI GEF.

In Q4 2022 Nestle moved up 1 position and is now the largest holding in the GEF. Visa and Microsoft remain in the top three, although Visa is now up 1 position and Microsoft is down 2 positions. Alphabet and Diageo have moved down 1 and 4 positions respectively, whereas, Accenture and Starbucks have moved up 1 and 4 positions respectively. Pepsico remained the same, whilst Intuit and Apple were replaced by LVMH and Colgate, which makes up the last positions in the top 10.

Portfolio ESG Score

The GEF's Portfolio ESG score has increased from 5.74 to 5.76 between Q3 and Q4 (dashboard chart is rounded). In the same period the equivalent score for the benchmark had not changed at 5.5.

Transition Pathway Initiative (TPI)

Monitoring against TPI[R] Management Quality ratings confirms the GEF continues its relatively low exposure to highly carbon intensive activities with minimal changes in ratings since Q3. By value, the coverage of the GEF represented within the globally high emitting companies under TPI assessment remained the same at 11%, between Q3 and Q4.

The number of GEF companies in scope of TPI scoring has increased by 1 since Q3 2022, changing from 30 to 31. This increase is a result of the new external manager Ballie Gifford, bringing 2 new companies from the TPI universe into scope, whilst elsewhere one in-scope company has left the portfolio.

Of the 31 companies in TPI scope:

- 92% (by value) are rated TPI 3 and above – demonstrably integrating climate change into their operational planning (TPI3) and into their strategic planning (TPI 4). This is down from 94% in Q3 2022, which is a general reflection of the additional companies bringing down the ratio.
- 8 companies are scored below TPI 3 and are under monitoring.

Governance Insights

These metrics provide insights on governance issues for the GEF using data from ISS DataDesk (Institutional Shareholder Services) our provider of shareholder voting services.

Women on the board: A measure of gender diversity confirming the average proportion of female board members for companies in the GEF (where data is available).

In Q4 2022, an average of 29% of board members were female in the GEF, which is unchanged from Q3. There was a coverage of 84% data availability (up from 83% in Q3), which was a result of several companies not being in scope of the ISS database.

Board independence: The average proportion of board members identified by ISS as independent. Please note independence expectations vary across markets with LPPI generally favouring greater independence as a route to an appropriate breadth of ideas, skills and experiences being drawn upon.

In Q4 2022, on average 68% of board members were independent in the GEF, which is down from 69% in Q3. There was a coverage of 84% data availability (unchanged from Q3), which was a result of several companies not being in scope of the ISS database.

Say-on-pay: The average level of investor support for the most recent say-on-pay vote at a company meeting. Please note not all markets require say-on-pay votes. A vote of greater than 20% against (support < 80%) is generally considered significant.

In Q4 2022, an average of 88% were in support for say on pay (unchanged from Q3), which indicates a high proportion of investors were supportive of the pay policies of investee companies. There was a coverage of 69% data availability (down from 72% in Q3), which was a result of several companies not being in scope of the ISS database.

<u>Other asset classes (Dashboard p2)</u>

Private Equity

The largest sector exposure continued to be in health care, although reducing down from 38% in Q3 to 37% in Q4 2022. The geographical exposure continued to have a strong presence in the United States (40%), increasing from 38% in Q3 2022.

Infrastructure

The geographical exposures to UK based infrastructure slightly decreased, moving from 52% exposure in Q3 to 48% in Q4. The largest sectoral exposure remained in traditional energy, renewable energy, waste, which makes up 40% of the portfolio.

Real Estate

The largest sectoral exposure continued to be industrial assets in Q4 2022, making up 36% of the portfolio. The portfolio continued to be largely deployed in the UK, although reducing from 76% in Q3 to 71% in Q4 2022.

Green & Brown Exposures

Calculation of the Fund's exposure to Green and Brown activities focusses specifically on equity assets (listed equity, private equity, and infrastructure) plus corporate bonds within fixed income. Figures give an indication, rather than a precise measure, as an assistance to reviewing the overall position.

Green activities are those directly contributing to real world decarbonisation, principally through renewable energy generation, but include other activities supporting lower emissions including district heating, and waste management. Brown activities are those directly involved with extracting, transporting, storing, and otherwise supplying fossil fuels, or using them to generate energy.

The dashboard presents information on the trend in Green and Brown exposures (commencing in Q2 2021). Quarterly changes in Green and Brown exposure reflect multiple factors at play including funds reaching maturity, assets being revalued, and investments being made and sold. The total value of the Royal County of Berkshire Pension Fund (RCBPF) portfolio (as the denominator) also affects Brown and Green % shares quarterly.

Compared with Q3 2022, Brown exposure has increased marginally from 1.69% to 1.76%. The biggest contributor to the increased exposure is from the GEF. This is a reflection of a mark-to-market increase, demonstrating the strong performance of Brown positions held in the GEF due to elevated oil and gas prices. This has increased the GEF's Brown exposure from 0.31% in Q3 to 0.45% of the portfolio in Q4. Other contributing factors have been from the infrastructure asset class, where there has been a small mark-to-market increase in the performance of Brown positions held in portfolio.

Compared with Q3 2022, Green activities have increased from 4.69% to 5.01% of the portfolio. The biggest contributors to the increased exposure are the infrastructure and private equity assets classes. The private equity figures reflect a full re-evaluation based on the current categorisation process, as we have done in other asset classes. This added some further companies within existing funds that have not previously been identified as Green, predominantly in the decarbonising and clean tech fund categories. This has increased private equity's Green exposure from 0.16% in Q3 to 0.25% of the portfolio in Q4. Infrastructure's contribution reflects a positive mark-to-market increase, demonstrating the strong performance of Green positions held in portfolio. This has increased infrastructure's Green exposure from 4.46% in Q3 to 4.72% of the portfolio in Q4.

Investments in renewable energy generation from wind, solar, hydro, and waste make up 60% of total Green exposure, and 94% of Green exposure is via infrastructure assets.

3. Core Stewardship

This section of the report gives an overview of stewardship activities in the last quarter. Client pension funds delegate day to day implementation of the Partnership's Responsible Investment approach to Local Pensions Partnership Investments Ltd (LPPI). Ongoing stewardship activities by LPPI include portfolio and manager monitoring and the exercise of ownership responsibilities via shareholder voting, and engagement.

Shareholder Voting - LPPI Global Equities Fund (GEF) *(Dashboard page 3)*

Shareholder voting is overseen centrally by LPPI rather than by individual asset managers. LPPI receives analysis and recommendations from an external provider of proxy voting and governance research. We follow Sustainability Voting Guidelines focussed on material ESG considerations and liaise with providers and asset managers as needed to reach final voting decisions.

Full details of all shareholder voting by LPPI are publicly available from the LPP website within quarterly shareholder voting reports.

The period 1st October – 31st December 2022 encompassed 40 meetings and 321 resolutions voted. LPPI voted at 98% of meetings where GEF shares entitled participation. The shortfall reflects the application of Do Not Vote to one Russian position that was not fully liquidated before trading restrictions were introduced.

Company Proposals

LPPI supported 77% of company proposals in the period.

Voting against management captured:
- the election of directors: 35% of votes against (addressing individual director issues, overall board independence, and over-boarding).
- compensation: 11% of votes against (addressing inadequate disclosure of underlying performance criteria, use of discretion, and the quantum of proposed rewards).

Case Study – Director Related

LPPI voted against 23 director-related resolutions across nine companies. This was 13% of all director-related votes.

LPPI voted against three resolutions across two companies due to a lack of Board independence. Results: 5.7% - 17.8% Against.

LPPI voted against five directors across four companies due to the lack of diversity on the Board. Results (where disclosed): 0.2%-17.8% Against.

Case Study – Compensation

LPPI voted against seven compensation resolutions at seven companies. This was approximately 18% of compensation-related votes.

At Oracle Corporation (USA: Systems Software), LPPI voted against the say on pay. This was driven by poor disclosure, the use of entirely discretionary bonuses for some named executive officers, and modification to in-progress equity awards. Following multiple years of low support for the say on pay, ISS judged shareholder outreach to be insufficient and recommended voting against all incumbent board members as an escalation. LPPI shared concerns around the lack of responsiveness, but thought it was most appropriate to withhold support for members of the Remuneration Committee for this topic. Say on pay result: 33.1% Against. Remuneration Committee member results: 27.3% - 30.5% Against.

At Copart (USA: Diversified Support Services), LPPI voted against the say on pay. This was driven by a combination of poor disclosure, an overreliance on subjective metrics in the annual bonus, and a large front loaded equity award in the long-term incentive plan (LTIP) that was linked to metrics that reward short-term share price peaks. Result: 38.0% against.

At RPM International (USA: Specialty Chemicals), LPPI voted against the say on pay. This was driven by poor disclosure of performance metrics. Result: 33.4% Against.

Shareholder Proposals

LPPI supported 11 out of 14 (79%) shareholder resolutions over the quarter. Eight were management supported and related to routine corporate governance items at Chinese companies.

Microsoft Corporation (USA: Systems Software) faced six shareholder resolutions. LPPI voted against three. All were considered to be of low quality (e.g. requesting a report on the costs of diversity and inclusion initiatives to be published 18 days after the AGM, micro-managing retirement funds available to employees, and seeking disclosure which Microsoft has already produced). Results: 88.8% - 98.7% Against.

LPPI supported two resolutions seeking greater information regarding the risk association of government-related defence contracts. LPPI also supported a resolution seeking tax disclosure in line with the Global Reporting Initiative's Tax Standard. Results: 10.5% - 23.0% For.

Climate Voting ***(NEW)***

This new section will capture climate-related votes arising from the updated Shareholder Voting Guidelines (SHVGs). It will also draw out coverage of any CA100+ linked shareholder resolutions.

During Q4 2022, no voting action on climate relating to the SHVGs or CA100+ linked resolutions occurred.

Case Study – Manager Engagement

In Q4 2022, LPPI's Infrastructure team engaged with an external manager on specific initiatives as part of ongoing portfolio monitoring. The first initiative was a review of their latest UN PRI[R] assessment score and areas for improvement to meet the criteria required for future assessments. This review was a collaborative process to exchange thoughts on key components of ESG processes such as resourcing, asset management and carbon reporting. The second initiative involved a deep-dive review of the same external manager, related to the latest investment in a conventional power asset in the US. This review sought to understand key ESG risks and opportunities of this investment, namely balancing the exposure to fossil fuel (natural gas) against supporting the energy transition of several coal-reliant US states. Further, in Q4 2022 the LPPI Infrastructure team met with the manager's private markets ESG team in person, which provided the opportunity to discuss ESG initiatives such as physical climate risk assessment tools and integration of ESG initiatives in business plans.

4. Robeco Summary

Engagement (Public Markets): Robeco *(Dashboard page 4)*

This section of the dashboard outlines the engagement activities undertaken by Robeco in the public markets by topic, sector, method, and region (indicating the number of companies engaged / geographical distribution). Robeco currently engages with 32 companies in the GEF, accounting for 24.6% of the total GEF portfolio.

Engagement (Public Markets): Robeco *(Dashboard page 5)*

Engagement progress by theme, also shown on page 2 in the Robeco Active Ownership report, summarises their engagement activity for our portfolio over the quarter and breaks them down into sub-sectors, where they are rated on success/progress (shown as a %). The data outlined in our dashboard is specifically related to the companies in LPPI's portfolio and the engagements Robeco undertake on our behalf.

Robeco's New Themes

Each year in Q4, Robeco clients submit engagement priorities to inform new themes to be created for the year ahead. These suggestions are aggregated and presented at the annual client panel for further discussion. The three new engagement themes selected for 2023 are below and will be rolled out across the year. Modern slavery and tax were LPPI-identified priorities which we were pleased to see incorporated. In addition to the new themes, Robeco confirmed that they will also expand coverage of the climate change and biodiversity themes given the long-term, systemic nature of these topics.

Forced Labour and Modern Slavery

Background
Over 50 million people globally are trapped in modern slavery. Roughly 28 million people are victims of forced labour, and half of those are in the Asia-Pacific region. Governments and regulators are paying growing attention to modern slavery risks, and investors have a responsibility to respect human rights, as outlined in the UN Guiding Principles on Business and Human Rights.

Engagement focus
Robeco's engagement will focus on companies predominantly linked to the Asia-Pacific region operating in sectors highly exposed to forced labour risks, such as Consumer Discretionary, Consumer Staples, Technology and Healthcare.

Just Transition

Background

The 'Just Transition' as a concept is about greening the economy in a way that is as fair and inclusive as possible to everyone impacted. Robeco believe that emerging markets are where the battle against climate change will be won or lost, as issues of transition are most acute across Africa and Asia.

Engagement focus

The engagement will focus on companies in emerging markets that are enabling and/or contributing to the just energy transition.

Tackling Tax Transparency

Background

Taxation is increasingly a topic for debate for regulators and progressively seen as a key ESG topic. Due to recent regulatory developments, Robeco believe that 2023 is a good time to start engaging on this topic.

Engagement focus

This theme will focus on improving the transparency of companies over their tax status, and what they actually pay to the governments of the countries in which they operate.

Robeco Active Ownership Report: Content Overview

The below information is a summary of Robeco Active Ownership report, from page 3 onwards, which covers case study insights from across the workload that they have chosen to give an update on this quarter. All information represents Robeco's findings for their entire assets under engagement. Although it is still relevant to LPPI, it is not specific to the companies that are under engagement for LPPI. These insights can refer to companies inside and outside our portfolio, depending on our specific exposure to the given theme being highlighted.

Social Impact of Artificial Intelligence

As Robeco close their Social Impact of Artificial Intelligence (AI) engagement theme, they reflect on some of the key trends, opportunities and challenges around this technology. From 2019 to 2022, Robeco engaged with 10 companies on behalf of all clients from across the Information and Communication Technology (ICT) sector with the aim of promoting best practices in the development and responsible use of AI.

Robeco concluded their Social Impact of AI engagement program and successfully closed 40% of engagement cases across all assets under engagement. They learned that companies are gradually aligning internal practices to principles of responsible AI, and many address topics like inclusiveness, fairness, and transparency. However, ethical principles on their own do not ensure the responsible development and deployment of AI. Businesses require robust governance mechanisms to effectively implement their principles. Robeco observed that transparency around AI governance and implementation remained low, as most companies' public disclosures lacked clarity about how such principles translate into practice.

The alignment of AI technologies with ethical values and principles will be critical to promote and protect human rights in society. Even though much work has been done in this area, the implementation of AI principles and management of AI risks remains a critical area for improvement.

Social Impact of Gaming

In Q1 2021 Robeco started engaging the global video gaming industry on its social impact. They selected six of the largest listed gaming companies located in the US, South Korea and China, with objectives that address the social impacts felt both behind and in front of the screen. For the consumers playing the games, companies are expected to develop strategies that prevent harassment occurring between players. Each studio has developed and integrated preventative tools on a game-by-game basis, though Robeco have encouraged companies to learn from each other and create a more general application of harassment-prevention tools.

Research into disruptive player behaviour has also been conducted by the industry, but has yet to be leveraged in game design. This integration will be encouraged by Robeco in the coming months. Other elements of player behaviour that warrant attention are the money and time spent within games. At least half of the companies have implemented a ban on spending abilities for accounts below an early-teen age group, however, age restrictions and time restraints are largely implemented through the consoles and must be set by parents.

Depictions of violence within games has had less attention from the industry but is acknowledged as material by the companies. However, Robeco have yet to see examples of clear policies that guide what imagery is appropriate outside of regulation, and it is widely seen to be a creative rather than a risk-aligned decision. In-game diversity has had attention in the US-based studios but has had less traction in other markets. Companies have highlighted extended character appearance options that allow for diverse avatars, however, this is considered a creative decision that is determined by project teams and is influenced by the diversity levels of the teams themselves.

Since the launch of the engagement, the issue of diversity and inclusion on the work floor has only continued to rise in prominence within the gaming sector. Allegations of toxic workplace cultures, enabling sexual harassment and discrimination, continued into 2021, triggering legal and employee action. Western companies have appointed leads for diversity, installing training and development programs, while remaining defensive of the view that allegations are the result of systemic issues. Companies in other regions however approach diversity primarily from the gender perspective, and are less responsive to the issue overall.

All companies under engagement now publish annual ESG reports, when at the beginning of the engagement, three had yet to do so. The reports highlight initiatives that relate to many of Robeco's objectives, and largely conform to frameworks that include metrics that they deem important for transparency, in particular those that are related to the workforce.

Biodiversity

Nature is critical to meeting the UN Sustainable Development Goals (SDGs) and limiting global warming to 1.5 degrees. In an active effort to live up to their clients' environmental and social responsibilities, in 2020 Robeco set up an integrated and multi-layered engagement approach to address biodiversity loss.

Addressing biodiversity loss requires urgent action from both governments and companies. Investor action on biodiversity has been limited, with data barriers and capacity limitations keeping them from integrating biodiversity into their investments, engagement and voting decisions at scale. Robeco has set out to create a holistic, multi-layered and scalable engagement approach towards biodiversity. As such, they are not only engaging the various relevant stakeholders, but also exploring how stewardship efforts can be scaled through collaborative engagements. Robeco's engagement initially started off with a focus on biodiversity loss linked to deforestation among companies exposed to high-risk commodities. However, as of Q4 2022, it has now expanded to other drivers of biodiversity loss, from pollution to overfishing.

Robeco expect companies to assess their biodiversity impacts and dependencies, and set a biodiversity strategy. They also expect companies to report key impact indicators following recognised reporting frameworks such as Taskforce for Nature-Related Financial Disclosures. The theme will, among others, cover companies engaged as part of the new RobecoSAM Biodiversity Equities Fund, which directs financial flows towards biodiversity solutions providers.

Seeking further collaborative engagement opportunities, Robeco have recently signed the Business for Nature statement calling for mandatory corporate reporting for nature by 2030, as well as joining the letter campaign and ESG data provider engagement by the Finance Sector Deforestation Action. Robeco has also recently been part of the core investor group that launched the Nature Action 100 initiative during the UN Biodiversity Conference in Montreal in December 2022.

Shifting to the sovereign level, Robeco continues to be actively involved in the Investor Policy Dialogue on Deforestation (IPDD) initiative since it was formally set up in July 2020. Currently, the coalition is comprised by 65 institutional investors from 19 countries, with USD 10 trillion in assets under management. Robeco considers sovereign engagement as a necessary and powerful step to encourage governments that are significantly exposed to deforestation risk to implement relevant policies and contribute to a positive change.

Corporate Governance Standards in Asia

Robeco have two broad streams of engagement in Asia. Firstly, focusing on working with regulators and policy stakeholders in Japan, South Korea, and to a lesser extent in China, to ensure an improved and level playing field for ESG issues. Secondly, working constructively with companies in Japan and South Korea to improve their disclosure, communication and financial performance.

Their policy engagement included a virtual meeting with Japan's Ministry of Economy, Trade and Industry. Raising issues on the disclosure timing of annual reports, and noting the importance to investors that these be released prior to the annual general meetings. They also become co-signatories of a letter to Japan's Financial Services Agency and the Tokyo Stock Exchange on two pathways to address the low rate of female participation, looking to change the listing rules via Japan's Corporate Governance Code.

The markets of Japan and South Korea have large valuation discounts compared to other developed markets in Europe and the US. These discounts have widened in the year to date with the strong relative appreciation of the US dollar. The companies under engagement were also trading at valuation discounts compared to their global industry peers, which Robeco attribute partly to broad governance issues in Japan and South Korea, but also to the lack of robust financial strategies and inefficient balance sheets.

Robeco believe in two key principles for good corporate governance: transparency and accountability. They ask companies to improve transparency by publishing narrative reporting on their corporate strategy and having a distinct financial strategy. There is much to celebrate given the increased emphasis on reporting on material environmental and social (E&S) issues, including setting targets on greenhouse gas emissions reductions. However, there are still significant opportunities for companies to improve reporting of their financial strategy and to give robust explanations on specific targets that would support their business strategy.

5. Collaborations and Partnerships

LPPI participates in a range of investor groups and partnerships which provide opportunities for shared learning and a platform for collective action. The following are headlines for Q4 2022.

IIGCC's Net Zero Engagement Initiative

LPPI applied to join the Net Zero Engagement Initiative (NZEI), a new engagement programme from the Institutional Investor Group on Climate Change (IIGCC[R]). It seeks to support collaborative engagement with carbon intensive companies that sit outside the top 166 largest emitters in the Climate Action 100+[R] universe. The NZEI seeks to capture smaller companies which represent the long tail of greenhouse gas emissions with the view of supporting investors in meeting their Net Zero Investment Framework engagement targets (used by LPPI). Further information and the commencement of engagement is scheduled for Q1 2023.

Principles for Responsible Investment (PRI) Consultation

As a PRI[R] signatory, LPPI participated in a dialogue and submitted a response to a formal consultation on the future direction of PRI which closed on 27th Jan 2023.

The consultation, PRI in a Changing World, was issued on the conclusion of a programme of signatory workshops in key markets which explored the context, started the conversation, and introduced key themes. LPPI's Head of Responsible Investment attended the UK event at PRI Head Office in London in November 2022.

The consultation posed questions in the following seven areas:

1. What does responsible investment mean today?
2. Expectations about signatory progression
3. The role of responsible investors in the financial system, and in influencing policy change; and barriers to signatory action on sustainability outcomes.
4. The PRI's response to signatory needs – globally and locally – and the challenges signatories face
5. The PRI's strategy setting approach and governance
6. The PRI's mission statement
7. Signatories' engagement and satisfaction with the PRI

The questions reflect that in the period since PRI launched in 2006 there has been a significant shift in market practice and expectations. These need acknowledging and reflecting in the PRI's strategy, planning, and resourcing and in requirements placed on signatories going forward.

LPPI's response to the consultation (by confidential online questionnaire) communicated the value we place on a robust external good practice standard for stewardship incorporating ESG integration. We voiced support for a clearer set of signatory requirements that builds-in an expectation of progression over time and a focus on disclosure being proportionate and useful rather than exhaustive. Increasing pressure is arising from the expansion of stewardship-focussed reporting introduced by regulation which extends compulsory disclosures without co-ordination with other reporting regimes. Disclosure standards are similar but not aligned, reporting periods and deadlines overlap, and there is insufficient dispensation for equivalency despite the same activities being the subject of multiple disclosure requirements. The consultation will provide direct insights which can tighten the PRI's focus on how to accommodate the asset owner and asset manager context in planning how to support signatories achieving stewardship good practice and demonstrating this to their stakeholders.

Asset Owner Diversity Charter (AODC)

As a signatory to the AODC, LPPI has committed to encouraging our managers to fill in the AODC questionnaire once a year. To make this process more efficient, the AODC have begun an initiative with CAMRADATA, a data analysis firm, to provide a centralised database where each manager can submit their responses once, which all signatories to the Charter can then access. LPPI identified 18 of our largest managers across the portfolio to target in a first round of requests. Together with CAMRADATA we sent out the latest version of the questionnaire, requesting each manager to complete it. So far, we have received responses from all but one of our managers and all but 4 of these used the new CAMRADATA platform and template. Outside of this priority group, 6 of our managers have already completed the questionnaire on the database. Our response rates were shared with the AODC team who are working on compiling these and other insights from the data itself into a 'year in review' progress report for the initiative. The report will include case studies to support ongoing engagement on this important topic and be published in the coming months.

6. Other News and Insights

PRI Results

Module	LPPI Scores	PRI Median Scores
Investment and Stewardship Policy	4* (87%)	3* (60%)
Direct – Listed Equity – Active Fundamental Incorporation	5* (96%)	4* (71%)
Direct – Listed Equity – Active Quantitative – Voting	4* (72%)	3* (54%)
Direct – Listed Equity – Active Quantitative – Voting	4* (72%)	3* (61%)
Indirect – Listed Equity - Active	4* (87%)	4* (67%)
Indirect – Real Estate	5* (91%)	3* (62%)

The PRI[R] recently released the results for the 2020/21 reporting cycle, with LPPI achieving over 70% in each module and scoring significantly higher than the peer group average. With the reporting and scoring framework undergoing a number of changes from the previous reporting cycle, we are pleased to have maintained such high scores across the board. LPPI has scored above the median threshold for all assessed modules against both immediate asset owner (10-50B) and asset manager (10-50B) benchmarks (Europe) and against all PRI signatories (Global).

Since the PRI submission, our philosophy, tools and frameworks around ESG integration have moved on substantially. We continue to improve ESG integration across our asset class teams and will be looking to showcase these improvements in the next PRI submission.

PRI Advance Launch

The PRI has officially launched Advance, the engagement programme which aims to support institutional investors to collaborate and take action on human rights and social issues. At launch, LPPI was one of 220 investors endorsing the initiative, representing $30tn in assets under management.

DLUHC Consultation: LGPS governance and reporting of climate change risk

The Department for Levelling Up, Housing and Communities issued its long-awaited consultation on proposed requirements for climate change governance and reporting by LGPS pension funds on 1st September 2022. This ran until 24th November 2022 and DLUHC are currently analysing responses.

The consultation sought views on proposals to require LGPS administering authorities in England and Wales to assess, manage and report on climate-related risks, in line with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD[R]). The consultation was comprehensive and sought responses to 12 questions.

LPPI's detailed consultation response incorporated insights on the proposed requirements from the perspective of asset manager and pooled investment provider as well as from the context of our clients as administering authorities. As an assistance to those planning their own submissions, LPPI's consultation response was shared privately with our client funds in early November.

Key points raised in LPPI's response included

- The importance of partnership between administering authorities and their pools in making a decisive start despite incomplete data and imperfect tools
- The ambitious timetable and scope for the first reporting year to be a pilot which surfaces shared learning
- The gap between what is ideal and what can be achieved in practice currently given gaps in data, tools and established approaches for modelling climate-related risks for complex portfolios
- Limitations in what the provider market has developed at this point to support implementation for a diversified portfolio of assets
- The importance of detailed guidance stipulating a specific approach wherever consistency is required for the purposes of comparison or aggregation across pensions funds
- The opportunity for encouraging convergence around strong standards whilst maintaining flexibility to embrace evolving discipline and practice
- The requirement for TCFD reporting periods and disclosure deadlines to reflect dependency and reliance between asset managers, pools and pension funds
- The underestimation of resourcing and implementation costs for pools and funds.

DLUHC are due to issue the guidance which implements applicable requirements by April 2023.

Shareholder Voting Guidelines Update

The latest iteration of LPPI's Shareholder Voting Guidelines (SHVGs) has been published, incorporating material changes to how matters relating to climate change and board gender diversity are captured in the execution of shareholder voting rights for holdings in the Global Equities Fund.

On climate, LPPI has increased the scope of companies to which climate-related voting actions are applicable as well as enhanced the standards to which company management is held. Previously, votes were cast against companies within the Transition Pathway Initiative (TPI) universe with a Management Quality score less than three (indicating they have not publicly set any greenhouse gas emissions reduction targets or disclosed emissions data).

The updated SHVGs expands the universe to cover all companies in sectors identified as high impact in the IIGCC Net Zero Investment Framework, and applies the more rigorous Climate Action 100+ benchmark (where a company is in coverage) or, alternatively, LPPI's internal assessment of net zero alignment using MSCI[R] and other data sources. LPPI's internal assessment uses the IIGCC's Net Zero Investment Framework categorisation of corporate alignment and was discussed with IIGCC staff during the research phase.

LPPI will vote against management at companies that are assessed to be in the bottom two tiers of "Not Committed" or "Committed to Aligning". This captures companies that have not set a long-term ambition to decarbonise ("Not Committed") and those that have set the ambition but not followed-up with disclosure on carbon footprints or targets ("Committed to Aligning"). Adverse votes will also occur when companies have not met minimum standards in the TPI or CA100+ benchmarks.

On board gender diversity, LPPI has expanded the scope of companies that are expected to have at least 30% women to include the Russell 3000 index of US companies, in addition to the FTSE 350. LPPI will vote against the Chair of the Nomination Committee where women make up less than 30% of the board, unless the firm has disclosed a plan to meet the 30% standard within a year.

Roadmap to Net Zero

LPPI has recently released its Roadmap to Net Zero, which follows our formal submission to the IIGCC's Net Zero Asset Managers Initiative[R] in October. LPPI has voluntarily made a public commitment to the goal of aligning our portfolio with Net Zero emissions by 2050. We also aim to have 100% of assets under management in scope of our Net Zero target setting over time. This roadmap outlines our Net Zero approach, and draws out our aims, targets and specific metrics used to measure our progress in reaching our goal.

For Reference

GICS - Global Industry Classification System
The most widely used approach to categorising activities into industry sectors. The main standard in use for public markets with growing use for other asset classes. For more information on GICS and the activities that fall into each sector, please see:
https://www.spglobal.com/marketintelligence/en/documents/112727-gics-mapbook_2018_v3_letter_digitalspreads.pdf

Climate Action 100+
Climate Action 100+ is an investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change.

Paris Agreement
The Agreement is a legally binding international treaty to tackle climate change and its negative impacts. The Agreement includes commitments from all countries to reduce their emissions and work together to adapt to the impacts of climate change. It entered into force on 4 November 2016.

The Agreement sets long-term goals to guide all nations to:

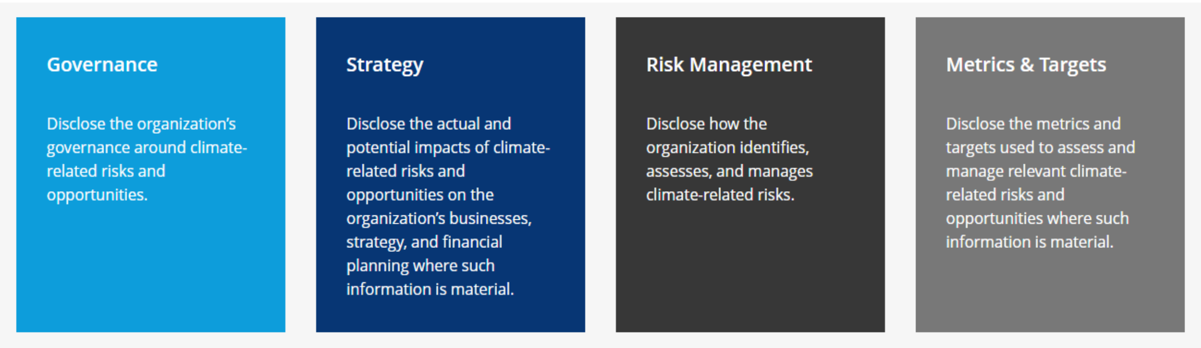
- substantially reduce global greenhouse gas emissions to limit the global temperature increase in this century to 2 degrees Celsius while pursuing efforts to limit the increase even further to 1.5 degrees,
- review countries' commitments every five years,
- provide financing to developing countries to mitigate climate change, strengthen resilience and enhance abilities to adapt to climate impacts.

https://www.un.org/en/climatechange/paris-agreement

MSCI ACWI - MSCI All Country World Index
A stock index designed to track broad global equity-market performance. The LPPI Global Equity Fund's benchmark.

MSCI - **Morgan Stanley Capital International**
A global index provider.

TCFD - Taskforce on Climate Related Financial Disclosure
The Financial Stability Board created the Task Force on Climate-related Financial Disclosure (TCFD) to improve and increase reporting of climate-related financial information by companies and investors.
Recommendations include annual disclosure under 4 pillars:



TPI - **Transition Pathway Initiative** https://www.transitionpathwayinitiative.org/
The TPI assesses the highest emitting companies globally on their preparedness for a transition to a low carbon economy. 368 companies are rated TPI 0-4* for Management Quality based on 19 separate datapoints. TPI Management Quality scores provide an objective external measure of corporate transition readiness.

NZAMI – Net Zero Asset Managers Initiative https://www.netzeroassetmanagers.org/
The Net Zero Asset Managers Initiative launched in December 2020 and aims to galvanise the asset management industry to commit to a goal of net zero emissions.

IIGCC
Institutional Investor Group on Climate Change. LPPI is a member.

PRI - **Principles for Responsible Investment** https://www.unpri.org/
A United Nations-supported international network of financial institutions working together to implement its six aspirational principles, often referenced as "the Principles".

Responsible Investment Dashboard Q4 2022

1. Portfolio Insights

BERKSHIRE PENSION FUND

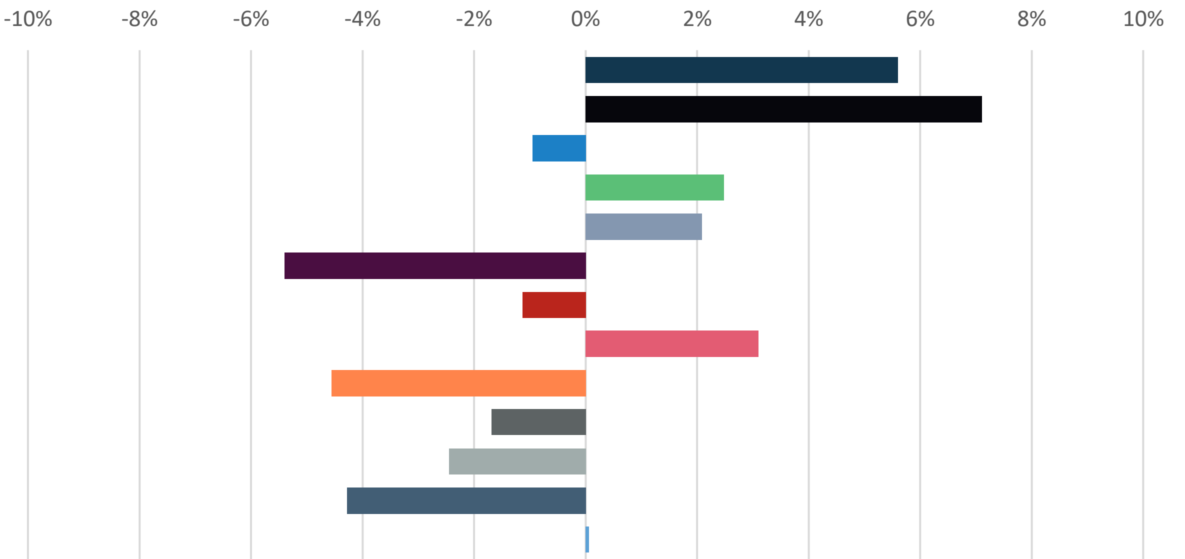
LPP Local Pensions Partnership Investments

Listed Equities (LPPI Global Equities Fund)

Sector Breakdown (%)

Information Tech.	25.6
Consumer Staples	14.9
Financials	14.2
Consumer Discretionary	12.9
Industrials	12.3
Health Care	8.0
Communication Services	5.6
Cash	3.1
Energy	1.0
Real Estate	0.9
Utilities	0.7
Materials	0.7
Others	0.1

LPPI Global Equities Fund Sector Weights vs MSCI ACWI ND



Top 10 Positions

	Portfolio (%)
1. Nestle	3.1
2. Visa	3.0
3. Microsoft	3.0
4. Accenture	2.2
5. Alphabet	2.1
6. Starbucks	1.7
7. Lvmh Moet Hennessy	1.7
8. Pepsico	1.7
9. Colgate-Palmolive	1.7
10. Diageo	1.6

Governance Insights (ISS DataDesk)

Women on the Board (Average)

29%

Coverage of GEF 84%

Board Independence (Average)

68%

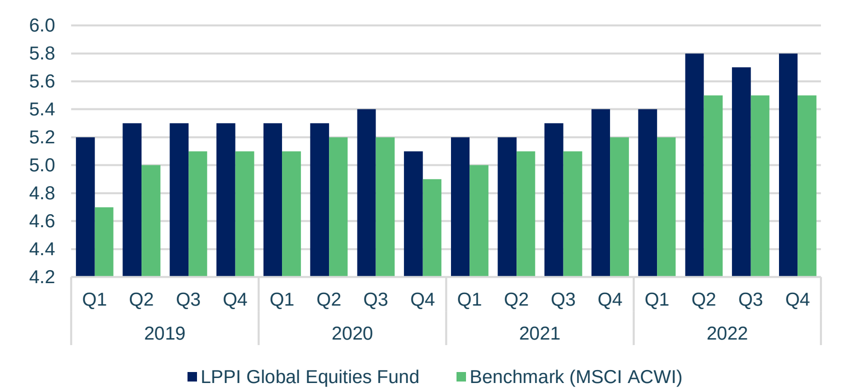
Coverage of GEF 84%

Support for Say on Pay (Average)

88%

Coverage of GEF 69%

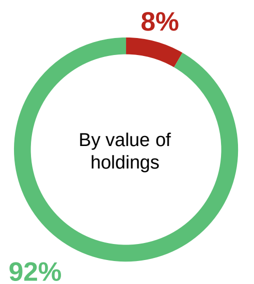
Portfolio ESG Score (MSCI ESG Metrics)

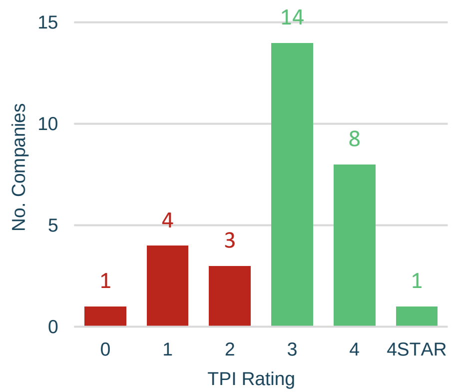


Transition Pathway Initiative – Management Quality Headlines

11.0%

GEF covered by TPI analysis (Q4 2022)





TPI Management Quality Ranking

- 0 - Unaware
- 1 - Aware
- 2 - Building capacity
- 3 - Integrated into operational decisions
- 4 - Strategic assessment

Responsible Investment Dashboard Q4 2022

1. Portfolio Insights

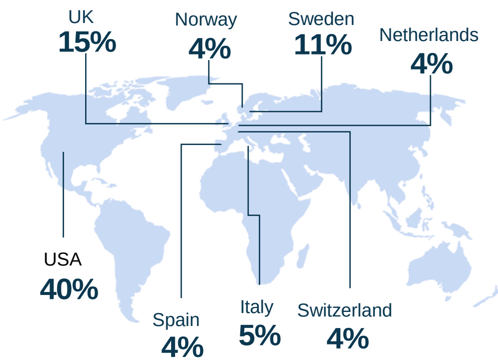
Other asset classes

Private Equity

Industry Breakdown (%)

Health Care	37	Consumer Staples	4
Information Technology	25	Communication Services	4
Industrials	12	Remaining Industries	3
Consumer Discretionary	8	Financials	3
Other	4		

Region Breakdown (%)



RoW
13%

220

Real Estate (LPPI Real Estate Fund)

Sector Breakdown (%)

Industrial	36	Living	12
Retail	16	Alternative	11
Office	15	Agriculture	9

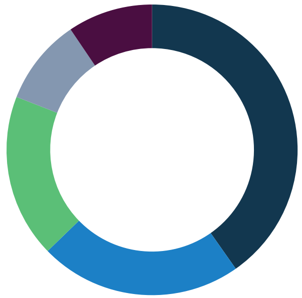
Geographical Exposure (NAV %)

UK
71%

Non UK
29%

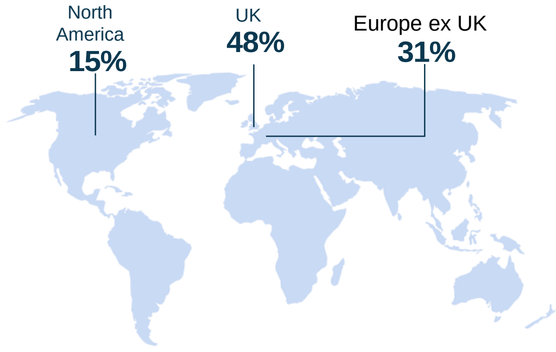
Infrastructure (LPPI Global Infrastructure Fund)

Industry Breakdown (%)



Traditional Energy, Renewable Energy, Waste	40	Regulated Assets	18
Transport and Distribution	22	Social (incl PFI)	10
		Other	9

Region Breakdown (%)



RoW
6%

Green & Brown Exposure

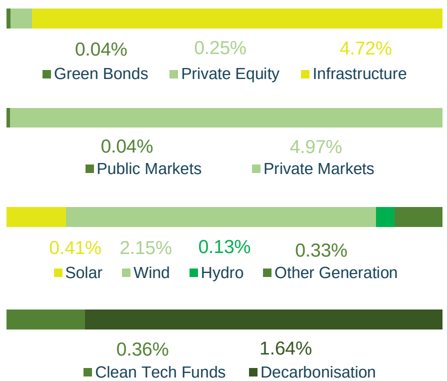
Green

Investments in businesses directly contributing to the global transition to a lower carbon economy, expressed as a % of the total value of the pension Fund.

5.01%
of portfolio

3.02%
Renewable Energy Generation

1.99%
Other "Green"



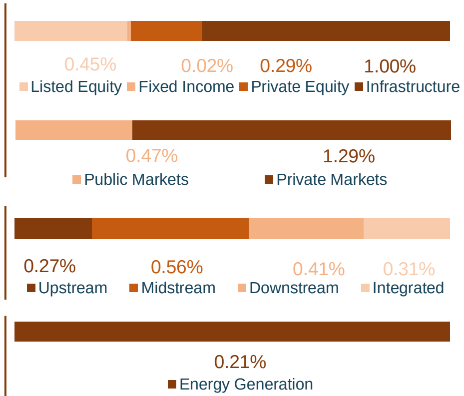
Brown

Investments in traditional energy (based on fossil fuels) expressed as a % of the total value of the Pension Fund.

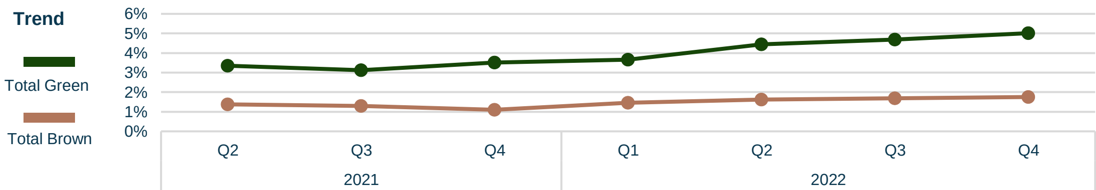
1.76%
of portfolio

1.54%
Energy

0.21%
Generation



Trend



The above Green and Brown metrics apply to parts of the portfolio which have exposure to a specific set of activities as per our definition of Green and Brown, and which are quantifiable at the time of publication (please see appendix). LPPI's Responsible Investment team endeavours to provide clients with the most expansive picture of exposure possible.

Responsible Investment Dashboard Q4 2022

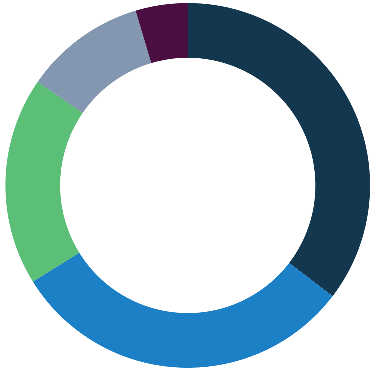
2. Stewardship Headlines

Shareholder Voting

Shareholder Voting Statistics (LPPI Global Equities Fund)

Headlines

		Supported 77%	Supported 79%	
39	321	307	14	46%
Meetings Voted	Proposals Voted	Company Proposals	Shareholders Proposals	Meetings with a vote against Management

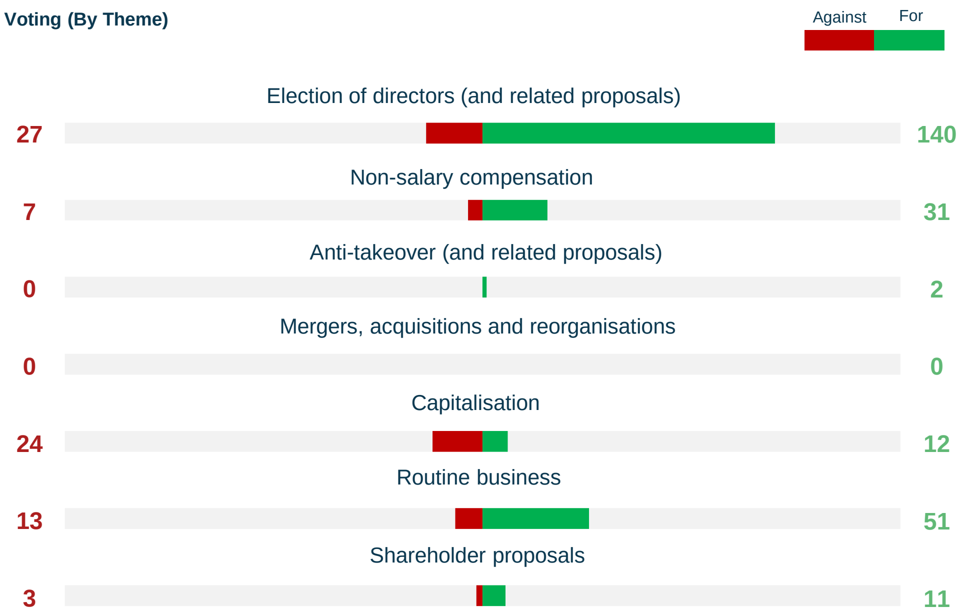


Votes Against Management (By theme)

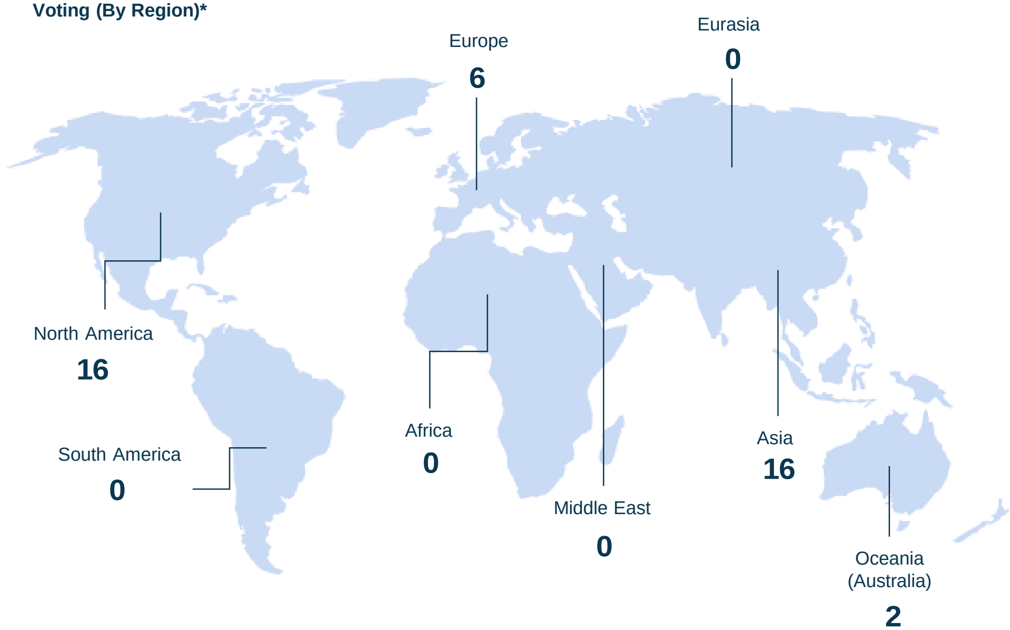
Election of Directors (and related)	23
Capitalisation	20
Routine business	12
Compensation	7
Shareholder Resolutions	3
Mergers, acquisitions and reorganisations	0
Anti-takeover (and related proposals)	0

221

Voting (By Theme)



Voting (By Region)*

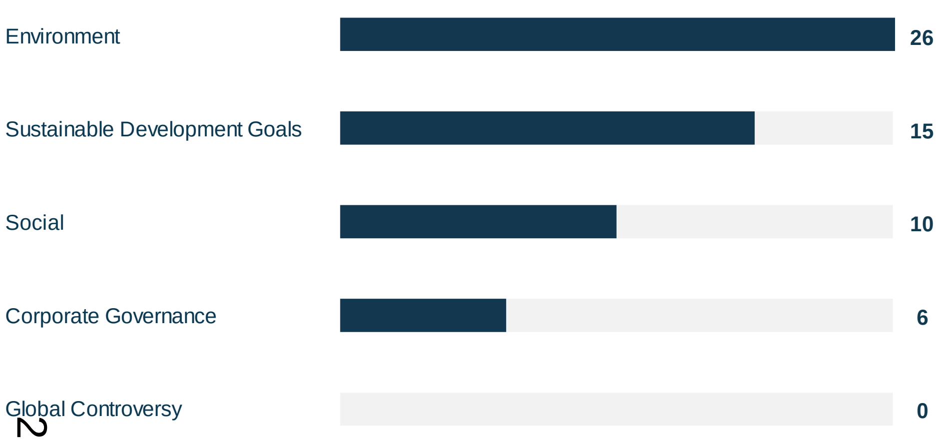


*Total votable meetings

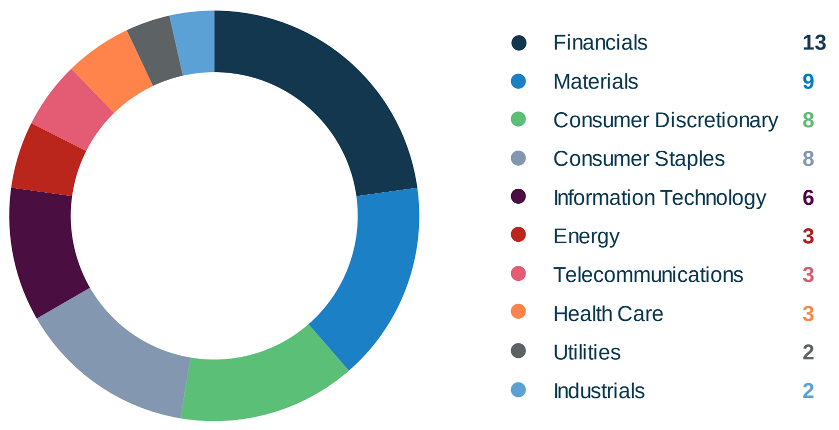
Engagement (Public Markets): Robeco

The following data is specifically related to the companies in LPPI's portfolio and the engagements Robeco undertake on our behalf.

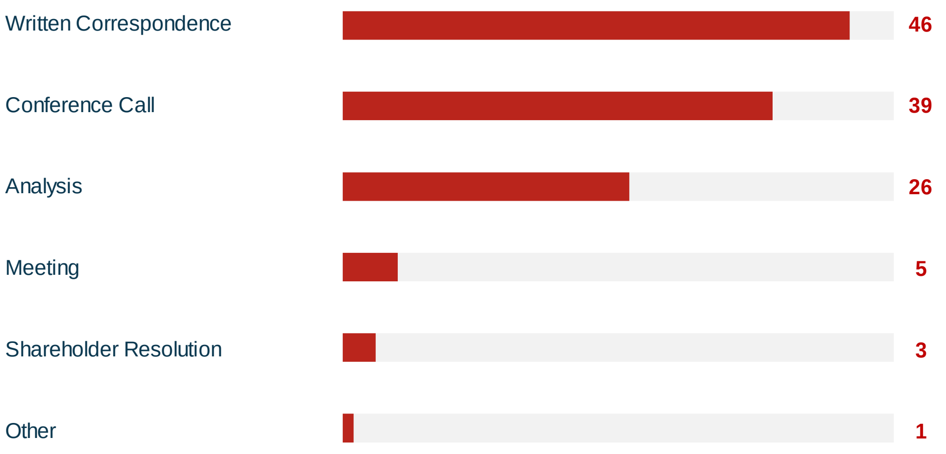
Activity (By Topic)



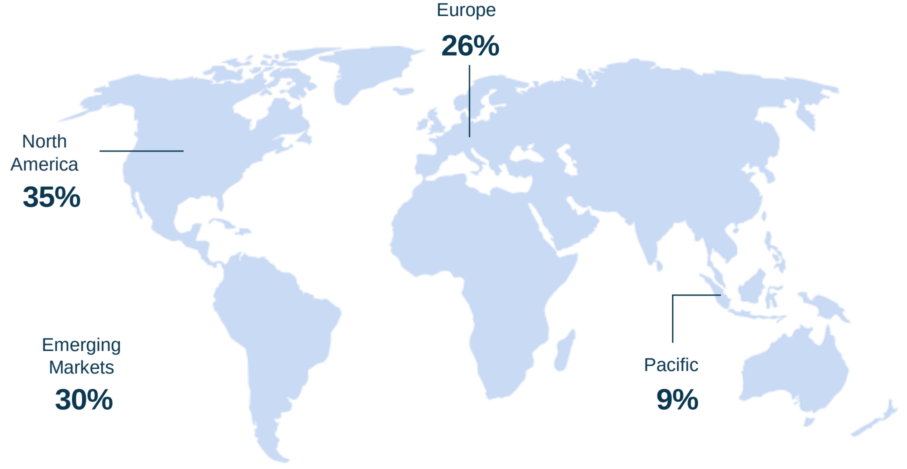
Activity (By Sector)



Activity (By Method)



Activity (By Region) (%)



Source: Robeco Active Ownership Report Q4 2022

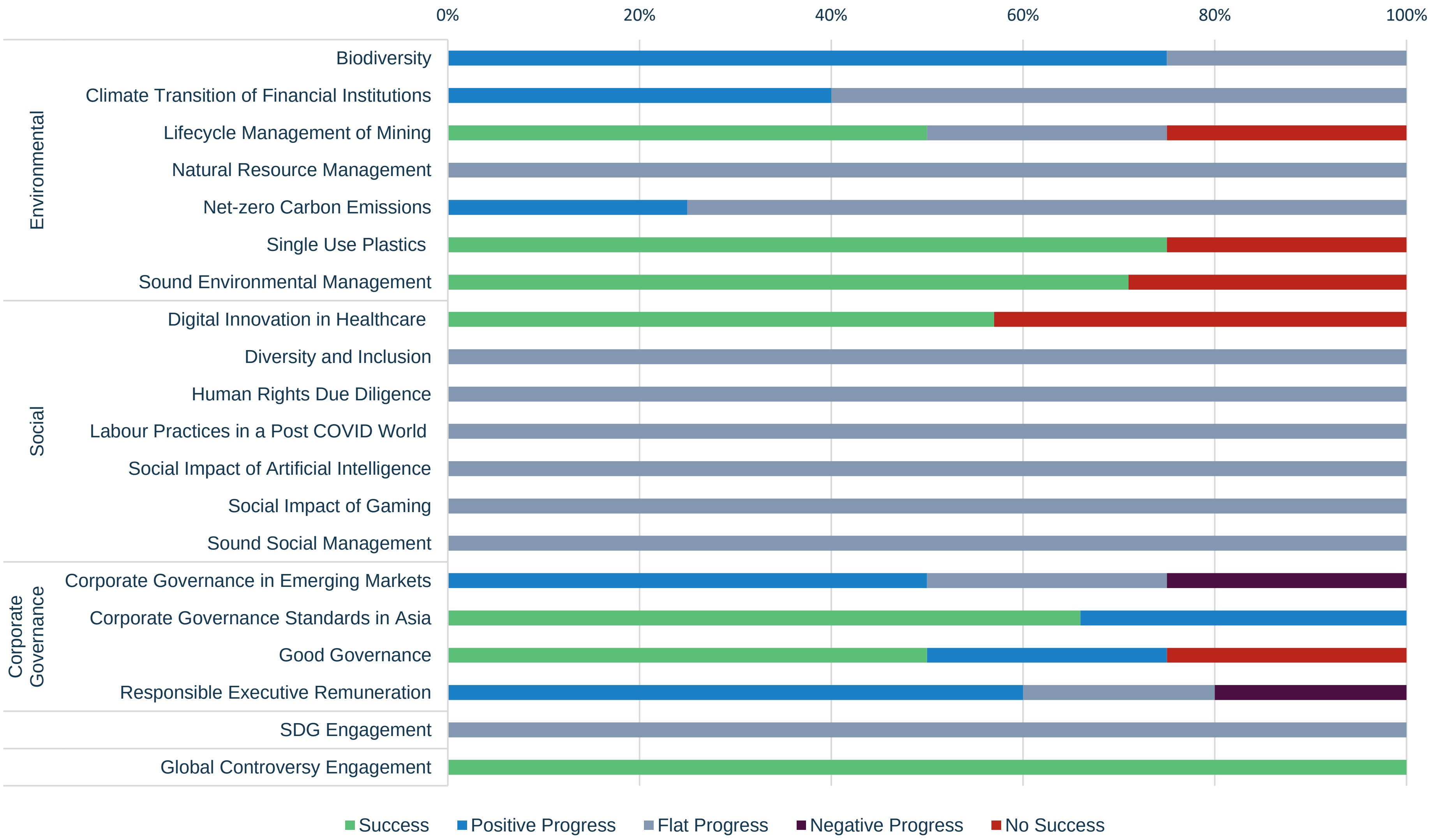
Responsible Investment Dashboard Q4 2022

2. Stewardship Headlines

Engagement (Public Markets): Robeco

The following data is specifically related to the companies in LPPI's portfolio and the engagements Robeco undertake on our behalf.

Engagement Results (by Theme)



Source: Robeco Active Ownership Report Q4 2022

Waters™

Waters is one of the world's largest life sciences companies, and is the world leader in the niche specialty measurement techniques of liquid chromatography and mass spectrometry.

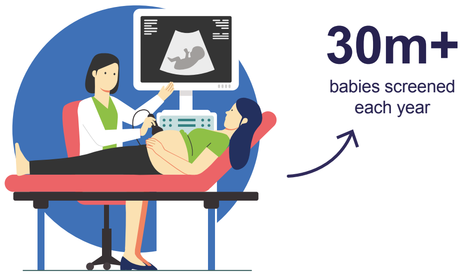
Its mission is to deliver scientific insights to improve human health and well-being through the application of high value analytical technologies and industry-leading scientific expertise. In doing so, the firm helps customers drive advancements in clinical diagnostics and medicines, as well as ensuring access to safe and secure food and water supply.

Drug development

From early-stage discovery through to **development and manufacturing quality assurance**, the company's products are embedded within the fundamental processes of the **top 50 global pharmaceutical firms** (by revenues).

Food and drink - quality and safety standards

This involves **analysing how food changes under different temperatures, evaluating labelling requirements** and **nutritional value against the safety standards**, as well as assessing quality/safety of the water supply. Major customers include the US Food and Drug Administration (FDA) and the US Environmental Protection Agency (EPA).



Advanced screening techniques

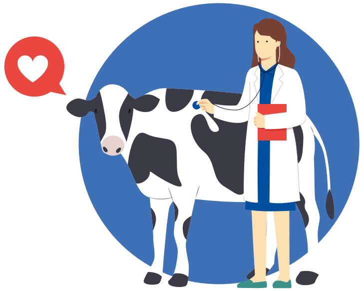
Other use cases include modern **new-born screening techniques**, such as tandem mass spectrometry, which can diagnose serious conditions within the first few days of a child's birth. The company's new-born screening instruments, **capable of screening for more than 30 inborn disorders** from a single dried blood spot sample, are used in **testing the majority of >30m babies screened globally each year.** Waters have been developing this technology in new-born screening since 1997, when they acquired Micromass, a UK-based company specialising in this industry.

waters.com/nextgen/gb/en

IDEXX

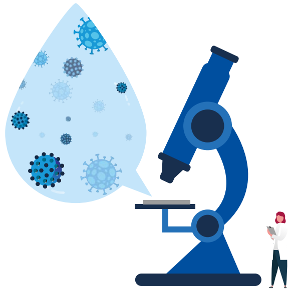
Idexx Labs is a global life sciences provider specializing in serving the pet and livestock, poultry and dairy markets, alongside a smaller business in water testing.

The firm is a market leader within the veterinary diagnostics market, with dominant positions in point-of-care diagnostic analysers, reagents, and vet laboratory services. The company's stated purpose is "to keep pets and people healthy and safe", through a combination of supporting longer and fuller lives for pets, as well as protecting life's essentials, such as clean drinking water.



Monitor the health of herd and flock animals

Through the Livestock, Poultry and Dairy business, Idexx provide **diagnostic tests and services used to monitor the health of herd and flock animals** globally, improve producer efficiency and ensure the quality of animal products. Over the last decade, the company has sold nearly **1.1bn IDEXX livestock diagnostic tests globally.**



Global leader in water microbiology

Idexx Water is also a **global leader in water microbiology,** providing tests that ensure the **safety of drinking water and other water supplies for >2.5bn people in 100 countries globally**. This is through detection and quantification of bacterial indicators of faecal contamination, as well as common microbial pathogens. These testing products are used by the likes of government labs, water utilities and private certified laboratories.

25,000k

SNAP Tests donated

Idexx has also played a key role in supporting access to care for vulnerable animals:

- In 2021 the firm donated **25,000k SNAP Tests** (which help vets identify infections amongst pets) for disaster response, education, and community outreach.
- It provided funding to the Worldwide Veterinary Service to bring vet care to **vulnerable animals and veterinary training to underserved areas of Asia, Africa and South America.**
- The company is aiming to expand access to care for **>500k animals in underserved communities by 2025**.

3. Real World Outcomes - LPPI Global Equities Fund - internally-managed small and mid cap portfolio

BERKSHIRE PENSION FUND

LPP Local Pensions Partnership Investments

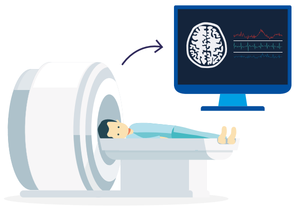
pro medicus

OUR SUPPORT. YOUR SUCCESS.

Pro Medicus is a leading provider of medical imaging IT services that are critical to the healthcare industry. Its customers include hospitals across private, government and academic/teaching sectors, and radiology clinics.

The company's core technology is capable of streaming large, complex diagnostic images sent from an MRI, CT scan, mammogram or similar. Given the complex and data-intensive nature of these images, even cloud-based systems are slow and inefficient when transmitting the information.

Higher quality electronic medical images are rapidly increasing data loads, making the need for fast electronic delivery of these images for diagnostic purposes even more important.



Essential software for healthcare

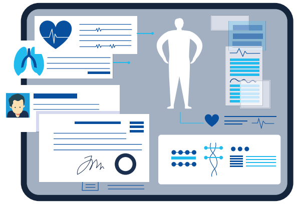
Pro Medicus' software is considered critical to hospital and other healthcare institutions infrastructure, as hospitals and clinicians are increasingly using imaging as a less invasive method of diagnosis, early disease detection and to minimise surgical errors/risks. **Accurate diagnosis improves patient outcomes and results** in more efficient day to day operations for hospitals and other healthcare providers.

Visage imaging software

The firm's **Visage medical imaging software is currently best in class** when it comes to viewer speed across all modalities, **implementation speed and delivering improvements in clinical efficiency.**

Improved clinical accuracy

The company's products result in **improved clinical accuracy**, via higher image resolution, providing **more accurate diagnosis and recording of potential health issues.**



Its software is also inherently more efficient, as demonstrated by the following:

- Pro Medicus software has been shown to **improve radiologist turnaround time** (i.e. productivity) **by up to 30%.**
- Even though its products are priced at a premium to peers, a 30% efficiency improvement can result in a highly attractive ROI for healthcare customers (management estimates a **5-20% improved efficiency would drive an ROI of 80-300%).**
- Implementation is **1/4 to 1/3 faster than closest competitors,** resulting in significant productivity improvements for healthcare clients (e.g. the Mercy Health Foundation – Pro Medicus software was rolled out across the Foundation's **43 hospitals in four separate states within just six months, versus 18-24 months for most competitors).**

Portfolio Insights (Pages 1 - 2)

Sector Breakdown (%)

- Identifies the Global Equities Fund's ("GEF") sector breakdown and their proportions.

GEF Sector Weights

- Comparison of sector weights against their benchmark.
- The larger the bar the bigger the difference between GEF and benchmark weightings.
- Where a positive number is shown, this indicates the GEF is overweight to a sector.
- Where a negative number is shown, this indicates the GEF is underweight to a sector.

Top 10 Positions

- The top 10 GEF companies as a % of the asset class portfolio.

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Governance Insights

- **Women on the board:** A measure of gender diversity based on the average proportion of female board members for companies in the GEF.
- **Board independence:** The average proportion of board members identified by ISS as independent. Please note independence expectations vary across markets with LPPI generally favouring greater independence.
- **Say-on-pay:** The average investor support for the most recent say-on-pay vote at a company meeting. Please note not all markets require say-on-pay votes. A vote of greater than 20% against (support < 80%) is generally considered significant.

Portfolio ESG Score

- This is a relative indicator and not a measure of portfolio ESG risk exposure.
- Individual companies are assigned an ESG score (between 0-10). The final numbers shown in the bar chart are the weighted averages of these scores for the stocks held in the GEF vs its benchmark through time.
- This table is a comparison with the benchmark and reviews changes over time.
- LPPI utilise an established methodology (developed by MSCI) for determining the ESG score of stocks within the GEF. Further details can be found here: https://www.msci.com/documents/1296102/21901542/MSCI+ESG+Ratings+Methodology+-+Exec+Summary+Nov+2020.pdf
- The higher the score shown, the better the ESG credentials of the GEF / benchmark.

Portfolio Insights (Pages 1 - 2)

Transition Pathway Initiative (TPI) Headlines

- TPI assess how well the largest global companies in high carbon emitting sectors are adapting their business models for a low carbon economy.
- The % of GEF covered by TPI shows the portfolio exposure to high emitting companies.
- The number/proportion of companies with top scores (TPI 3 and 4) is a measure of the quality of transition management by the high emitting companies held within the GEF.
- Detailed TPI methodology can be found through the following link: https://www.transitionpathwayinitiative.org/methodology

Private Market Asset Classes

- These metrics indicate the industry sector and regional breakdown as a % of the asset class for Private Equity, Infrastructure and Real Estate investments.

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Green & Brown

- These metrics indicate the Pension Fund's total portfolio exposure (%) to green and brown assets. Current coverage extends to: Listed Equities, Fixed Income, Green Bonds, Private Equity, and Infrastructure.
- These are further broken down into their sectors/activities related to green and brown.
- Please be aware that due to rounding within the different breakdowns the totals may not sum correctly.

Green

These are investments in renewable energy and sectors/activities assisting in renewable energy generation, low carbon tech and wider decarbonising activities.

Brown

Investments in energy and power generation based on fossil fuel activities, including: extracting (upstream), transporting (midstream), refining (midstream), supplying (downstream), or some energy companies that legitimately span all aspects (integrated). Fossil fuels used to generate energy is part of electricity generation.

Stewardship Headlines (Pages 3 - 5)

Shareholding Voting

- Key shareholder voting metrics for LPPI's GEF.
- The Headline section provides insight into the scope of voting activity, including how votes against management is concentrated.
- LPPI is responsible for voting on each decision taken, working in partnership with Institutional Shareholder Services to best inform views prior to taking action.
- The map of votes per region is included because different jurisdictions have different voting seasons. This provides context to the reporting of voting statistics quarter to quarter as votes take place in batches depending on the companies domicile at different points throughout the year.

Engagement (Public Markets)

- Engagement is an active, long-term dialogue between investors and companies on environmental, social and governance factors, which can be executed through a variety of channels.

- LPPI has engaged an external provider (Robeco Active Ownership Team) to supplement dialogue underway by LPPI and external delegate managers.
- This section outlines the engagement activities undertaken by Robeco in the public markets by topic, sector, method, and region (indicating the number of companies engaged / geographical distribution).
- "Activity by method" summarises engagements by category / method and can include multiple inputs from the same company.
- The updated Robeco Active Ownership report summarises our engagement activities for the quarter and breaks them down into sub-sectors, where they are rated on success/progress (shown as a %).
- Page 9 of the Robeco stewardship policy outlines further details of their process: https://www.robeco.com/docm/docu-robeco-stewardship-policy.pdf

Real World Outcomes (Pages 6 - 8)

- This section provides real world ESG case studies, relevant to the Pension Fund's holdings, which rotate between asset classes each quarter.
- The focus of the real world outcomes rotates between asset classes for each quarter in the following pattern:
  - Q1 – Infrastructure
  - Q3 – Real Estate
  - Q3 – Private Equity
  - Q4 – GEF
- The case studies are an in-depth review of positive ESG practices for current investments within the portfolio over the past year.

ROBECO
The Investment Engineers

ACTIVE OWNERSHIP REPORT

Q4 2022

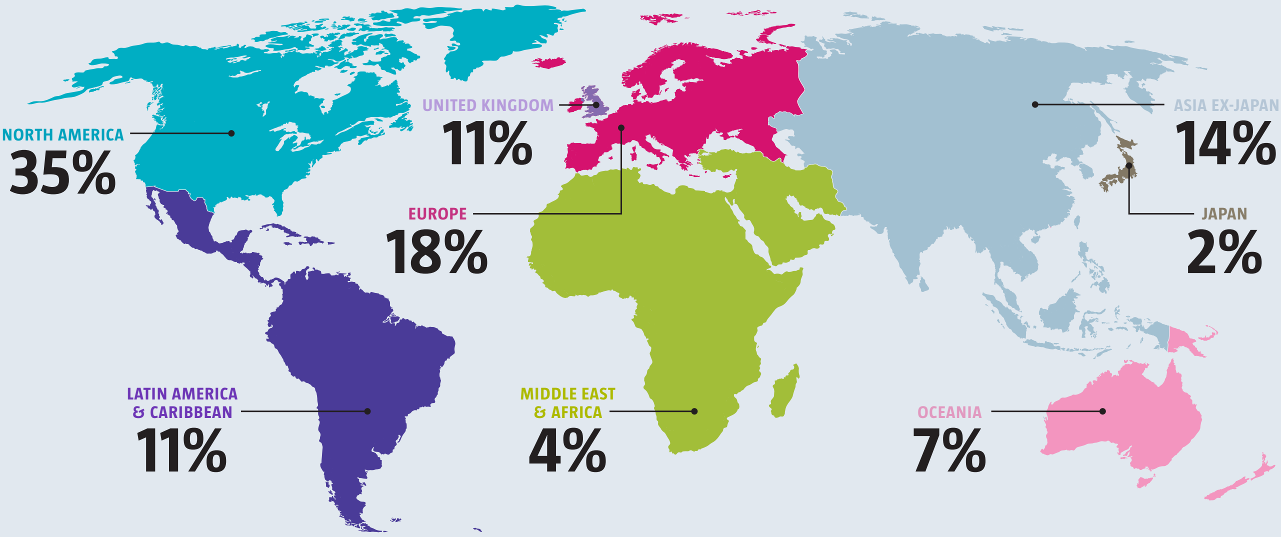
ROBECO | 01.10.2022 - 31.12.2022

LPP
Local Pensions Partnership Investments

Sustainable Investing Expertise by ROBECOSAM

Q4|22 FIGURES ENGAGEMENT

Engagement activities by region



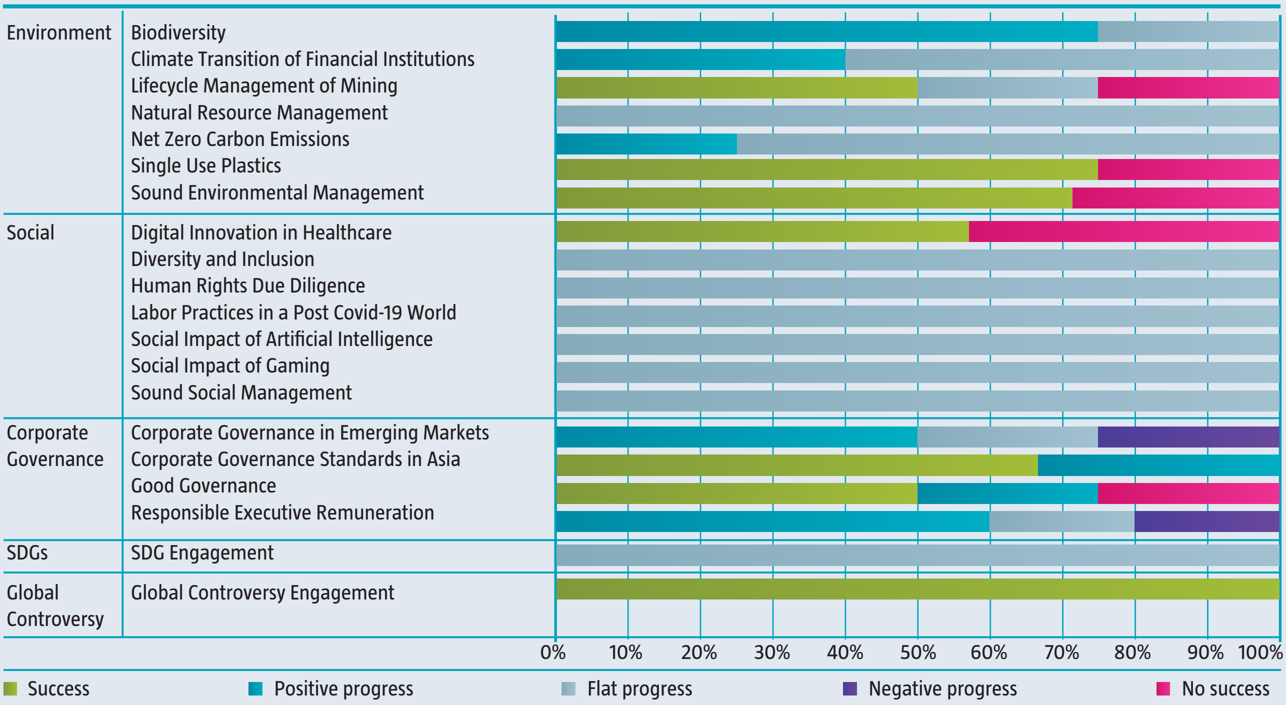
Number of engagement cases by topic*

	Q1	Q2	Q3	Q4
Environment	17	17	12	26
Social	7	7	6	10
Corporate Governance	4	4	5	6
SDGs	7	10	8	15
Global Controversy	2	1	0	0
Total	37	39	31	57

Number of engagement activities per contact type

	Q1	Q2	Q3	Q4	YTD
Meeting	1	0	0	5	6
Conference call	26	19	22	39	106
Written correspondence	25	43	19	46	133
Shareholder resolution	0	1	0	3	4
Analysis	4	11	9	26	50
Other	0	2	0	1	3
Total	56	76	50	120	302

Progress per theme



* Due to a change in Robeco's methodology to account for engagement cases, numbers are expected to differ from previous quarters.

CONTENTS

INTRODUCTION

Although there were turbulent times, we look back on 2022 as being another successful year for Robeco's Active Ownership activities. We have continued to grow the team and we launched several new engagements, next to this we enhanced the transparency and collaboration with our clients.

With the year having come to an end, so did our engagement on the Social Impact of Artificial Intelligence (AI), launched in 2019. The opportunities present in AI are often described as 'endless', though technology's growing and often unregulated presence in our lives brings along numerous social risks, ranging from systematic discrimination to surveillance and privacy concerns.

For three years, we have supported technology companies in creating holistically responsible AI frameworks to govern their technological development, deployment and end use. We successfully closed 40% of the engagements, with many of the companies having formalized responsible AI principles. They have shared how the principles of inclusiveness, fairness and transparency are being integrated into their developer trainings, enterprise risk management systems and board responsibilities. However, companies remain resistant to publicly disclosing their systematic responsible AI practices, a critical challenge as AI is starting to be regulated.

Staying on the topic of technology, looking both on and behind the screen, we reflect on the progress observed so far in our Social Impact of Gaming engagement. Over the last two years, gaming companies have taken significant steps to address in-game harassment of players, ranging from AI-driven text filtering to extensive feedback loops. At the same time, game providers are seeking ways to improve their disclosures on social and environmental performance, with three out of the five companies under engagement having launched their first sustainability reports since we started our dialogues with them.

Meanwhile, stakeholders from across the world came together at the UN Convention on Biological Diversity Conference in Montreal in December to find ways to halt biodiversity loss and to address the associated environmental, social and economic harms. Eliminating biodiversity loss requires urgent multilateral action, from governments, companies and investors. In our update, we share the various ways in which Robeco addresses biodiversity loss and deforestation, through our engagement with the Brazilian and Indonesian governments that aim to strengthen no-deforestation laws, to our broadened corporate engagement program. Finally, we report on the soft launch of the Nature Action 100 engagement collaboration, in which we take an active role. The collaboration focuses on the 100 companies deemed to be the biggest culprits in causing biodiversity loss.

Finally, we shift our focus to Asia, where we continue to engage policy makers and companies on key gaps in their corporate governance, including the low rate of female board representation and the systematic challenges around companies' annual disclosures. These corporate governance issues alongside other market and capital inefficiencies are believed to have significant impacts on companies' market valuations, highlighting the importance of investor engagement.

As we move into a new year, we reflect on the promises made by companies and governments towards safeguarding our planet, and are ready to play our part in moving towards a more sustainable future.

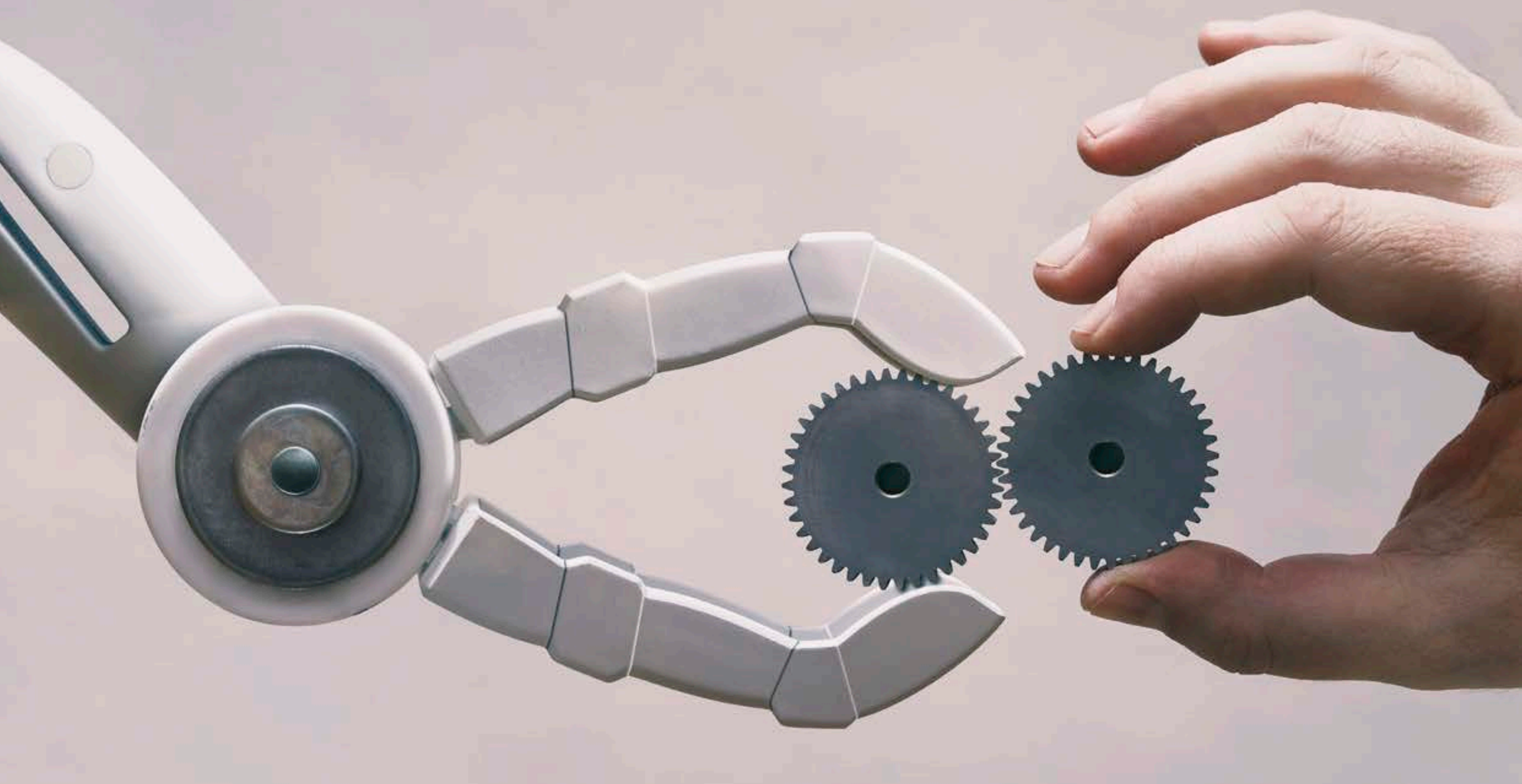
Carola van Lamoen
Head of Sustainable Investing

AI, will you judge me?

SOCIAL IMPACT OF ARTIFICIAL INTELLIGENCE

DANIËLLE ESSINK – *Engagement specialist*

The potential benefits of artificial intelligence (AI) come with risks that are not yet fully explored, let alone understood. As AI increasingly becomes a more important part of our daily lives, there is an urgent need for robust governance of AI systems. As we close our Social Impact of AI engagement theme, we reflect on some of the key trends, opportunities and challenges around this technology.



AI represents new opportunities for companies to grow and transform their businesses. According to the 2022 McKinsey Technology Trends Outlook, AI adoption across different industries continues to grow, and benefits such as cost reduction and improved efficiency remain significant. However, to achieve the full potential of AI, companies need to manage the associated risks that come with the development and use of the technology, including human rights-related risks. From 2019 to 2022, Robeco engaged with 10 companies from across the Information and Communication Technology (ICT) sector with the aim of promoting best practices in the development and responsible use of AI.

'ETHICAL PRINCIPLES ON THEIR OWN DO NOT ENSURE THE RESPONSIBLE DEVELOPMENT AND DEPLOYMENT OF AI.'

DANIËLLE ESSINK

Opportunities and challenges

Given the speed at which AI is being developed, there is no doubt that in the next few decades, this technology will transform our economy and society in ways we cannot imagine. According to the 2022 Worldwide Artificial Intelligence Software Forecast by the International Data Corporation (IDC), the worldwide AI market is estimated to show compound annual growth of 18.6% from 2022 to 2026 alone.

This type of growth represents massive opportunities for AI to contribute to positive changes, such as detecting patterns in environmental data, or improving the analysis of health information. Using AI to overcome some of the most difficult challenges that humans face, including climate change, is an exciting prospect. At the same time, AI could cause new problems or aggravate existing ones if companies do not have enough understanding of the risks associated with these technologies. For example, using AI algorithms for profiling can have discriminatory effects, such as credit rating algorithms disfavoring people from certain ethnic backgrounds, or those living in certain areas.

Similarly, AI can be used for surveillance – in public spaces but also in the workplace – putting the right to privacy at risk. This shows a growing need for the responsible governance of AI systems to ensure that such systems conform to ethical values, norms, and the growing number of AI regulations.

Upcoming regulation

In response to the ethical and societal challenges raised by AI, an increasing number of regulatory initiatives and policy proposals have been launched by various players, including governments and governmental bodies such as national ethics committees, inter-governmental organizations such as the EU, non-profit organizations and academics.

On April 2021, the European Commission issued the AI Act as a means of regulating the technology. This is a crucial step as it represents a sign of norm diffusion. In the proposal, clear requirements and obligations regarding the specific uses of AI are laid out for developers, deployers and users. The proposal takes a risk-based regulatory approach by distinguishing four categories based on the level of risk. For example, AI systems that have been identified as high-risk, such as CV-scanning tools that rank job applicants, will be subject to strict obligations including enhanced risk management processes and human oversight. AI systems with limited risks will remain largely unregulated.

Following the proposal in April 2021, the regulation was expected to come into effect in late 2022 or early 2023, using a transitional period. This growing legislative pressure around AI could pose serious regulatory risks for companies that are not well prepared to conform with the rising obligations.

The results of our engagement

In September 2022, we concluded our Social Impact of AI engagement program and successfully closed 40% of the engagement cases. Through our engagement, we learned that companies are gradually aligning internal practices to principles of responsible AI. Many companies formalized AI principles that address topics like inclusiveness, fairness and transparency. Additionally, companies are increasingly pursuing a collaborative approach by actively participating and contributing to cross-industry multi-stakeholder initiatives that aim to advance responsible governance and best practices in AI. These types of initiatives play a decisive role in guaranteeing trustworthy AI across the industry.

However, ethical principles on their own do not ensure the responsible development and deployment of AI. Businesses require robust governance mechanisms to effectively implement their principles. In our engagement, we observed that transparency around AI governance and implementation remained low, as most companies' public disclosures lacked clarity about how such principles translate into practice, and which checks and balances are in place. After talking to the companies, we learned about the specifics of the implementation, which then gave us the confidence to close some of the objectives successfully. The engagement results of this theme are, therefore, highly correlated with the company's willingness to set up constructive dialogues.

Next steps

The alignment of AI technologies with ethical values and principles will be critical to promote and protect human rights in society. Even though much work has been done in this area, the implementation of AI principles and management of AI risks remains a critical area for improvement. As a result, we will continue our engagement work with a selection of companies in the ICT sector under our 'Sustainable Development Goals (SDG) engagement' theme. These dialogues have a strong focus on human rights and societal impact, and highlight topics like misinformation, content moderation and stakeholder collaboration. We will focus on how companies can contribute to SDG 10 (Reduced inequalities) and SDG 16 (Peace, justice and strong institutions) by safeguarding human rights in the development and use of AI and promoting social, economic and political inclusion. ■

CASE STUDY

MICROSOFT

Microsoft is an American multinational technology company, showing strong performance in developing and implementing AI policies and guidelines. For example, the company has published six ethical principles to drive responsible AI as well as user tools, guidelines, and resources to help implement it throughout the lifecycle of technologies, from concept to deployment. One specific example is a checklist which helps prioritize fairness when developing AI. Additionally, Microsoft has added requirements on responsible use by clients in the terms of service and marketing materials of its AI products and services.

PLAYING FOR IMPACT

SOCIAL IMPACT OF GAMING

ALEXANDRA MORTIMER – *Engagement specialist*

In response to mounting concerns around the effects of ever-more popular games on the well-being of adults and children, in Q1 2021 we started engaging the global video gaming industry on their social impact. We selected six of the largest listed gaming companies located in the US, South Korea and China, with objectives that address the social impacts felt both behind and in front of the screen. Two years into the engagement, the industry has made significant steps, though not all at once.

In front of the screen

For the consumers playing video games, companies are expected to develop strategies that prevent harassment occurring between players, especially within Massively Multiplayer Online Role-Playing Games (MMORPGs), where large numbers of players interact at once. Automatic chat text filtering has emerged as a standard technology deployed by most companies under engagement. More sophisticated tiered responses have emerged among a subset of the companies, which feature artificial intelligence, feedback loops to the affected players, and appeals processes.

Overall, the application of such tools is decided by studios on a game-by-game basis, though we have encouraged companies to look for opportunities for studios to learn from each other, and create a more general application of harassment-prevention tools. Another interesting response by the industry has been to conduct research on the factors behind disruptive player behavior, though we have yet to see how this research is being leveraged in game design, which we will encourage in the coming months.

Other elements of player behavior that warrant attention are the money and time spent within games. Much of companies' focus has been on children's spending in recognition of their limited ability to regulate their behavior. A straightforward measure implemented by at least half of the companies has been to ban spending abilities for accounts below an early-teen age group, though age restrictions and time restraints are largely implemented through the consoles on which the games are played, and must be actively set by parents.
In September 2021, the Chinese government introduced limits on children's gaming time for which functions such as account verification had to be integrated. This had a significant effect on the total time and money spent by young players, as already evidenced by one company. This area of impact has the potential to generate some creative design solutions, and we remain keen to see how the breadth of tools develops over the next year.

Two other player-end impacts have seen less traction in the intervening time. Depictions of violence within games are acknowledged as material by the companies most exposed to this content. However, we have yet to see examples of clear policies that guide what imagery is appropriate outside of regulation, and it is widely seen to be a creative rather than a risk-aligned decision. Similarly, in-game diversity has begun to garner attention in US-based studios, but lacks traction in other markets. Companies have highlighted extended character appearance options that allow for diverse avatars, and characters in storylines that reflect one or more dimensions of diversity such as race, gender expression or physical ability levels. This, too, is considered a creative decision that is determined by project teams, for which the diversity levels of the teams themselves is considered a large factor. In some instances, feedback structures have been put in place for employees to flag inappropriate or concerning content, though it doesn't appear that this is a formal process that is taken advantage of across all projects.

Behind the screen

Since the launch of the engagement, the issue of diversity and inclusion on the work floor has only continued to rise in prominence within the gaming sector. Allegations of toxic workplace cultures, enabling sexual harassment and discrimination, continued into 2021, triggering legal and employee action. The response by the industry has been twofold. Western companies have appointed leads for diversity, installing training and development programs, while remaining defensive of the view that allegations are the result of systemic issues. Companies in other regions however approach diversity primarily from the gender perspective, and are less responsive to the issue overall. Wider workplace conditions have attracted more uniform attention, with companies reporting initiatives to improve work-life balance.

Where companies have developed across the board is in their reporting. All companies under engagement now publish annual ESG reports, when at the beginning of the engagement, three had yet to do so. The reports highlight initiatives that relate to many of our objectives, and largely conform to frameworks that include metrics that we deem important for transparency, in particular those that are related to the workforce. We've provided input to companies on topics we deem material to receive more transparency about, and the metrics we'd like to see in future, acknowledging that many are still exploring this new form of communication.

'CREATING RECOGNITION OF UMBRELLA COMPANIES' RESPONSIBILITIES TOWARDS SUBSIDIARIES' RISKS REQUIRES A SHIFT IN MINDSET AT THE MANAGEMENT LEVEL.'

ALEXANDRA MORTIMER

Focus areas for the last year of engagement: responsibility and regulation

Decisions around in-game elements such as character diversity are largely seen to be within the remit of the creative and project teams, as they're highly relevant to the user experience. Umbrella companies are nonetheless still responsible for managing subsidiaries' risks, including those faced by consumers when using their product. Creating recognition of this dynamic is at the center of this engagement, and requires a shift in mindset at the management level.

China's restrictions around minors' gaming time is but one example of how regulations are influencing the way that users interact with games. Markets are separately mandating how monetization and violence should be included in games, creating a fragmented landscape of acceptable game features. Prominently, 'loot boxes', which have been likened to gambling products, have come under scrutiny by regulators in the UK and US, in addition to four countries where the products are already actively regulated or banned. How companies are navigating this landscape, especially within international expansion plans, is an element we will look to explore further as we approach the end of the engagement theme. ■

A MULTI-FACETED APPROACH

BIODIVERSITY

CLAIRE AHLBORN – *Engagement specialist*

Nature is critical to meeting the UN Sustainable Development Goals (SDGs) and limiting global warming to 1.5 degrees. Countries, companies and civil society organizations must work together to eliminate and reverse biodiversity loss and secure our and our planet's health and well-being. In an active effort to live up to our and our clients' environmental and social responsibilities, Robeco has set up an integrated and multi-layered engagement approach to address biodiversity loss.

In prioritizing economic development, humanity has caused considerable damage to the natural world and its ecosystems. Yet, a degraded biosphere will have a direct impact on growth and human welfare over the next several decades. From 1970 to 2018 there has been a reported 69% average decline in global wildlife species. In Latin America, this number rises to a staggering 94%.

Moreover, studies conducted in the Netherlands, Brazil and France found financial institutions to have hundreds of billions of assets highly dependent on the services provided by healthy ecosystems, from pollination to clean water provision. Such estimates help frame the gravity of biodiversity loss trends and underline the collective urgency to halt and reverse them.

A multi-layered engagement strategy

Addressing biodiversity loss requires urgent action from both governments and companies. With their wide coverage, investors are often in a unique position to push for change. Yet, investor action on biodiversity has been limited, with data barriers and capacity limitations keeping them from integrating biodiversity into their investments, engagement and voting decisions at scale.

As the financial materiality of biodiversity and the impact that companies and financial institutions have on nature is becoming clearer, Robeco has set out to create a holistic, multi-layered and scalable engagement approach towards biodiversity. As such, we are not only engaging the various relevant stakeholders, from governments and companies to data providers, but also exploring how stewardship efforts can be scaled through collaborative engagements.

Engagement: From impact assessments to incentive structures

Biodiversity loss is one of the defining challenges of the 21st century. Robeco's engagement initially started off with a focus on addressing biodiversity loss linked to deforestation among companies exposed to high-risk commodities. We have since extended the engagement program in both time and scope to accommodate engagements on other drivers of biodiversity loss, from pollution to overfishing.

Through the engagements, we expect companies to assess their biodiversity impacts and dependencies and set a biodiversity strategy that includes, for instance, no-deforestation targets. We also expect them to report key impact indicators following recognized reporting frameworks such as the Taskforce for Nature-Related Financial Disclosures.

To achieve environmental goals, biodiversity must be embedded within companies' governance and incentive structures. Companies must actively engage their stakeholders, assuring adequate efforts are made to not exclude smallholder farmers and local communities from their supply chains.

The theme will among others cover companies engaged as part of our new RobecoSAM Biodiversity Equities Fund, which directs financial flows towards biodiversity solutions providers. We aim to engage with those companies where we see opportunities to enhance their contributions to biodiversity, including wider asks such as the systematic integration of biodiversity into companies' strategies and risk management processes, or topic-specific discussions on, for instance, sustainable livestock manure management.

'ADDRESSING BIODIVERSITY LOSS REQUIRES URGENT ACTION FROM BOTH GOVERNMENTS AND COMPANIES. WITH THEIR WIDE COVERAGE, INVESTORS ARE OFTEN IN A UNIQUE POSITION TO PUSH FOR CHANGE'

CLAIRE AHLBORN

Speaking up together

Seeking a wider reach, we are increasingly looking for collaborative engagement opportunities. We recently signed the Business for Nature statement calling for mandatory corporate reporting for nature by 2030. We also joined the letter campaign and ESG data provider engagement by the Finance Sector Deforestation Action, a group of over 30 investors calling for increased action and transparency on protecting our forests.

Furthermore, Robeco was honored to be part of the core investor group that launched the Nature Action 100 initiative during the UN Biodiversity Conference in Montreal in December. This aims to harness the power of collaborative engagement to address nature loss and biodiversity decline, focusing on the 100 companies with the largest impacts and dependencies on nature.

The initiative will be co-led by the sustainability advocacy group Ceres, the Institutional Investors Group on Climate Change (IIGCC), the Finance for Biodiversity Foundation and the financial think tank Planet Tracker. There will be three main work streams:

- the Secretariat, responsible for setting up the initiative's Steering Group and supporting administrative, communications and fundraising activities;
- the Technical Advisory Group, tasked with identifying priority engagements and developing science-based investor guidance and tools; and
- the Corporate Engagement group, focusing on developing a multi-year plan to engage companies deemed most important to stemming nature and biodiversity loss.

Global investors are invited to sign up to the program and lead on individual dialogues on behalf of the global investor community.

Public policy dialogue

Shifting to the sovereign level, Robeco continues to be actively involved in the Investor Policy Dialogue on Deforestation (IPDD) initiative since it was formally set up in July 2020, co-chairing the work streams responsible for engaging with the governments of Brazil and Indonesia. Currently, the coalition is comprised by 65 institutional investors from 19 countries, with USD 10 trillion in assets under management. As a long-term investor in these countries' bonds and equities, Robeco considers sovereign engagement as a necessary and powerful step to encourage governments that are significantly exposed to deforestation risk to implement relevant policies and contribute to a positive change.

CASE STUDY

The Finance Sector Deforestation Action

We are actively partaking in the Finance Sector Deforestation Action (FSDA) initiative, a collaborative investor group constituting of over 30 investors that have signed the COP26 Financial Sector Commitment on Eliminating Agricultural Commodity-Driven Deforestation throughout investment and financing activities by 2025.

As part of the investor group, we have joined a letter and engagement campaign launched at the end of 2022, jointly aiming to engage more than 50 companies. These include, among others, forestry company Suzano, on creating clear no-deforestation and traceability targets, due diligence processes and disclosures.

In October 2022, Robeco took part in the IPDD's group trip to Jakarta and met with representatives from national government agencies to discuss various ESG topics. In particular, the IPDD group met with the Indonesia Stock Exchange (IDX) and with the Chamber of Commerce (KADIN), signing two Memorandums of Understanding to promote country sustainability disclosures for listed companies, and to support the Regenerative Forest Business Sub Hub, respectively.

ENGAGING TO CLOSE THE ASIA DISCOUNT

CORPORATE GOVERNANCE STANDARDS IN ASIA

RONNIE LIM – *Engagement specialist*

Our engagement to improve corporate governance standards began in 2017 with Japan and was widened in 2020 to include Asia. In addition to engaging with companies, we also work with other investors and stakeholders to create a positive environment for change. We focus on the most material governance issues to be addressed, with target companies selected in close collaboration with our fundamental equity teams.

Opportunities and challenges

We have two broad streams of engagement in Asia. Firstly, we work with regulators and policy stakeholders such as financial regulators and local stock exchanges in Japan, South Korea, and to a lesser extent in China, to ensure an improved and level playing field for ESG issues. Secondly, we work constructively with companies in Japan and South Korea to improve their disclosure, communication and financial performance. We have also worked in collaboration with other asset managers to improve the Asian corporate governance 'ecosystem', with active participation in the two working groups (Japan and South Korea) within the Asian Corporate Governance Association (ACGA) and the International Corporate Governance Association (ICGN).

Our policy engagement included a virtual delegation meeting with Japan's Ministry of Economy, Trade and Industry. One of the issues we raised was the disclosure timing of annual reports, and we noted that it is of utmost importance to investors that these be released prior to the annual general meetings. In addition, we were co-signatories of a letter to Japan's Financial Services Agency and the Tokyo Stock Exchange on two pathways to address the low rate of female participation: changes to the listing rules and via Japan's Corporate Governance Code.

We engage with domestic investors in Japan who are increasingly motivated to understand how economic value is created by efficient balance sheet management. Over the past year, we delivered a series of ICGN webinars on the topic of capital efficiency and long-term value creation which saw active participation by listed companies. The content of the webinars was how cashflow and return on capital create long-term shareholder value, and the impact of valuation by efficient management of balance sheet items, such as by lowering inventory and increasing dividend payouts.

'WE ATTRIBUTE THE PREDILECTION FOR MANAGEMENT TO PERSIST WITH EXCESS CASH OR INEFFICIENT BALANCE SHEETS TO EITHER EXCESSIVE RISK AVERSION OR THE PRESERVATION OF 'OPTION VALUE'.'

RONNIE LIM

The markets of Japan and South Korea, where the engagement is focused, have large valuation discounts compared to other developed markets in Europe and the US. These discounts have widened in the year to date with the strong relative appreciation of the US dollar. The main valuation metrics we use include price-earnings ratios (PEs), price-to-book value and EV/EBITA.

The companies under engagement were also trading at valuation discounts compared to their global industry peers, which we attribute partly to broad governance issues in Japan and South Korea, but also to the lack of robust financial strategies and inefficient balance sheets. Our dialogue was consistently explaining the importance of both effective investor communication, together with the setting of appropriate capital management targets.

Company engagements

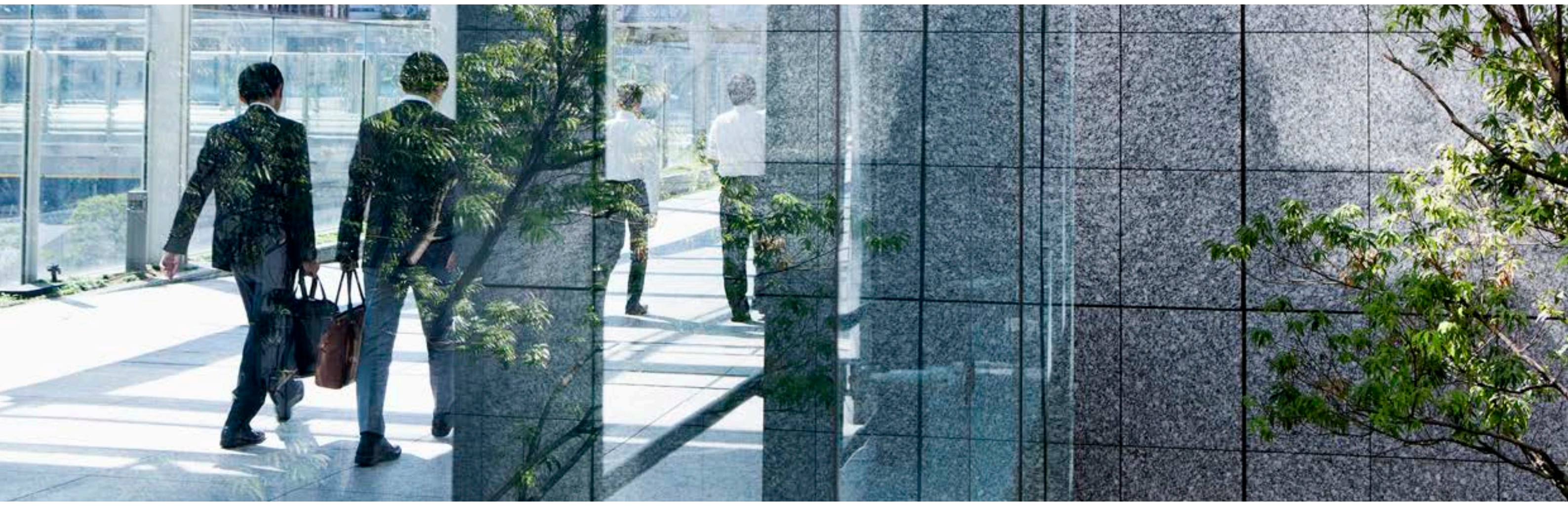
We have written in previous reports that the essentials of good corporate governance go beyond using 'check-list' assessments of governance codes and are closely related to the two principles of transparency and accountability. Therefore, we ask companies to improve transparency by publishing narrative reporting on their corporate strategy and having a distinct financial strategy. KPMG's last survey in 2020 showed that Japan leads the world, with 579 companies issuing integrated reports. There is much to celebrate given the increased emphasis on reporting on material environmental and social (E&S) issues, including setting targets on greenhouse gas emissions reductions. We have commended companies when they have not only reported on material E&S issues, but have also set credible near-and long-term targets. However, there are still significant opportunities for companies to improve reporting of their financial strategy and to give robust explanations on specific targets that would support their business strategy.

We consider a robust financial strategy to have several components, including disclosing the thresholds for planned capital expenditure, investment and acquisitions. We constantly remind executives of the basics of corporate finance, including having positive returns on capital, and we push for increased accountability by providing practical recommendations such as publishing dividend policies and setting appropriate incentives. We also challenge companies to dispose of any crossholdings and low-return business assets, and to return excess capital in the way of dividends, share buybacks and the cancellation of any treasury shares.

The engagements usually begin with a dialogue questioning some aspects of how the board is structured, and how compensation and incentives are structured. Typically, a company will be trading at a low valuation because of investor skepticism about the sustainability of key operating metrics such as an unusually high profit margin, or a persistently low dividend pay-out ratio. Most companies defend these practices by steering the dialogue to their need to create earnings growth, or through specious arguments for the need to retain legacy business divisions which are no longer profitable.

We attribute the predilection for management to persist with excess cash or inefficient balance sheets to either excessive risk aversion or the preservation of 'option value' – for example to make a large acquisition without shareholder scrutiny or approval. These are behavioral and cultural issues that we believe are some of the main contributors to the 'Asia discount' and can be very challenging for a minority investor to address. We do not believe that there is a single, magic bullet to fix this problem, but we have found some success in making the business and investment case for our proposals and demonstrating sincerity by being constructive and patient.

COMPANIES UNDER ENGAGEMENT IN 2022



Environment

Biodiversity
Mondelez International
Sappi Ltd.
Suzano Papel e Celulose SA
Unilever

Climate Transition of Financial Institutions
Australia & New Zealand Banking Group Ltd.
Bank of America Corp.
Barclays Plc
BNP Paribas SA
Citigroup, Inc.
DBS Group Holdings
HSBC
ING Groep NV
JPMorgan Chase & Co., Inc.
Sumitomo Mitsui Financial Group, Inc.

Lifecycle Management of Mining
First Quantum Minerals Ltd.
Fortescue Metals Group Ltd.
Polyus Gold OAO

Natural Resource Management
Ambev SA
Continental Resources, Inc.
Diageo
PepsiCo, Inc.
Sappi Ltd.

Net Zero Carbon Emissions
ArcelorMittal
Berkshire Hathaway
CRH Plc
Ecopetrol SA
Enel
Hyundai Motor
Rio Tinto
WEC Energy Group Inc

Single Use Plastics
PepsiCo, Inc.

Social

Digital Innovation in Healthcare
AbbVie, Inc.
CVS Caremark Corp.
Elevance Health Inc
Fresenius SE
HCA Holdings, Inc.
Roche
UnitedHealth Group

Diversity and Inclusion
Netflix Inc
Oracle Corp
Taiwan Semiconductor Manufacturing Co. Ltd.
Thermo Fisher Scientific, Inc.

Human Rights Due Diligence for Conflict-Affected and High-Risk Areas
Booking Holdings, Inc.
Cemex SAB de CV

Labor Practices in a Post Covid-19 World
Amazon.com, Inc.
InterContinental Hotels Group Plc
Marriott International, Inc.
Meituan Dianping
Wal-Mart Stores

Social Impact of Artificial Intelligence
Accenture Plc
Booking Holdings, Inc.
Microsoft
Visa, Inc.

Social Impact of Gaming
Tencent Holdings Ltd.

Sound Social Management
Aon Plc
Bayerische Motoren Werke
Thermo Fisher Scientific, Inc.

Governance

Corporate Governance in Emerging Markets
Cosan SA
Hyundai Motor
Midea Group Co. Ltd.
Samsung Electronics

Corporate Governance Standards in Asia
Hynix Semiconductor, Inc.

Good Governance
Samsung Electronics
Sumitomo Mitsui Financial Group, Inc.
Unilever

Responsible Executive Remuneration
Booking Holdings, Inc.
Henkel AG & Co. KGaA
Linde Plc
NIKE
Wolters Kluwer

SDGs

SDG Engagement
Adobe Systems, Inc.
Alphabet, Inc.
Amazon.com, Inc.
Apple
Capital One Financial Corp.
Charter Communications, Inc.
Elevance Health Inc
Grupo Bimbo SAB de CV
JPMorgan Chase & Co., Inc.
L Oréal
Meta Platforms Inc
Novartis
OTP Bank Nyrt
Rio Tinto
Salesforce.com, Inc.
Samsung Electronics
Union Pacific

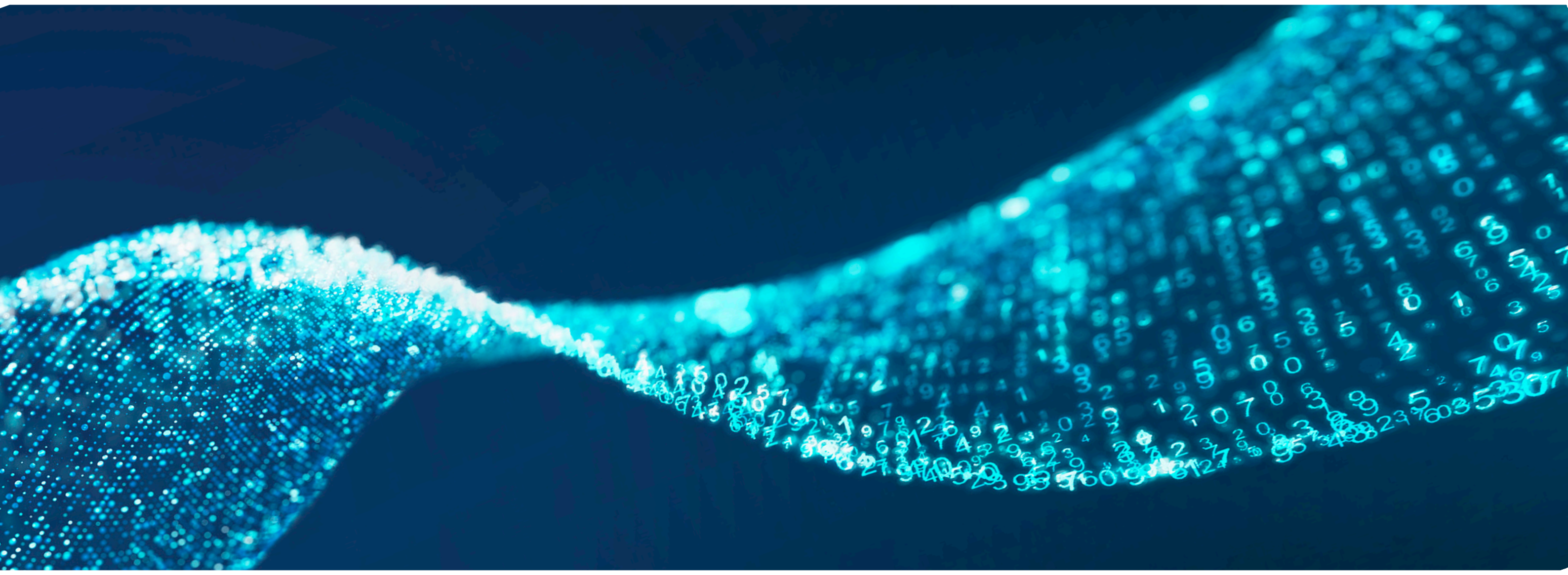
Global Controversy Engagement

Global Controversy Engagement
Currently, no company is under engagement based on potential breaches of the UN Global Compact and/or the OECD Guidelines for Multinational Enterprises.

ENGAGEMENT BY ASSET CLASS

Accenture Plc	Equity
Adobe Systems, Inc.	Equity
Alphabet, Inc.	Equity
Amazon.com, Inc.	Equity
Amazon.com, Inc.	Equity
Ambev SA	Equity
Aon Plc	Equity
Apple	Equity/Bond
ArcelorMittal	Bond
Australia & New Zealand Banking Group Ltd.	Bond
Bank of America Corp.	Bond
Barclays Plc	Bond
Barrick Gold Corp.	Equity
Berkshire Hathaway	Equity
BNP Paribas SA	Bond
Booking Holdings, Inc.	Bond
Booking Holdings, Inc.	Bond
Booking Holdings, Inc.	Bond
Capital One Financial Corp.	Bond
Cemex SAB de CV	Bond
Citigroup, Inc.	Bond
Continental Resources, Inc.	Bond
CRH Plc	Equity
Danske Bank AS	Bond
DBS Group Holdings	Bond
Diageo	Equity
Elevance Health Inc	Equity
Enel	Bond
First Quantum Minerals Ltd.	Bond
Grupo Bimbo SAB de CV	Bond
Henkel AG & Co. KGaA	Equity
HSBC	Bond
Hynix Semiconductor, Inc.	Bond
ING Groep NV	Bond
InterContinental Hotels Group Plc	Bond
JPMorgan Chase & Co., Inc.	Bond
JPMorgan Chase & Co., Inc.	Bond
L Oréal	Equity
Marriott International, Inc.	Bond
Meituan Dianping	Bond
Meta Platforms Inc	Equity
Microsoft	Equity
Midea Group Co. Ltd.	Equity
Mondelez International	Bond
NIKE	Equity/Bond
Novartis	Equity
Oracle Corp	Equity
OTP Bank Nyrt	Bond
PepsiCo, Inc.	Equity
PepsiCo, Inc.	Equity
Polyus Gold OAO	Equity
Salesforce.com, Inc.	Equity
Samsung Electronics	Equity
Samsung Electronics	Equity
Sumitomo Mitsui Financial Group, Inc.	Bond
Suzano Papel e Celulose SA	Equity
Taiwan Semiconductor Manufacturing Co. Ltd.	Equity
Tencent Holdings Ltd.	Equity
Thermo Fisher Scientific, Inc.	Bond
Thermo Fisher Scientific, Inc.	Bond
Unilever	Equity
Unilever	Equity
Union Pacific	Equity
Visa, Inc.	Equity/Bond
Wal-Mart Stores	Equity
WEC Energy Group Inc	Equity
Wolters Kluwer	Equity

CODES OF CONDUCTS



Robeco's Engagement Policy

Robeco actively uses its ownership rights to engage with companies on behalf of our clients in a constructive manner. We believe improvements in sustainable corporate behavior can result in an improved risk return profile of our investments. Robeco engages with companies worldwide, in both our equity and credit portfolios. Robeco carries out three different types of corporate engagement with the companies in which we invest; value engagement, Sustainable Development Engagement and enhanced engagement. In all three types of engagement, Robeco aims to improve a company's behavior on environmental, social and/or corporate governance (ESG) related issues with the aim of improving the long-term performance of the company and ultimately the quality of investments for our clients.

Robeco adopts a holistic approach to integrating sustainability. We view sustainability as a long-term driver of change in markets, countries and companies which impacts future performance. Based on this belief, sustainability is considered as one of the value drivers in our investment process, like the way we look at other drivers such as company financials or market momentum.

More information is available at: https://www.robeco.com/en-int/sustainable-investing/influence.

The UN Global Compact

One of the principal codes of conduct in Robeco's engagement process is the United Nations Global Compact. The UN Global Compact supports companies and other social players worldwide in stimulating corporate social responsibility. The Global Compact became effective in 2000 and is the most endorsed code of conduct in this field. The Global Compact requires companies to embrace, support and adopt several core values within their own sphere of influence in the field of human rights, labor standards, the environment and anti-corruption measures. Ten universal principles have been identified to deal with the challenges of globalization.

Human rights

1. Companies should support and respect the protection of human rights as established at an international level
2. They should ensure that they are not complicit in human-rights abuses.

Labor standards

3. Companies should uphold the freedom of association and recognize the right to collective bargaining
4. Companies should abolish all forms of compulsory labor
5. Companies should abolish child labor
6. Companies should eliminate discrimination in employment.

Environment

7. Companies should adopt a prudent approach to environmental challenges
8. Companies should undertake initiatives to promote greater environmental responsibility
9. Companies should encourage the development and diffusion of environmentally friendly technologies.

Anti-corruption

10. Companies should work against all forms of corruption, including extortion and bribery.

More information can be found at: https://www.unglobalcompact.org/

CODES OF CONDUCTS

OECD Guidelines for Multinational Enterprises

The OECD Guidelines for Multinational Enterprises are recommendations addressed by governments to multinational enterprises operating in or from adhering countries, and are another important framework used in Robeco's engagement process. They provide non-binding principles and standards for responsible business conduct in a global context consistent with applicable laws and internationally recognized standards.

The Guidelines' recommendations express the shared values of the governments of countries from which a large share of international direct investment originates and which are home to many of the largest multinational enterprises. The Guidelines aim to promote positive contributions by enterprises to economic, environmental and social progress worldwide.

More information can be found at: http://mneguidelines.oecd.org/

International codes of conduct

Robeco has chosen to use broadly accepted external codes of conduct in order to assess the ESG responsibilities of the entities in which we invest. Robeco adheres to several independent and broadly accepted codes of conduct, statements and best practices and is a signatory to several of these codes. Next to the UN Global Compact, the most important codes, principles, and best practices for engagement followed by Robeco are:

– International Corporate Governance Network (ICGN) statement on
– Global Governance Principles
– United Nations Global Compact
– United Nations Sustainable Development Goals
– United Nations Guiding Principles on Business and Human Rights
– OECD Guidelines for Multinational Enterprises
– Responsible Business Conduct for Institutional Investors (OECD)

In addition to our own adherence to these codes, we also expect companies to follow these codes, principles, and best practices. In addition to our own adherence to these codes, we also expect companies to follow these codes, principles, and best practices.

Robeco's Voting Policy

Robeco encourages good governance and sustainable corporate practices, which contribute to long-term shareholder value creation. Proxy voting is part of Robeco's Active Ownership approach. Robeco has adopted written procedures reasonably designed to ensure that we vote proxies in the best interest of our clients. The Robeco policy on corporate governance relies on the internationally accepted set of principles of the International Corporate Governance Network (ICGN). By making active use of our voting rights, Robeco can, on behalf of our clients, encourage the companies concerned to increase the quality of the management of these companies and to improve their sustainability profile. We expect this to be beneficial in the long term for the development of shareholder value.

Collaboration

Where necessary, Robeco coordinates its engagement activities with other investors. Examples of this includes Eumedion; a platform for institutional investors in the field of corporate governance and the Carbon Disclosure Project, a partnership in the field of transparency on CO_2 emissions from companies, and the ICCR. Another important initiative to which Robeco is a signatory is the United Nations Principles for Responsible Investment. Within this context, institutional investors commit themselves to promoting responsible investment, both internally and externally.

Robeco's Active Ownership Team

Robeco's voting and engagement activities are carried out by a dedicated Active Ownership Team. This team was established as a centralized competence center in 2005. The team is based in Rotterdam, the Netherlands, and Hong Kong. As Robeco operates across markets on a global basis, the team is multi-national and multi-lingual. This diversity provides an understanding of the financial, legal and cultural environment in which the companies we engage with operate. The Active Ownership team is part of Robeco's Sustainable Investing Center of Expertise headed by Carola van Lamoen. The SI Center of Expertise combines our knowledge and experience on sustainability within the investment domain and drives SI leadership by delivering SI expertise and insights to our clients, our investment teams, the company and the broader market. Furthermore, the Active Ownership team gains input from investment professionals based in local offices of the Robeco around the world. Together with our global client base we are able leverage this network to achieve the maximum possible impact from our Active Ownership activities. ■

ROBECO

Robeco Institutional Asset Management B.V. (Robeco) is a pure play international asset manager founded in 1929. It currently has offices in 15 countries worldwide and is headquartered in Rotterdam, the Netherlands. Through its integration of fundamental, sustainability and quantitative research, Robeco is able to offer institutional and private investors a selection of active investment strategies, covering a range of asset classes.

Sustainability investing is integral to Robeco's overall strategy. We are convinced that integrating environmental, social and governance (ESG) factors results in better-informed investment decisions. Further we believe that our engagement with investee companies on financially material sustainability issues will have a positive impact on our investment results and on society.

More information can be found at:
https://www.robeco.com

IMPORTANT INFORMATION

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The Investment Engineers

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I www.robeco.com

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LPP
Local Pensions Partnership Investments

Our roadmap to net zero

Limiting warming to 1.5ºC is possible within the laws of chemistry and physics, but would require unprecedented transitions in all aspects of society.

IPCC, 2018: Global warming of 1.5°C. An IPCC Special Report on the impacts of global warming of 1.5°C above pre-industrial levels.

Contents

Introduction

Local Pensions Partnership Investments (LPPI) has voluntarily made a public commitment to the goal of aligning our portfolio with net zero emissions by 2050. This is a significant multi-decadal ambition, and it is important we take time to explain why this is an appropriate step for LPPI, and what it means for us in practice as an investment manager and for the pension funds we serve as clients.

Richard J Tomlinson
Chief Investment Officer

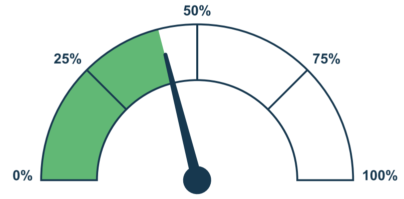
This document provides a short introduction to our approach and we hope it offers helpful and accessible insights into an inescapably complicated subject matter. We aim to convey that LPPI's net zero commitment is the natural extension of our efforts to understand, measure, and manage the investment risks and opportunities both climate change, and efforts to hold planetary warming below 1.5°C, present for investors.

Our asset manager commitment to net zero confirms that we are investing the time and resources to bring emissions measurement and net zero alignment into closer focus. Our first set of targets cover 100% of the listed equities investments we manage through our Global Equities Fund. We will be working hard to bring additional asset classes into scope moving forward.

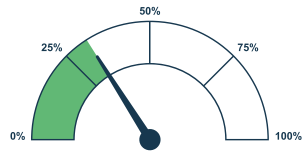
Thank you for your interest in this area of LPPI's work, we hope you find this guide informative.

Summary of net zero targets

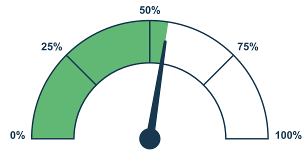
In scope
Our first interim target for the proportion of assets to be managed in line with net zero emissions being attained by 2050 is 42%. We aim to have 100% of assets under management in scope of net zero target setting over time.



Coverage targets
Global Equities Fund assets under management in material sectors that are net zero, aligned or aligning with net zero.

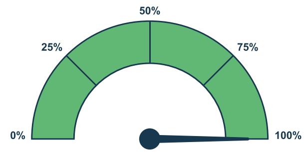


32% of listed equities by **2025**



55% of listed equities by **2030**

Global Equities Fund assets under management in material sectors that are net zero or aligned with net zero.

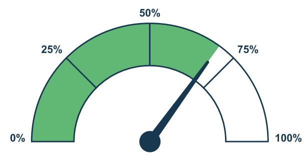


100% of listed equities by **2040**

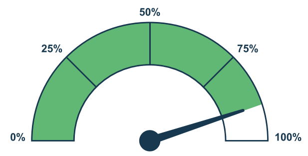
Decarbonisation targets
Global Equities Fund portfolio decarbonisation.

In December 2019, emissions intensity was 40% below the benchmark index. By 2030 the target is to reduce the fund's Weighted Average Carbon Intensity by at least a further 16% compared to 2019 levels.

Engagement threshold (listed equities)
Global Equities Fund financed emissions in material sectors that are net zero, aligned with net zero or under engagement.



70% of financed emissions by **2022**



90% of financed emissions by **2030**

For more information about "material sectors", please see page 36.

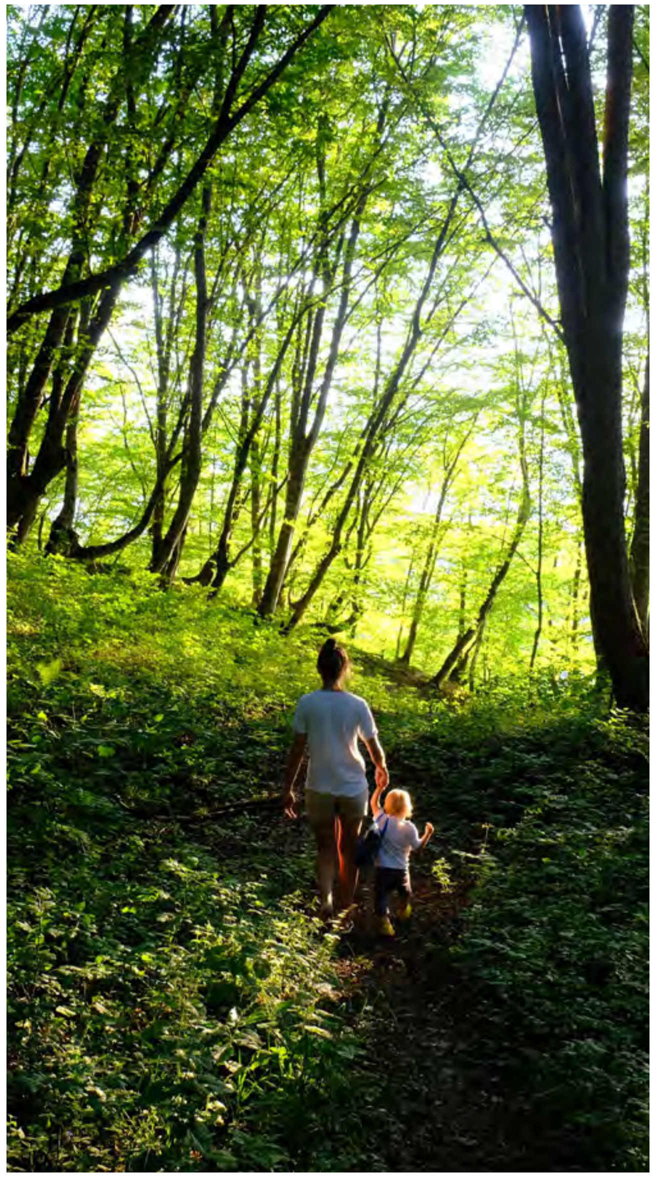
What is net zero?

Net zero refers to a global state of balance between the amount of greenhouse gases being emitted into the atmosphere and the amount being absorbed or removed from it.

Currently, human activities are creating more emissions than planetary eco-systems can absorb, leading to ocean acidification, atmospheric pollution and global warming.

The timeframe for addressing the current imbalance through decisive action to avoid potentially irreversible consequences is limited. Scientific consensus recognises warming of 1.5°C above pre-industrial levels as a critical threshold. Halting warming at this level demands a sharp decline in greenhouse gas emissions by 2030, and net zero emissions by 2050.

The measures required involve significantly less CO_2 being produced and emitted, which cannot be achieved without the transformation of energy, industry, land use, higher energy efficiency and much lower energy demand.



Why have we made a net zero commitment?

A material issue

Climate change is already affecting people, ecosystems and livelihoods all around the world.

Net zero emissions are needed to avert the worst impacts and preserve a liveable planet. The actions required are radical and far reaching. They equate to rapid transition to a net-zero-emissions global economy by mid-century.

In 2015, 196 countries adopted the Paris Agreement, pledging to limit warming to no more than 1.5°C and build resilience to climate change. Efforts have not been significant enough to date, meaning deeper and more ambitious action is needed in the remaining critical decades to 2050.

As an asset manager we recognise the importance of anticipating how the dynamics of transition are likely to affect the investments we make on behalf of our clients and ensuring we are well-prepared to respond to the risks and opportunities presented.

Put simply, we understand the need to resource and upskill ourselves to integrate the necessary data and insights to support our decision making. This will enable us to interpret how global efforts to achieve net zero are shaping the investment universe and likely to play out, evaluate how they are affecting current assets under management, and inform an appropriate response.

We have voluntarily made a public commitment to the goal of aligning our portfolio with net zero emissions by 2050. This recognises the importance we are giving to this work. Our net zero commitment has board level support and is a priority objective identified in our business plan.

A focus on net zero emissions tailored to our specific investment context is aligned with LPPI's purpose and responsible investment beliefs, and a natural progression for our approach to addressing climate change.

"Lack of global cooperation, lack of governance of the required energy and land transformation, and increases in resource-intensive consumption are key impediments to achieving 1.5°C"

IPCC, 2018: Global warming of 1.5°C. An IPCC Special Report on the impacts of global warming of 1.5°C above pre-industrial levels, page 95.

Our purpose is to deliver first class, value for money, investment outcomes aligned with our clients' interests and bring our expertise and spirit of collaboration together to help our clients invest sustainably in better futures.

Our responsible investment beliefs

Fiduciary Duty

LPPI has a contractual responsibility to act in the best long-term interests of our clients – namely both the client pension funds and their beneficiaries.

ESG Factors

Environmental, social and governance (ESG) factors can have a measurable, direct financial impact on the value of securities, assets, markets and portfolios.

Optimum Returns

We must focus on optimal returns in the long-term, at an acceptable level of risk, to describe ourselves as responsible investors.

Active Ownership

Ownership rights have a value and investors have influence. Institutional investors have a duty to use their ownership powers to protect the long-term financial interests of beneficiaries.

Sustainable Basis

The effective management of investment risks is essential to achieve optimum risk-adjusted returns on a sustainable basis.

Our investment context

LPPI is an investment firm authorised and regulated by the Financial Conduct Authority. We are an asset manager overseeing approximately £24 billion in assets for public sector pension funds.

We are unique among the LGPS (Local Government Pension Scheme) investment pools in providing a full fiduciary management service, running 100% of assets for three core clients. Full fiduciary management means we strategically manage client pension assets and monitor liabilities, helping our clients ensure sufficient funds are available to pay pensions as they fall due.

Our services include:

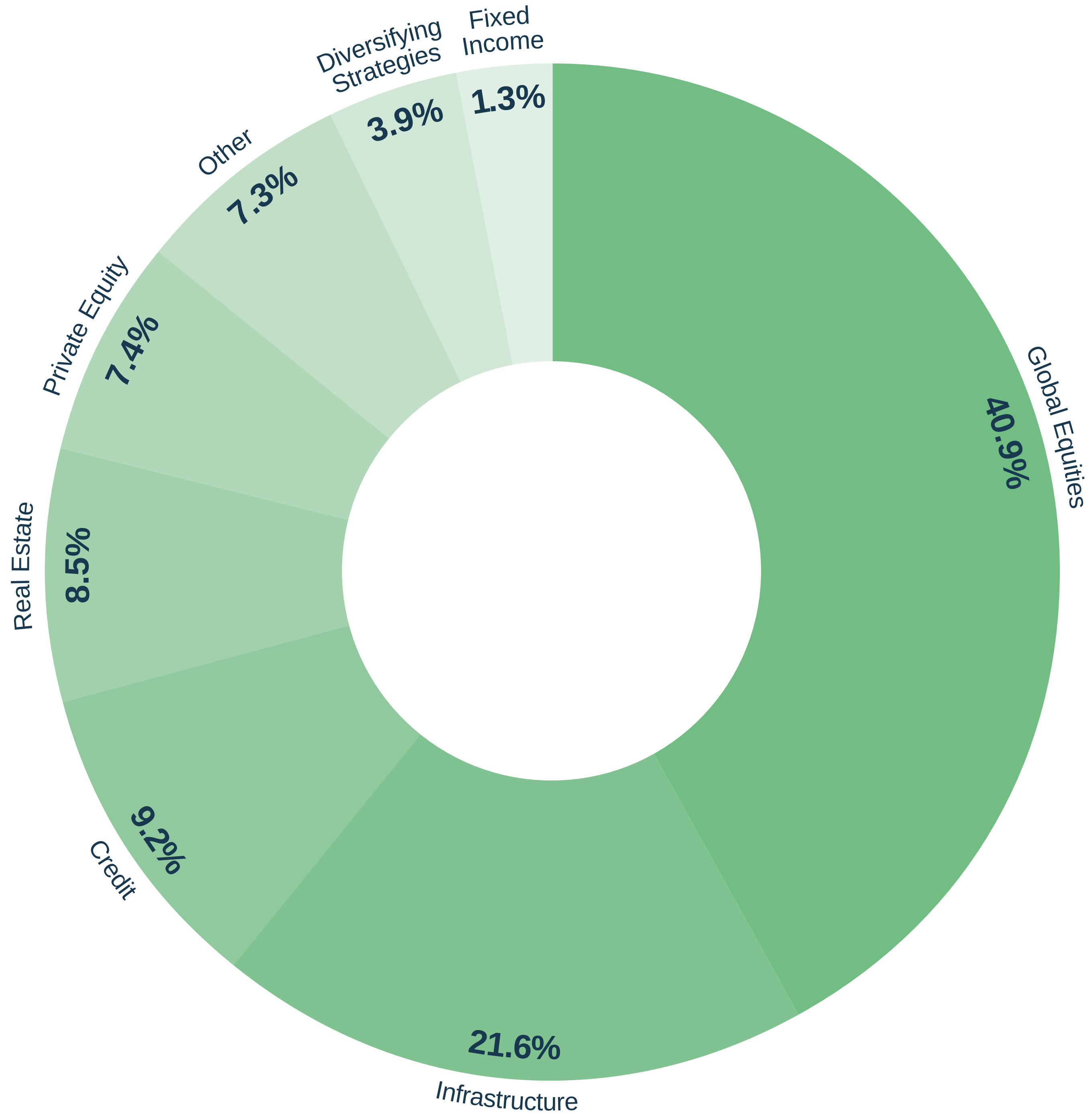
- **Asset management** – overseeing investments in LPPI pooled funds and assets held on client balance sheets including local investments
- **Strategic advice** - assisting clients to target and deliver appropriate risk adjusted returns, taking their assets and liabilities into account

Our assets under management

The investment portfolio we manage spans seven asset classes.

We predominantly manage large pooled funds which have multiple investors rather than segregated mandates specific to individual clients. Our pooled funds incorporate internally-managed mandates where assets are selected and overseen directly by our in-house investment staff, and externally-managed mandates where asset selection and stewardship are by delegate asset managers appointed and overseen by LPPI.

These arrangements mean that fulfilling our net zero commitment will involve co-operation and co-ordination across a large diversified portfolio.

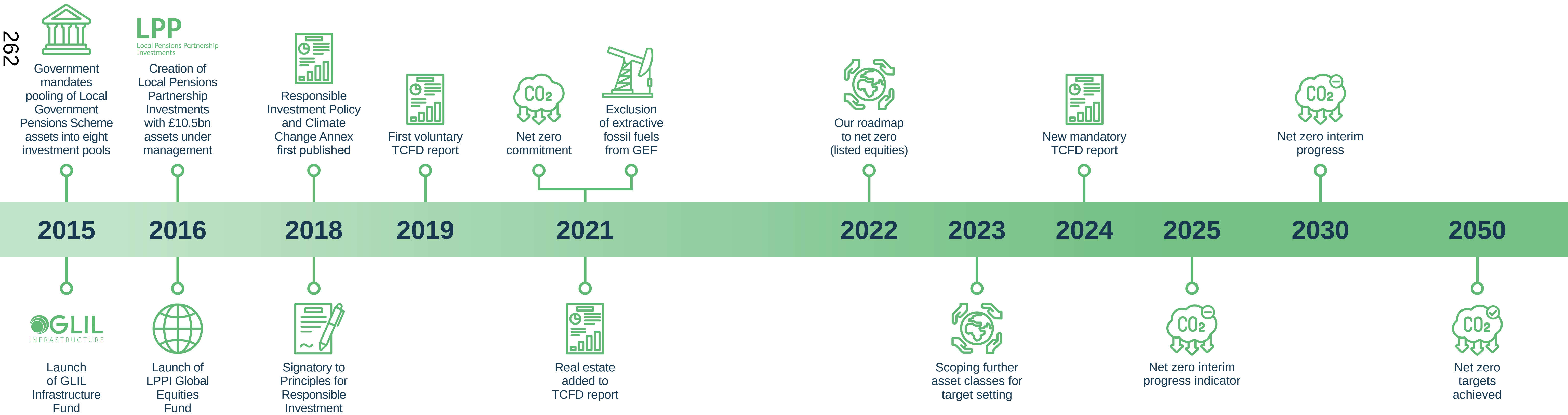


Source: Local Pensions Partnership Investments as at 30 September 2022

Sustainable stewardship

Making a net zero commitment represents a natural progression for LPPI which continues a long-standing focus on sustainable stewardship.

Making a net zero commitment evolves our current approach to addressing climate change as a material investment issue. Our Responsible Investment Policy has a dedicated Annex on Climate Change and we have reported voluntarily in line with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD) since 2019. We are currently preparing for the compulsory regime of TCFD reporting for UK asset managers which is applicable to us from January 2023, and our approach to net zero is consistent with meeting the new regulatory requirements.



Net zero and TCFD interrelationship

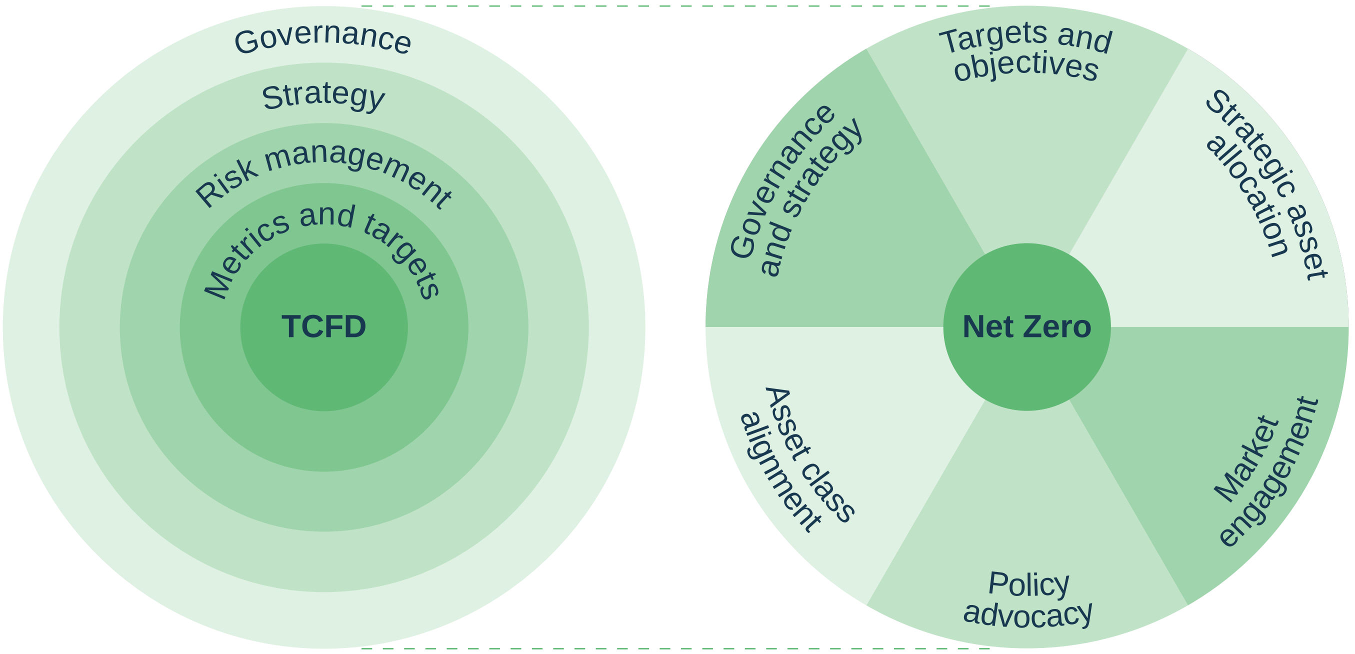
TCFD aims to drive transparent disclosure through clear reporting under four pillars on how climate-related risks and opportunities are considered in managing investments. Net zero spans all four pillars. As a lens focused on the global decarbonisation needed to halt planetary warming at 1.5°C, net zero will be part of our approach under all four pillars, but most obviously part of metrics and targets.

Governance
The organisation's governance around climate-related risks and opportunities.

Strategy
The actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.

Risk management
The processes used by the organisation to identify, assess, and manage climate-related risks.

Metrics and targets
The metrics and targets used to assess and manage relevant climate-related risks and opportunities.



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What have we committed to doing?

We manage a large, complex, diversified investment portfolio. A commitment to net zero compatible with our role, remit, and responsibilities means an approach that is:

Reflective of

- our business model and the services we provide
- the type of investment products we offer and their investment objectives
- the purpose and structuring of our pooled investment funds
- our advisory and management agreements with core clients and the mandates they give us
- levels of consensus on the importance of net zero as a stewardship priority amongst our clients and partners

Deliverable within

- our investment management agreements with delegate asset managers and the mandates and products they steward
- our contracts with external service providers and the specifications they encompass

As an investment issue, net zero is an important but nascent area. Best practice standards are still under development and data, tools, and recommended methodologies for assessing the net zero alignment of investments are still evolving.

LPPI is a member of the Institutional Investors Group on Climate Change (IIGCC). To prioritise progress around sound principles, we have selected the IIGCC Net Zero Asset Managers Commitment (NZAM) and the IIGCC Net Zero Investment Framework (NZIF) as good practice guides.

LPPI became a signatory to the NZAM commitment in November 2021 with support from our core clients for developing a net zero approach conducive to meeting their ongoing investment needs, compatible with LPPI's business model, and consistent with fulfilling our collective fiduciary responsibilities.

The Net Zero Asset Managers Commitment

In line with the best available science on the impacts of climate change, we acknowledge that there is an urgent need to accelerate the transition towards global net zero emissions and for asset managers to play our part to help deliver the goals of the Paris Agreement and ensure a just transition.

In this context, my organisation commits to support the goal of net zero greenhouse gas ('GHG') emissions by 2050, in line with global efforts to limit warming to 1.5°C ('net zero emissions by 2050 or sooner'). It also commits to support investing aligned with net zero emissions by 2050 or sooner.

Specifically, my organisation commits to:

a. Work in partnership with asset owner clients on decarbonisation goals, consistent with an ambition to reach net zero emissions by 2050 or sooner across all assets under management ('AUM')

b. Set an interim target for the proportion of assets to be managed in line with the attainment of net zero emissions by 2050 or sooner

c. Review our interim target at least every five years, with a view to ratcheting up the proportion of AUM covered until 100% of assets are included

In order to fulfil these commitments my organisation will:

For assets committed to be managed in line with the attainment of net zero emissions by 2050 or sooner (under commitment b)

1. Set interim targets for 2030, consistent with a fair share of the 50% global reduction in CO2 identified as a requirement in the IPCC special report on global warming of 1.5°C

2. Take account of portfolio Scope 1 & 2 emissions and, to the extent possible, material portfolio Scope 3 emissions

3. Prioritise the achievement of real economy emissions reductions within the sectors and companies in which we invest

4. If using offsets, invest in long-term carbon removal, where there are no technologically and/or financially viable alternatives to eliminate emissions

5. As required, create investment products aligned with net zero emissions by 2050 and facilitate increased investment in climate solutions

Across all assets under management

6. Provide asset owner clients with information and analytics on net zero investing and climate risk and opportunity

7. Implement a stewardship and engagement strategy, with a clear escalation and voting policy, that is consistent with our ambition for all assets under management to achieve net zero emissions by 2050 or sooner

8. Engage with actors key to the investment system including credit rating agencies, auditors, stock exchanges, proxy advisers, investment consultants, and data and service providers to ensure that products and services available to investors are consistent with the aim of achieving global net zero emissions by 2050 or sooner

9. Ensure any relevant direct and indirect policy advocacy we undertake is supportive of achieving global net zero emissions by 2050 or sooner

Accountability

10. Publish TCFD disclosures, including a climate action plan, annually, and submit them to the Investor Agenda via its partner organisations for review to ensure the approach applied is based on a robust methodology, consistent with the UN Race to Zero criteria, and action is being taken in line with the commitments made here

We recognise collaborative investor initiatives including the Investor Agenda and its partner organisations (AIGCC, CDP, Ceres, IGCC, IIGCC, PRI, UNEPFI), Climate Action 100+, Climate League 2030, Paris Aligned Investment Initiative, Science Based Targets Initiative for Financial Institutions, UN-convened Net-Zero Asset Owner Alliance, among others, which are developing methodologies and supporting investors to take action towards net zero emissions. We will collaborate with each other and other investors via such initiatives so that investors have access to best practice, robust and science based approaches and standardised methodologies, and improved data, through which to deliver these commitments.

We also acknowledge that the scope for asset managers to invest for net zero and to meet the commitments set forth above depends on the mandates agreed with clients and clients' managers' regulatory environments. These commitments are made in the expectation that governments will follow through on their own commitments to ensure the objectives of the Paris Agreement are met, including increasing the ambition of their Nationally Determined Contributions, and in the context of our legal duties to clients and unless otherwise prohibited by applicable law. In some asset classes or for some investment strategies, agreed net zero methodologies do not yet exist. Where our ability to align our approach to investment with the goal of net zero emissions by 2050 is, today, constrained, we commit to embark with determination and ambition on a journey, and to challenge and seek to overcome the constraints we face.

Source: Net Zero Asset Managers initiative

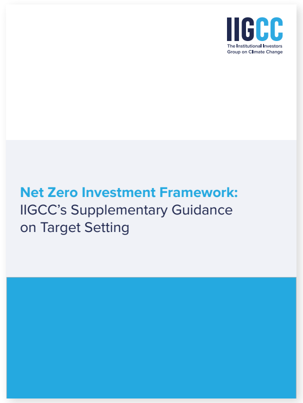
Preparing for our journey

Net zero refers to a global balance being achieved between the amount of greenhouse gases emitted into the atmosphere and the amount being absorbed or removed from it.

The IIGCC's Net Zero Investment Framework (NZIF) attempts to translate a planetary challenge of enormous complexity into a format capable of being addressed by investors. It contains detailed guidance and recommended approaches principally directed at asset owners, but recognises a significant supporting role for asset managers, through:

- encouraging client thinking and net zero awareness
- facilitating real world decarbonisation through net zero aligned investment
- incorporating requirements for net zero alignment into stewardship, engagement, and policy advocacy.

In formulating a roadmap for our net zero pathway we have aimed to meet the requirements of our NZAM commitment by adopting appropriate good practice from the *IIGCC's Net Zero Investment Framework Implementation Guide*, *Supplementary Guidance on Target Setting* and *Net Zero Stewardship Toolkit*.



Our route to net zero

The NZAM commitment encompasses significant ambition over multiple decades and will be logistically challenging to address. It involves securing the data and building the insights to support a net zero lens being embedded across our operating model (as part of governance, strategy and core procedures) and becoming integral to what we consider, measure, monitor and address as part of stewardship.

The global asset management industry is working with imperfect information at this point. We lack full data on the emissions our portfolio is financing (the total emissions investee companies are producing and the proportion of this attributable to our assets under management). We lack clarity about which emissions are being managed in alignment with reaching net zero by 2050. Our assets under management span thousands of companies globally and multiple investment vehicles. It is a complex landscape to measure and evaluate. Many companies are not yet disclosing information which gives investors key insights. Providers developing datasets and analytical tools of the type institutional investors need are focused on public market assets. With private market asset classes relatively poorly served, data has to be sourced, collected and aggregated manually before it can be analysed, which is resource intensive and time consuming.

The route we are taking involves effort to improve the quality and coverage of our data on financed emissions and increase the proportion of our assets under management for which we can assess net zero alignment. The overall aim is to incorporate measurement within evaluation, and focus stewardship on the most material considerations.

Reducing financed emissions

We are taking a prudent approach to the long term goal of portfolio emissions reaching net zero by 2050 (commitment a). This reflects that we have to navigate gaps, unknowns and conditions that are changing continuously. The shape and pace of actual real world decarbonisation may not proceed in line with a 1.5°C pathway, because it will reflect the interplay of multiple different factors, many not controllable by investee companies.

Equally, the portfolio we manage is not static. Changes in its composition (what we invest in) will continually alter the proportion of emissions attributable to our assets under management, without anything changing at the global level.

Similarly, because the real-world emissions investee companies generate reflect their commercial operations, they will shift as a reflection of factors including the location and scale of production methods, the integration of innovation or technological advances, the energy mix, and the development or contraction of product ranges, segments and market share.

Our overriding objective is to make good investment decisions which lead to positive investment outcomes for our clients. Our commitment is to investing aligned with net zero emissions by 2050 or sooner, not investment (and divestment) which achieves portfolio decarbonisation in isolation from other relevant investment considerations.

Taking all this into account, we have set a target for portfolio decarbonisation as an aid to tracking progress but will not address this target directly. By this we mean our focus will be first and foremost on the asset-level targets we have set around the engagement and net zero alignment of our individual holdings. We recognise that all companies and sectors need to become net zero aligned to deliver the decarbonisation required globally. Our assets under management encompasses thousands of individual companies at different stages of transition, with different emissions intensities, and with different capabilities, pathways and timelines for reaching net zero. Individual asset managers will consider emissions intensity, the quality of corporate planning, and the net zero positioning of companies in context as part of ongoing asset selection and stewardship. We will set clear expectations about net zero featuring within their stewardship priorities and will engage with managers where we identify concerns.

Doing this well should then result in the necessary emissions reductions in the real economy that can be tracked using the decarbonisation target. We have committed to prioritise real world emissions reductions within the sectors and companies we invest (Pledge 3). Addressing the decarbonisation target as a priority or in isolation however, may result in perverse outcomes that do not align with this ultimate goal.

Supporting a *journey* to low emissions by all companies is equally important. Some of our portfolio companies may have high emissions currently, but also have a robust strategy for decarbonising their operations, and supporting them is aligned with our net zero commitment. Equally, some of the industries and companies which are developing process innovations or products and services which qualify as climate solutions might have high emissions at the moment. It is possible that increasing our investment in climate solutions (Pledge 6) could increase the emissions attributable to our assets under management for an initial period, until corporate plans and action to fulfil them translate into real world decarbonisation.

Increasing net zero alignment

We are clear that the actions taken by individual investee companies to decarbonise towards net zero should produce real world emissions reduction over time. Increasing our portfolio's net zero alignment should produce a trend of measurable portfolio decarbonisation, though this may take time to emerge.

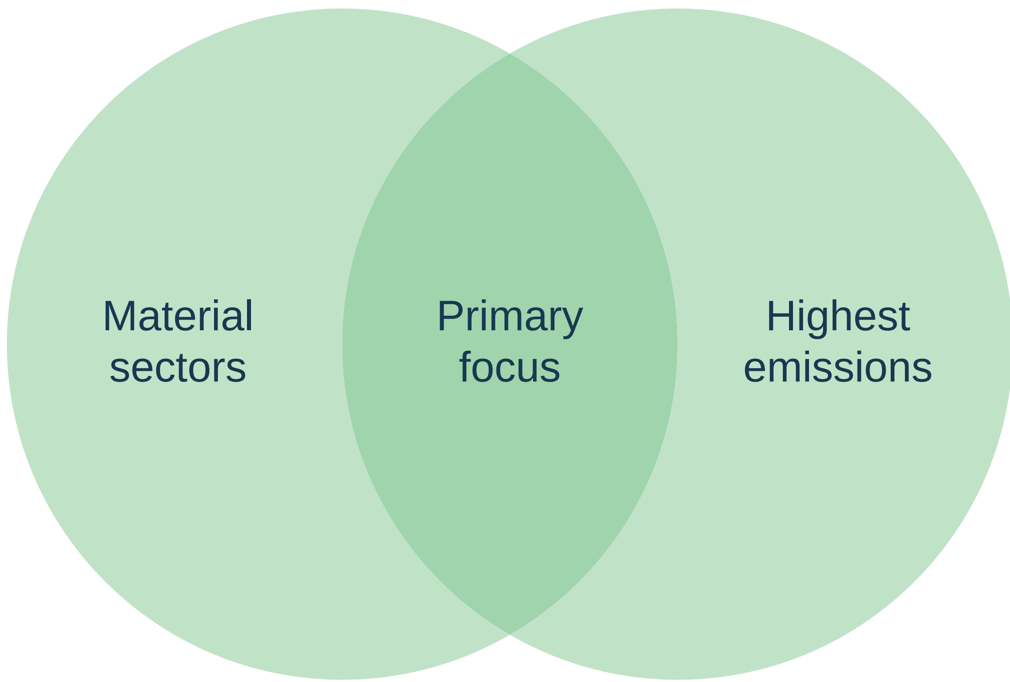
Ratcheting the proportion of the portfolio managed in alignment with attaining net zero emissions by 2050 (commitment b) involves bringing measurement and target setting to increasingly challenging areas of a large complex portfolio. However, the data, tools, methodologies and robust 1.5°C pathways needed to baseline, benchmark and set forward targets for alignment are not available for the full range of assets we manage at this point.

We will need to source datasets from providers (where available) and otherwise gather and collate granular information manually, involving co-ordination across multiple sources. This is resource intensive and will take time to accomplish. We will approach the work in tranches, determining the timing and phasing for different asset classes depending on the availability of reported emissions data (or robust proxy data) and the information and tools to measure, analyse, and forecast future net zero alignment.

Integrating net zero into stewardship

We aim to progressively improve our coverage of the portfolio's current emissions position and our evaluation of its alignment with net zero through focused stewardship, using the levers available to us as an institutional investor.

We will prioritise the most material sectors and the highest emitting companies in building out a net zero stewardship and engagement strategy.



Net zero stewardship

Meeting our commitment will mean integrating a net zero lens across our approach to stewardship, as part of active ownership which uses a range of levers to exert a positive influence.

Active Ownership

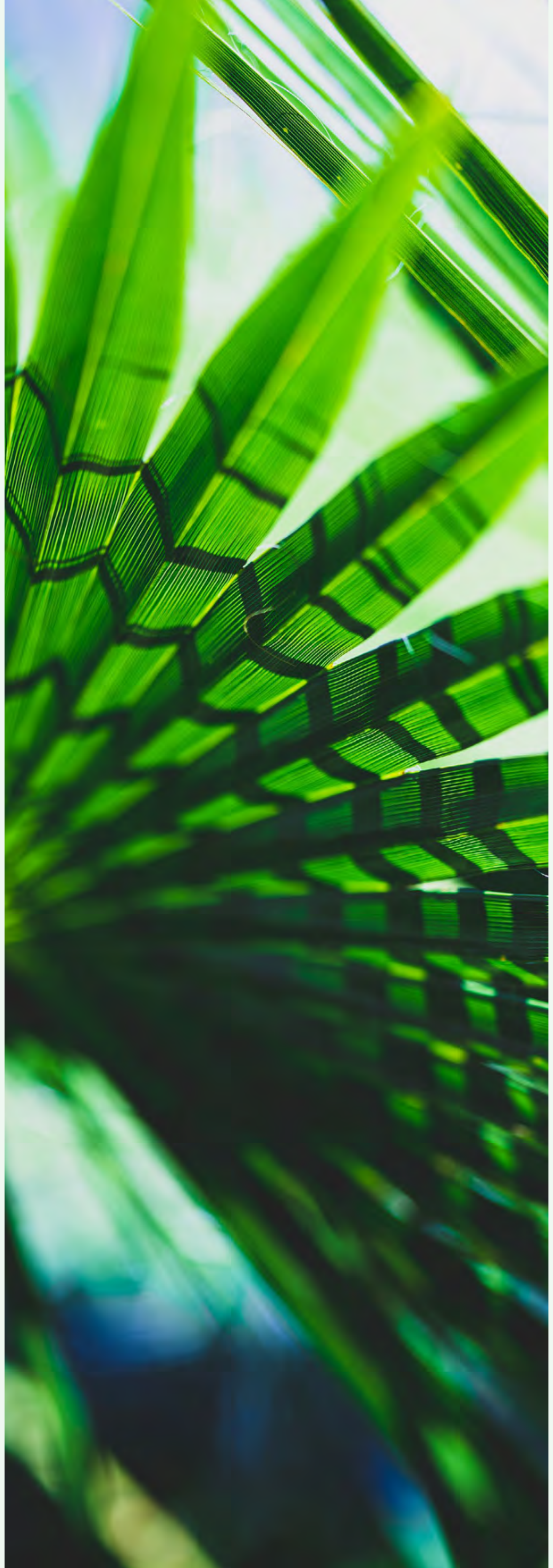
- The assets we select (strategy and implementation).
- 269 The expectations we incorporate (contracts and side letters).
- How we monitor and oversee (assets and external managers).
- How we identify, interpret and address risk (control environment).
- How we engage (companies - directly and collaboratively, delegate managers - clear expectations, insights from monitoring).
- How we advocate for supportive policy and an assistive regulatory environment (consultation responses, direct dialogue with regulators such as the Financial Conduct Authority and the Financial Reporting Council, and government departments such the Department for Levelling Up, Housing and Communities).

Levers of influence

- LPPI's main levers include dialogue with firms directly through our in-house investment team, and dialogue through external investment managers and service providers.
- We will engage unilaterally with firms via shareholder voting and board seats.
- We will engage with firms collectively, in collaboration with other like-minded investors through initiatives including IIGCC, CDP, ClimateAction100+, and the Transition Pathway Initiative.

Examples of what we are already doing:

- We have pre-existing policies to move away from new investments in some specific sectors – coal exclusions apply to the whole portfolio and extractive fossil fuel exclusions apply to the Global Equities Fund.
- Reporting on climate change - through voluntary TCFD disclosure, and as a signatory to the Principles for Responsible Investment, and the UK Stewardship Code 2020.



- Reporting to clients - via a responsible investment annual report and quarterly responsible investment dashboard including climate change related metrics and “green” and “brown” exposure.
- Participating in collaborative investor initiatives - including IIGCC, ClimateAction100+, UK Pension Schemes Responsible Investment Roundtable, Occupational Pensions Stewardship Council, Transition Pathway Initiative, and CDP non-disclosure campaign.
- Advocating for an assistive and ambitious policy environment - as a signatory to investor letters to G7 and G20 governments, and the Investor Statement to Governments on Climate Change.
- Engaging with our service providers - shareholder voting (Institutional Shareholder Services), climate change data (MSCI), engagement partner (Robeco Active Ownership), to explain our needs and encourage them to develop solutions to existing gaps.

Our milestones and initial net zero targets

We have made positive progress since making our NZAM commitment in November 2021 and have sought to update and bring clients along with us, particularly those considering net zero commitments of their own, to support their planning and implementation.

Our first year has involved interpreting and translating recommended best practice into LPPI's specific operating context. Net zero spans multiple elements of LPPI's asset and risk management model. It has brought additional resourcing demands for personnel and data and a review of existing processes as part of planning to integrate net zero considerations into our investment governance, risk control framework, and investment management routines.

Our milestones

Our first year milestones:

- meet NZAM commitments b and c by setting and publishing initial targets within 12 months
- adopt good practice standards from NZIF as the basis for our target setting approach
- publish a document explaining our net zero approach and indicating the route we will follow going forward

All first-year milestones have been met.

Our approach and planning will continue to evolve with experience and will be refreshed iteratively to incorporate new insights and solutions.

Our most immediate future milestones are to:

- embed live monitoring of net zero targets within risk, portfolio, and manager monitoring routines.
- develop a phased plan for expanding the coverage of our emissions data for private market assets.
- expand the proportion of assets under management within net zero target setting.
- continue discussions with clients on their net zero thinking and future requirements as part of our planning for product development.
- incorporate net zero within TCFD disclosure as part of our transition from a voluntary to compulsory reporting regime.

Our initial net zero targets

The NZAM commitment envisages 100% of assets under management being brought within the scope of net zero target setting over time. Our actual progress will depend on our mandates from clients and partners, our regulatory environment, and the availability of sufficiently robust foundations for target setting. We need corporate disclosure to improve, and tools and methodologies to mature, across the full range of asset classes we manage.

Our first interim target (under commitment b) is for 42% of our assets under management to be managed in line with the attainment of net zero emissions by 2050 or sooner. This represents 100% of the assets we manage in listed equities through our Global Equites Fund (GEF) and is our largest asset class under management.

We will review our interim target regularly (at least every five years in line with commitment b). Our next areas of focus for measurement and target setting are real estate and corporate fixed income.

IIGCC guidance recommends and provides methodologies for setting two targets at asset class level (engagement and coverage) and two at portfolio level (decarbonisation and investing in climate solutions) where these are compatible with an asset manager's remit and fiduciary arrangements.

We have set three of the four recommended targets. We have not set a target for increasing investment in climate solutions at this point. We may consider doing so in future pending discussion with clients on their preferences for products which invest in climate change solutions and the asset classes offering suitable scope. Meanwhile, we are already investing in climate solutions, most obviously through our infrastructure pooled fund which includes direct investments in renewable energy (wind, solar, and energy from waste) and transition assistive projects including battery storage and district heating.

The targets shared in this document have been submitted to the IIGCC for evaluation and have been confirmed as compliant with our NZAM commitment.

LPPI's net zero targets are also available on the Net Zero Asset Managers initiative website.

The phasing of target setting

Phase 1 – Complete
Global equities
(42% of our assets under management)

Phase 2 – Started
Real estate, corporate fixed income

Phase 3 – Planning
Remaining asset classes

Our asset class targets (listed equities)

Coverage target

Measure: Percentage of *assets under management* in material sectors* that are net zero, aligned or aligning with net zero.

Purpose: A target for increasing the *value* of assets already meeting conditions required for being assessed as net zero or taking the actions to move them into this position.

Our targets:

- **32%** of our global equities assets under management in material sectors* **by 2025**
- **55%** of our global equities assets under management in material sectors* **by 2030**
- **100%** of our global equities assets under management in material sectors* to be net zero or aligned by **2040**

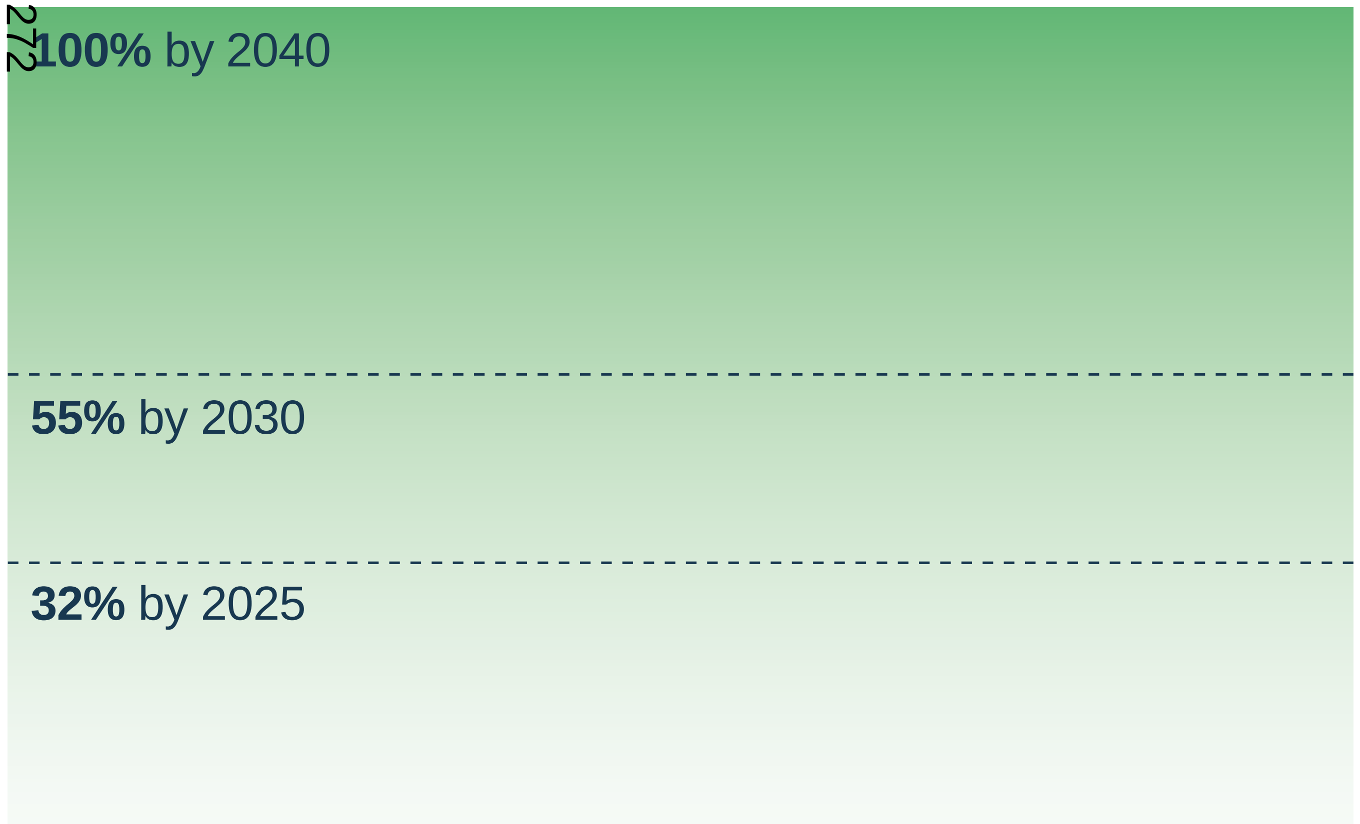
Engagement threshold

Measure: Percentage of *financed emissions* in material sectors* that are net zero, aligned with net zero or under engagement.

*Purpose***:** A target for increasing the proportion of total *financed emissions* from companies already meeting conditions required to be considered aligned with net zero, or under focused engagement on the actions needed.

Our targets

- **70%** of financed emissions in material sectors* at least aligned or under engagement **by 2022**
- **90%** of financed emissions in material sectors* at least aligned or under engagement **by 2030**



*Material sectors have been defined by IIGCC for consistency in the IIGCC Net Zero Implementation Guide. They are the sectors whose activities make the largest contribution to total emissions globally and which will need to produce the materials, develop the critical technologies and evolve the lower emitting, more energy efficient processes that achieving a sustainable global economy depends upon.

Our portfolio target

Portfolio decarbonisation goal

Measure: Weighted Average Carbon Intensity (WACI) in tonnes of CO_2e per $m sales. Initially covering Scope 1 and Scope 2 emissions (updated to include Scope 3 emissions when data quality allows).

Current scope: Listed equities only.

Purpose: Monitoring the portfolio's decarbonisation trajectory over time.

Goal: A portfolio emissions intensity aligned with net zero emissions by 2050 or sooner.

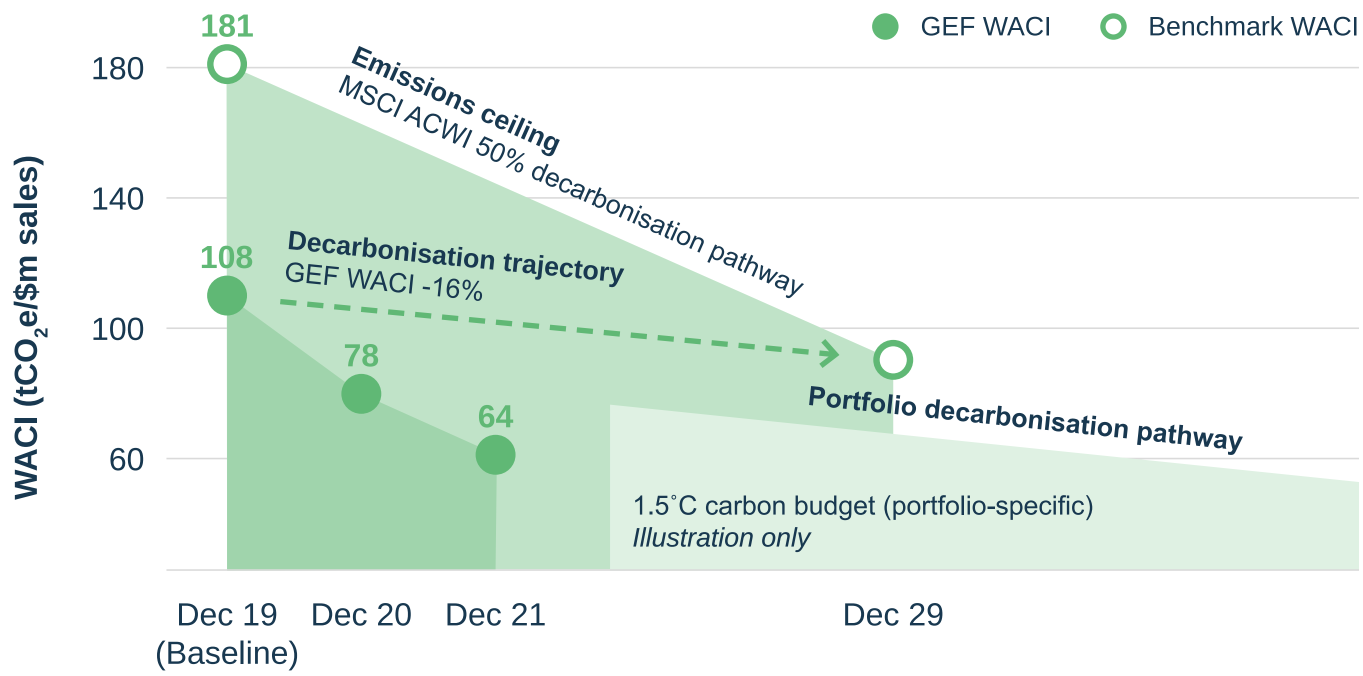
Our monitoring approach for listed equities involves comparing the WACI of our Global Equities Fund (GEF) to the WACI of its comparator benchmark, the MSCI All Country World Index (MSCI ACWI). We will review how the GEF is positioned relative to a decarbonisation pathway for the benchmark halving its emissions intensity between December 2019 and December 2029. IIGCC guidance describes this as a benchmark-relative approach to setting a "fair share" decarbonisation target.

A benchmark-focused decarbonisation pathway provides a helpful ceiling (or guardrail). It is a top-down, fixed-in-time comparator which does not move. The MSCI ACWI is a universal benchmark which means it is representative of the global market as the GEF's investment universe.

We plan to enhance our emissions monitoring approach by calculating a portfolio decarbonisation pathway for the GEF in due course. This will focus on comparing the investments we hold in listed equities against a 1.5°C pathway (or emissions budget) specific to them, indicating a glidepath for emissions reduction which supports us monitoring how our portfolio is positioned and progressing.

The portfolio decarbonisation pathway indicated in the diagram opposite is illustrative only. We are awaiting tools under development by our data provider to support us modelling a portfolio-specific 1.5°C decarbonisation pathway for the GEF which can be regularly rerun and updated. It is important our monitoring can keep pace with changes in the composition of the GEF and its financed emissions to ensure our stewardship and engagement are trained on the highest priority companies within our assets under management.

Decarbonisation glidepath



Current positioning

Our GEF is currently in a very positive position. It was registering an emissions intensity 40% below the MSCI ACWI in December 2019 (the baseline date). The GEF's WACI needs to reduce by at least a further 16% by 2030 to remain aligned with or beneath a 1.5°C decarbonisation pathway for its universe. When measured at the end of December 2021, the GEF had a WACI materially lower than the benchmark's 50% decarbonisation pathway.

When we can produce a portfolio-specific decarbonisation pathway, we can also review the GEF's position against a bottom-up, notional emissions budget which reflects current holdings and adjusts for changes in the composition of the GEF. This will assist us in refreshing our target setting over time.

Our own operational emissions

Our NZAM commitment focuses on the financed emissions attributable to our assets under management, but the NZIF includes encouragement for investors to monitor and set targets for their own operational emissions as a direct contribution to reducing real world emissions.

As part of LPPI's net zero commitment we are monitoring the operational emissions of our business and have sought PlanetMark accreditation to ensure we are following a certified and appropriate measurement approach.

We have not set a forward target for business emissions reduction at this point but will do so in due course once efforts to collect further data improve our capabilities to capture our baseline and assess the options for improvement.

Some early reflections

The NZAM commitment represents an aspirational multi-decadal ambition which presents strategic, operational and logistical challenges we will need to work to overcome. The approach and plans this roadmap articulates reflect initial steps which share our thinking and learning to date.

Since we became signatories in November 2021, LPPI's priority has been to assemble the advice, tools, core data and key personnel to agree appropriate first steps in a thoughtful, logical, and prudent approach.

Key steps in our journey to date (from initially making our commitment to publishing targets and a net zero roadmap) include:

- Establishing a multi-disciplinary project group to oversee net zero planning and support progressive implementation into our core investment processes
- Assignment of internal project management resources and an external consultant, to support and co-ordinate change management
- Surveying the data, tools and services currently available from the provider market
- Assessing the availability of emissions data, pathways, and net zero alignment indicators (to understand the scope of asset classes capable of inclusion in initial target setting)
- Undertaking portfolio baselining, benchmarking and target setting for in scope assets (to establish the current position of companies, assess net zero alignment positioning, set forward targets for improvement-focused stewardship, and identify priority companies)
- Evaluating the practical outcomes and potential financial impacts of our initial targets (to the extent possible)
- Formulating a stewardship and engagement strategy for a priority group of companies
- Implementation planning for the incorporation of net zero analysis, monitoring and oversight into live processes

Our first reflection from the first phase of our net zero journey is on co-ordination. From the start, the multidisciplinary working group has been instrumental in building engagement with this initiative across the business, acting as a focal point driving action and consensus at all levels. It has been a key success factor which we will continue to deploy as we bring on board more asset classes to the initiative over the next 12 months.

The second is on data. Our exercise of surveying the market for an appropriate provider of data and analytical alignment tools reinforced to us the shortcomings in data availability and methodological consistency at present.

Our ability to bring a large, complex, diversified portfolio within scope of net zero management will be significantly improved by increased market co-operation and rapid evolution of industry-wide infrastructure. The building blocks required include corporate reporting to consistent minimum disclosure standards through legislation regulating what underlying companies (in both public and private markets) must disclose, and co-operation and equivalency from asset managers in assembling information for the mandates they manage.

The role of data providers is fundamental to achieving an efficient market solution given the need for both high quality aggregated datasets reflecting market agreed measures of corporate alignment, and modelling tools which utilise this data to enhance the production of decision-useful analysis.

An important pillar of our net zero stewardship and engagement strategy was and will continue to be:

a. advocacy for a supportive regulatory and policy environment

b. industry engagement urging the emergence of agreed definitions and methodologies

c. pushing for a maturing offer from data providers which understands and addresses investor needs

Our final reflection is on ambition. This first year of our commitment has seen the establishment and cementing in practice of a critical house view: focus our efforts and ambition where we can have the greatest impact.

As an asset manager that means the stewardship of capital. While alignment methodologies develop, our teams are focused on building a robust and stretching stewardship and engagement strategy. The investment team has set high expectations of our existing managers in particular and have committed to build their understanding and capacity to meet these through focused and targeted engagement. This has quickly become a key criterion for future relationships with managers as well.

We are committed to being transparent about our position and the actions we are taking to progress our understanding, address what is immediately possible, and invest in the next steps required to take us further. Our experience of embedding net zero considerations into listed equities will inform efforts to expand coverage, though we recognise only some aspects will translate to other asset classes and others will need adapting to accommodate different contexts.

Our future reporting on net zero, including progress against our targets and the evolution of our approach, will form part of TCFD disclosure. This reflects that making a voluntary commitment to net zero is not a separate initiative but an integral part of improving how we understand, measure, assess, manage and report on the investment risks and opportunities posed by climate change.

Glossary

Baselining
Establishing the starting point against which targets will be set and progress measured.

Benchmark-relative approach
Uses the emissions of a comparator benchmark at a point in time to reference an emissions reduction target against and measure progress.

CDP
CDP (previously the Carbon Disclosure Project). Visit the website.

FCA
Financial Conduct Authority. Regulates financial services firms and financial markets in the UK.

Financed emissions
The emissions associated with our assets under management based on attributing a share of the total emissions produced by underlying companies in proportion to the size of the investment we hold.

IIGCC
Institutional Investors Group on Climate Change.

Investment universe
A selection of assets which reflect an investable universe, generally grouped based on the preferences of an investment strategy in terms of, for example, sector, industry or regional exposure.

IPCC
Intergovernmental Panel on Climate Change IPCC Special Report on the impacts of global warming of 1.5°C.

MSCI All Country World Index (ACWI)
A stock index designed to track broad global equity market performance. The LPPI Global Equities Fund’s comparator benchmark.

NACE
A statistical classification in use within the European Community.

NZAM
Net Zero Asset Manager Commitment (see pages 22-23).

NZIF
Net Zero Investment Framework.

Paris Agreement
Intergovernmental Panel on Climate Change, the United Nations body for assessing the science related to climate change.

Portfolio self-decarbonisation
Using portfolio emissions at a point in time to reference an emissions reduction target against and measure progress.

Scope 1
All direct greenhouse gas emissions from sources owned or controlled by the company. Some examples include emissions from fossil fuels burned on site, emissions from entity-owned or leased vehicles.

Scope 2
Indirect greenhouse gas emissions from consumption of purchased electricity, heat, or steam, and the transmission and distribution (T&D) losses associated with some purchased utilities.

Scope 3
Other indirect emissions that occur from sources not owned or controlled by the company. Some examples of Scope 3 activities are extraction and production of purchased materials; transportation of purchased fuels; and use of sold products and services.

Stewardship
The responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society (UK Stewardship Code 2020).

Total Carbon Emissions
The sum of all the emissions in the portfolio based on the investor's ownership share.

$$\sum_{n}^{i} \frac{\$\ \text{Investment}_i}{\text{Issuer's full mcap}_i} \times \text{Issuer's emissions}_i$$

TPI
Transition Pathway Initiative. Visit the website.

Universal global benchmark
A benchmark stock index which is representative of the global economy, for example the MSCI All Country World Index.

Weighted Average Carbon Intensity (WACI)

Weighted Average Carbon Intensity is the measure of a portfolio's exposure to carbon-intensive companies, expressed as tCO2e/$m company revenue.

$$\sum_{n}^{i} \text{Portfolio weight}_i \times \text{Issuer's carbon intensity}_i$$

For more information about LPPI, visit our website
or contact us to discuss your specific requirements
in more detail.

lppi.co.uk
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LPP
Local Pensions Partnership Investments

Incorporated in England and Wales and trading as
LPPI (Company registration number: 09835244)

Authorised and regulated by the Financial Conduct
Authority (Reference number: 724653)

Equality Impact Assessment

For support in completing this EQIA, please consult the EQIA Guidance Document or contact equality@rbwm.gov.uk

www.rbwm.gov.uk

Royal Borough of Windsor & Maidenhead

1. Background Information

Title of policy/strategy/plan:	Responsible Investment
Service area:	Finance
Directorate:	Pension Fund

Provide a brief explanation of the proposal: • What are its intended outcomes? • Who will deliver it? • Is it a new proposal or a change to an existing one?
13 March 2023 Committee Meeting – 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. Following the release of an Environmental, Social and Governance (ESG) public statement in late 2020, the Fund approved a Responsible Investment (RI) policy on 22 March 2021 supported by several values, principles, and priorities. Since then, the Fund has been continuously improving its approach to RI and have been working towards an updated RI policy that was approved by the Committee on 12 October 2022. This report aims to update the reader quarterly on the Fund's responsible investment activities and outcomes through presenting an RI report and dashboard as aligned with the Fund's RI policy – noting that climate change is one of the underlying priorities in the Fund's revised 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 covers the formal update on LPPI's net-zero commitment, and it's published interim targets.

2. Relevance Check

Is this proposal likely to directly impact people, communities or RBWM employees? • If Yes, state 'Yes' and proceed to Section 3. • If No, please explain why not, including how you've considered equality issues. • Will this proposal need a EQIA at a later stage? (for example, for a forthcoming action plan)
No, full assessment not required as this report is unlikely to have a specific impact on individuals or groups of people with protected characteristics

If 'No', proceed to 'Sign off'. If unsure, please contact equality@rbwm.gov.uk

3. Evidence Gathering and Stakeholder Engagement

Who will be affected by this proposal? For example, users of a particular service, residents of a geographical area, staff
Among those affected by the proposal, are protected characteristics (age, sex, disability, race, religion, sexual orientation, gender reassignment, pregnancy/maternity, marriage/civil partnership) **disproportionately represented?** For example, compared to the general population do a higher proportion have disabilities?
What engagement/consultation has been undertaken or planned? • How has/will equality considerations be taken into account? • Where known, what were the outcomes of this engagement?
What sources of data and evidence have been used in this assessment? Please consult the EQIA Evidence Matrix for relevant data. Examples of other possible sources of information are in the Guidance document (Section 2.3).

4. Equality Analysis

Please detail, **using supporting evidence**:

- How the protected characteristics below might influence the needs and experiences of individuals, in relation to this proposal.
- How these characteristics might affect the impact of this proposal.

Tick positive/negative impact as appropriate. If there is no impact, or a neutral impact, state 'Not Applicable'.
More information on each protected characteristic is provided in the EQIA Guidance document (available on the intranet).

	Details and supporting evidence	Potential positive impact	Potential negative impact
Age			
Disability			
Sex			
Race, ethnicity and religion			
Sexual orientation and gender reassignment			
Pregnancy and maternity			
Marriage and civil partnership			

Armed forces community			
Socio-economic considerations e.g. low income, poverty			
Children in care/Care leavers			

5. Impact Assessment and Monitoring

If you have not identified any disproportionate impacts and the questions below are not applicable, leave them blank and proceed to Sign Off.

What measures have been taken to ensure that groups with protected characteristics are able to benefit from this change, or are not disadvantaged by it? For example, adjustments needed to accommodate the needs of a particular group
Where a potential negative impact cannot be avoided, what measures have been put in place to mitigate or minimise this? • For planned future actions, provide the name of the responsible individual and the target date for implementation.
How will the equality impacts identified here be monitored and reviewed in the future?

6. Sign Off

Completed by: Damien Pantling	**Date**: 18/02/2023
Approved by:	**Date:**

If this version of the EQIA has been reviewed and/or updated:

Reviewed by:	**Date**:

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Agenda Item 17

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