

# Public Document Pack

## Notice of Meeting

### Berkshire Pension Board

Alan Cross (Chair), Arthur Parker (Vice-Chair), Nikki Craig, Jeff Ford and Julian Curzon

Monday 18 September 2023 11.00 am

Virtual Meeting - Online access & on [RBWM YouTube](#)

www.rbwm.gov.uk



### Agenda

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3	<b>Minutes</b> To approve the Part I minutes of the meeting held on 19 June 2023	5 - 10
4	<b>Board Governance Matters</b> To discuss matters of governance of the Pension Board.	Verbal Report
5	<b>Scheme and Regulatory Update</b> To note the update from Philip Boyton, Deputy Head of Pension Fund.	Verbal Report
6	<b>Risk Management</b> To note the report from Damien Pantling, Head of Pension Fund.	11 - 22
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10	<b>Part I Any Other Business</b> To discuss any other items of business.	-
11	<b>LOCAL GOVERNMENT ACT 1972 - EXCLUSION OF THE PUBLIC</b> To consider passing the following resolution: “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.”	-

<b>Part II - Private Meeting</b>		
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13	<b>Pooling Consultation Response</b> To note the report from Damien Pantling, Head of Pension Fund.	119 - 128
14	<b>Responsible Investment, Risk and Business Update</b> To note the report from Damien Pantling, Head of Pension Fund.	129 - 224
15	<b>Part II Any Other Business</b> To discuss any other Part II items of business.	-

By attending this meeting, participants are consenting to the audio & visual recording being permitted and acknowledge that this shall remain accessible in the public domain permanently.

Please contact Democratic Services, [Democratic.Services@RBWM.gov.uk](mailto:Democratic.Services@RBWM.gov.uk), with any special requests that you may have when attending this meeting.

Published: 8<sup>th</sup> September 2023



## MEMBERS' GUIDE TO DECLARING INTERESTS AT MEETINGS

### Disclosure at Meetings

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

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

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

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

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

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

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

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

### Disclosure of Other Registerable Interests

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

### Other Registerable Interests:

- 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.

# Agenda Item 3

## BERKSHIRE PENSION BOARD

Monday 19 June 2023

Present: Alan Cross (Chair)

Present (virtually): Arthur Parker (Vice-Chair), Nikki Craig and Julian Curzon

Officers: Damien Pantling and Philip Boyton

Officers (virtually): Laurence Ellis

### Introduction and Apologies

The meeting was held in a hybrid format with the Chair, and Pension Fund Officers meeting in-person at Minster Court, while other members attended virtually.

Before starting on the agenda, the Chair, Alan Cross, asked for confirmation from members that they were happy for him to continue to chair the Board for the municipal year of 2023-24. They agreed.

**RESOLVED UNANIMOUSLY: That Alan Cross remain as Chair of Berkshire Pension Board for the municipal year of 2023-24**

The Chair, Board members and officers introduced themselves.

Apologies were received from Jeff Ford, employee representative.

### Declaration of Interest

No declarations of interests were made.

### Minutes

The Chair commented that there were some typos in which he emailed to the clerk, Laurence Ellis, Democratic Services Officer, outside of the meeting.

**RESOLVED UNANIMOUSLY: That the minutes of the meeting held on 13 March 2023 be approved as a correct record.**

### Board Governance Matters

The Chair proposed that the Board to appoint Julian Curzon, previously a substitute member, as a full scheme employer representative member of the Board. The Board agreed.

**AGREED UNANIMOUSLY: Julian Curzon to be appointed as a scheme employer representative on the Berkshire Pension Board.**

The Chair informed that there was a member vacancy and the plan was to seek interest in the position when sending out a members' newsletter in Autumn 2023 as well as some targeted communications towards one or two large employers, who had not previously provided Board members.

### Scheme and Regulatory Update

Philip Boyton, Deputy Head of Pension Fund Resources, informed that a written ministerial statement was published on 2<sup>nd</sup> March 2023, stating that the Pensions Dashboards Programme would require additional time to deliver the connection of pension providers and pension schemes. This was due to the pensions industry needing to connect a wide range of IT systems to the Pension Dashboards digital architecture. Central Government had amended regulations relating to the Pensions Dashboards Programme to allow a more flexible approach, rather than a set timeline, to ensure a more effective result. The statutory connection deadline was 31<sup>st</sup> October 2026. He also added that it was speculated that the Pensions Dashboards would go live on an earlier date.

When the Chair asked about the Pensions Dashboards going live in spite of connections not being completed, Philip Boyton replied that it would be the Berkshire Pension Fund which would complete the connection using scheme member data from its participating employers, and it could continue with its work. The Chair commented that for an individual with multiple pensions, their Dashboard would only be complete once the last employer had joined the programme.

On the McCloud Remedy, Philip Boyton reported that a supplementary consultation had been published from 30<sup>th</sup> May to 30<sup>th</sup> June 2023. Due to the scale and complexity of the McCloud Remedy, its effects would likely be felt for many years as well as there being a possibility of legal challenge to this rectification exercise.

Philip Boyton also reported that the national government's consultation and rectification of age discrimination in the LGPS (Local Government Pension Scheme) had been positively received, with the supplementary issues being better aligned with the LGPS and therefore placing it in alignment with other public service pension schemes. This would extend protections to individual scheme members rather than a particular employment as well as reduce administrative burden.

Central Government had acknowledged these legal challenges in the latest consultation; therefore, the Government was working with the LGPS to reach outcomes which provided the best scheme member experience as possible.

Philip Boyton then reported that a report had been commissioned on Sharia Law compliance. The Scheme Advisory Board had received legal advice which stated that opinion could be given on whether the LGPS was consistent with anti-discrimination and public sector equality duties. He added it was necessary to acquire an expert in Islamic finance to provide evidence of a range of issues from an Islamic perspective. The Scheme Advisory Board had commissioned expert advice on this with Amina Associates, with a report expected in about three months.

The Chair asked Nikki Craig, Scheme Employer Representative (and Assistant Director of HR Corporate Projects and IT at RBWM), whether employers that would know the proportion of their employees would be interested in this. She replied that most employers request protected characteristic information from employees but there would also be a 'prefer not to say' option. Employers would use this data to ensure equity and prevent discrimination.

Philip Boyton then informed that on 30<sup>th</sup> March 2023 the Chief Secretary to the Treasury had released a written ministerial statement confirming that the SCAPE Discount Rate had been adjusted to take into account the long-term GDP growth figures published by the OBR (Office for Budget Responsibility) in July 2022. Based on this, the SCAPE Discount Rate had changed from 2.4% above CPI (Consumer Prices Index) plus to 1.7% above CPI.

Philip Boyton explained that the SCAPE Discount Rate was used to set employer contribution rates in the unfunded public service pension schemes and the actuarial factors across all public service pension schemes. For LGPS Pension Funds, this meant that non-club transfer, interfund transfer calculations (transfers between Local Government Pension Funds) and all

divorce transfer calculations needed to be suspended until new factors were issued. Club transfers (transfers between public sector pension schemes) did not need to be suspended. The Department of Levelling Up, Housing and Communities (DLUHC) had issued new factors on 1<sup>st</sup> June 2023. This meant LGPSes (including Berkshire Pension Fund) could undertake working through the cases which needed to be stockpiled. However, interfund transfer calculations had to remain on hold. Although the LGPS Pension Funds could calculate the transfer out value using new non-club transfer out factors, there were no factors for the receiving LGPS Pension Fund to use to convert the non-club transfer out value.

When asked about volumes from the Chair, Philip Boyton replied that the Pension Fund was able to identify inter-fund transfer calculations using a national LGPS England and Wales database. Non-club transfers out had been reduced significantly due to commentary around pension scams.

Philip Boyton advised that the Chancellor in his budget announcement on 15<sup>th</sup> March 2023 had announced plans to abolish the Lifetime Allowance (LTA) from 6<sup>th</sup> April 2024 through a future Finance Bill. This meant that the current LTA framework would remain in place from 6<sup>th</sup> April 2023, and the LTA for the financial year of 2023-24 would remain at £1,073,100. This meant LGPS Pension Funds needed to continue to conduct LTA checks when paying benefits.

Following the LTA checks for a benefit crystallization event which occurred in April 2023 there were no longer any 25% charges where any LTA excess was drawn as annual pension; or 55% chargers where any LTA excess was drawn as a lump sum. This was because, Philip Boyton explained, normal pay rules began to apply from 6<sup>th</sup> April 2023; therefore, payments had been treated as pension income. From this, the Pension Fund was no longer required to report LTA charges on a quarterly accounting for tax return. The maximum amount of tax-free lump sum that an individual could receive going forward was fixed at £268,275, which was 25% of the current LTA. Individuals with a protected LTA would still be able to receive 25% of that higher LTA figure.

Philip Boyton also advised that the Chancellor's budget announcement changed the Annual Allowance (AA). In summary, individuals of a pension scheme were only able to achieve a tax relief on pension contributions up to a maximum limit of £40,000 pounds, plus any unused Annual Allowance from a maximum of three previous financial years. For members of the LGPSes or any other public service pensions scheme, the Annual Allowance was not compared to total pension contributions paid during a financial year; but instead, the growth in the pension benefits from the start to the end of a financial year (known as a Pension Input Period).

Following the results of the government consultation, whereby the inflation element within pension growth calculations was removed, the chancellor also announced that there would be an increase to the Annual Allowance from £40,000 to £60,000 from 6<sup>th</sup> April 2023.

The Chair asked if this issue generally affected individuals who had a large pay rise. Philip Boyton confirmed this as well as individuals who chose to begin payment of Additional Voluntary Contributions.

## Risk Reporting

Damien Pantling, Head of Pension Fund, introduced the report which reviewed the risk register at every yearly quarter. From the review, 49 risks had been identified and some material changes had been noted since the last quarter. The decision by the Pension Fund Committee would be to approve the contents of the Risk Register, the mitigations around each risk and any changes since the last quarter.

## Good Governance

Damien Pantling explained the appendices in the report. Appendix one was the training framework, ensuring decision makers (i.e., the Pension Fund Committee) had the tools, knowledge and skills to make decisions. Appendix two was the updated governance with some amendments to promote better transparency for stakeholders.

The Chair asked if all positions on the Advisory Panel had been filled. Damien Pantling replied that all positions apart from one had been filled, and that West Berkshire Authority had yet to forward their member.

When the Chair asked about training, Julian Curzon, Scheme Employer Representative, said he would go through the training again as some of the content was irrelevant to LGPS. Damien Pantling requested for the information relating to all pensions training so that it could be catalogued. Julian Curzon agreed to do so.

**ACTION: Julian Curzon to forward details of his training to Damien Pantling.**

Nikki Craig asked if her training on pension scams had been recorded. Phillip Boyton replied that he could check on this, but nevertheless asked for completed training to be forwarded to him so that it could be catalogued.

The Chair commented that the Board would have to come back to this item to check if the new Councillors had completed basic training. Damien Pantling informed that a training framework would be published, followed by the publication of training records.

## Administration Report

Philip Boyton introduced the report. On Scheme Employer Key Performance Indicators (1.4 in the report), there were positive data results on the submission of data amongst the unitary authorities (with all recorded as 100%), with Academies/Schools not reaching the target. Philip Boyton mentioned that the Chair had been seeking resolutions to this. In addition, Philip Boyton stated that he had conversations with the Pensions Team's Communication Manager and Assistant Technical Analyst to improve communications with scheme employers to encourage them to submit data to i-Connect.

After the Chair commented on getting employers to submit their data to i-Connect, Philip Boyton replied that they could understand which employers had not submitted their data and therefore focus on them.

Continuing with the report, Philip Boyton informed that no new employers were on-boarded to i-Connect in the last quarter, but some that had completed their year-end, such as the Pioneer Education Trust in the process of being onboarded to i-Connect.

On Stakeholder Feedback (1.7 of the report), on 18<sup>th</sup> January 2023, some feedback was received on the aggregation of scheme member benefits moving away from Berkshire Pension Fund to another LGPS Pension Fund. He explained that there was a scheme member who had intended not to aggregate within 12 months of joining the other LGPS Pension Fund but had not told his new employer. As a result, the deferred benefits which were held by Berkshire Pension Fund were automatically aggregated over into the new LGPS Pension Fund. This had a detrimental impact on the scheme member's benefits because they re-joined the scheme with the other LGPS Pension Fund on a lower final salary, and therefore, reducing their benefits value. The individual scheme member had asked the other LGPS Pension Fund to request the Berkshire Pension Fund to accept repayment of the interfund transfer it had paid. Phillip Boyton informed that Berkshire Pension Fund declined to accept the repayment as it had acted in accordance with the LGPS regulations.



In response to comments on the Chair on the issue, Philip Boyton stated that there was no standard which LGPS Pension Funds follow to provide their information; instead, each fund could do it in whatever way they wanted.

Nikki Craig asked how much communication to the scheme member had been enacted to remind them on the transfer to other LGPS Pension Fund. Philip Boyton replied that the responsibility of reminding scheme members of transfers rested with the other LGPS pension fund as the transfer was going out of the Berkshire Pension Fund. When asked by the Chair on the Berkshire Pension Fund's communication with the scheme member, Philip Boyton replied that it would have been to provide them with the details of their deferred benefits when they left and their options around transfer. He added that Berkshire Pension Fund had a process of sending one reminder to the scheme member (when the transfer was into the Fund).

Damien Pantling highlighted a couple of changes to the report. In 1.1 (Scheme Membership), the Pension Fund now disclosed the total cost per scheme member. He explained that the Pension Fund sought to expand these in future quarters. In 1.3 (Scheme Employers), the number of total scheme employers was illustrated as well as a note on any discrepancies.

The Chair asked what the volume of scheme employers with a small number of employees had used the CSV option. Philip Boyton replied that it was very small.

### Responsible Investment

Damien Pantling gave the update for the first quarter of the financial year of 2023. Referring to appendix two, he informed that the Pension Fund had very strong ESG (environmental, social and governance) credentials whereby it had more Green (renewable energy generation, clean technology, and decarbonising activities) than brown investments (extraction, transportation, storage, supply, and generation of energy from fossil fuels) as well as a generally better ESG score than the index as a whole.

Regarding appendix one, Damien Pantling informed that the Pension Fund was required to consider climate risk relating to its ability to pay pensions in the future. The main focus was on transition and physical risk as a result of climate change. The conclusion from the report was positive whereby the Pension Fund would be resilient enough in all scenarios based on tests and modelling by the Pension Fund's Scheme Actuary.

Due to the complexity of this, Damien Pantling informed that a training session had been arranged for Committee members at 1:00pm on 19<sup>th</sup> June 2023.

The Chair asked about the risks listed in the report by Barnett Waddingham (BW) and their comparison to the Pension Fund's perception of the risks. Damien Pantling replied that the Pension Fund had generally picked up the risks which were listed (employer covenant, investment, inflation, mortality, legislative, reputational and operational) albeit more condensed. He suggested to incorporate the risks listed by BW into the Risk Register.

### **ACTION: Damien Pantling incorporate the risks listed from Barnett Waddingham into the Risk Register**

When Chair asked about the projection graphs, Damien Pantling replied that BW used figures from the Bank of England to formulate the report and it did not necessarily reflect their thinking. He explained that the reason there was a peak in 2030 and then a decline was because the Pension Fund had a drastic shift in asset prices at that time.

The Chair then asked if there was a date for climate risk reporting, referring to the DLUHC consultation. Damien Pantling replied that the Pension Fund was still waiting on this, and it was expected to be implemented in 2024.

The Chair asked the Board for approval for the papers in the report to be forwarded to the Pension Fund Committee, to which it accepted.

Part I Any Other Business

No additional business.

Local Government Act 1972 - Exclusion of the Public

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

The meeting, which began at 11.00 am, finished at 12.24 pm

Chair.....

Date.....

Report Title:	<b>Risk Reporting</b>
Contains Confidential or Exempt Information	No - Part I
Lead Member:	Councillor Simon Bond, Chairman Pension Fund Committee and Advisory Panel
Meeting and Date:	Pension Fund Committee and Advisory Panel – 18 September 2023
Responsible Officer(s):	Damien Pantling, Head of Pension Fund
Wards affected:	None

## **REPORT SUMMARY**

A risk register is 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 line with the Risk Management policy approved on 13 March 2023.

The Fund has adopted the 2018 CIPFA risk management framework “Managing risk in the Local Government Pension Scheme”.

### **1. DETAILS OF RECOMMENDATION(S)**

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

- i) **Approves the updated risk register for publication including any changes since the last approval date, suggesting amendments as required.**

### **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 1) 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. There are 47 risks in total identified in this quarter’s risk register, compared to 49 last quarter. 3 risks have been removed or merged and one has been added.

- 2.4. 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):
- 2.4.1. PEN001 – Moved from trending down to trending sideways as there is recognition that yields (measure of future risk-adjusted returns) are increasing but offset by the recognition of increased climate transition and physical risks.
  - 2.4.2. PEN002 – Moved from trending up to trending sideways as geopolitical tensions are still elevated but relatively constant since last quarter.
  - 2.4.3. PREVIOUSLY PEN003 – Removed Brexit as a standalone risk as it has now been over 6 years since the referendum. The risk is generally covered elsewhere.
  - 2.4.4. RENUMBERED PEN005 – Increased reputation impact score from 1 to 2, increased post-mitigation likelihood of occurrence from 1 to 2, and moved from trending sideways to trending up. All in recognition that an increased rate environment is putting greater strain on private businesses.
  - 2.4.5. NEW PEN007 – New risk added to recognise the risks facing the fund associated with physical and transition related climate risks. This risk is recognised already elsewhere on the register, but categorising it separately enables us to associate likelihood and impact scores and monitor its trend over time. This also reflect the fact that we specifically analyse climate risk through the triennial valuation process now.
  - 2.4.6. PEN008 – Moved from trending up to trending sideways, as mortality rate tables appear not to have undergone any significant variation sine last quarter.
  - 2.4.7. PREVIOUSLY PEN009 – This risk has been consolidated with PEN008 in recognition that two separate risks was not required to account for mortality risk. The risk of mortality rate changes in both directions, including the use of our longevity insurance contract, can be fully recognised in a single risk item.
  - 2.4.8. RENUMBERED PEN010 – Moved from trending sideways to up, recognising that longer-term inflation projections are higher.
  - 2.4.9. RENUMBERED PEN013 – Moved from trending down to trending up, recognising that discount rates have decreased, asset values have underperformed, and longer-term inflation projections have increased, putting increased pressure on both Primary and Secondary employers' contributions.
  - 2.4.10. RENUMBERED PEN016 – Added additional treatment measure around educating members on benefits of LGPS membership.

- 2.4.11. RENUMBERED PEN018 – Added treatment measure to reference the Fund’s new pass-through provisions from 1 April 2023 and reduced the pre-mitigation impact score following results of covenant analysis which concluded that the risk of employer failure is likely to be immaterial to the Fund overall.
  - 2.4.12. RENUMBERED PEN018 – Added treatment measure to reference triennial covenant assessment of all employers.
  - 2.4.13. RENUMBERED PEN024 – Moved from trending sideways to trending up as McCloud remedy is expected to be in effect from 1 October 2023. Also added treatment measure of increasing headcount to support this.
  - 2.4.14. RENUMBERED PEN026 – Moved from trending down to trending up, increased likelihood of occurrence before mitigations from 2 to 3 and increased after-mitigation likelihood from 1 to 2, also amended text to focus on general breach of regulations not just those relating to payments. All changes are with respect to the McCloud remedy and the Fund’s preparedness for this.
  - 2.4.15. RENUMBERED PEN034 – Moved from trending down to trending sideways, as recent personnel changes have resulted in loss of institutional knowledge and experience.
  - 2.4.16. RENUMBERED PEN044 – Moved from trending sideways to trending up, changed reputation impact from 1 to 3, likelihood pre-mitigation from 3 to 4 and post-mitigation likelihood from 2 to 3. All due to McCloud remedy implementation imminent and the Fund’s preparedness for this.
  - 2.4.17. RENUMBERED PEN044 – Amended wording so that risk focuses on the Fund’s compliance with its statutory policies, as compliance with legislation is covered elsewhere.
  - 2.4.18. REMOVED PEN049 – Removed risk, recognising that all investment manager liaison is delegated to LPPI and there is no intention for this to change. Thus, the Fund’s MIFID 2 election status is not of practical importance.
- 2.5. All risks that have been removed, from September 2023, are disclosed in the Risk Register for information purposes.

### **3. KEY IMPLICATIONS**

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

#### **4. FINANCIAL DETAILS / VALUE FOR MONEY**

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

#### **5. LEGAL IMPLICATIONS**

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

#### **6. RISK MANAGEMENT**

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

#### **7. POTENTIAL IMPACTS**

- 7.1. Failure to comply with pension legislation could result in the Administering Authority being reported to the Pensions Regulator where failure is deemed to be of a material significance.
- 7.2. Equalities. 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. An Equality Impact Assessment (EQIA) screening exercise has been completed and approved in respect of this report and shared with the RBWM Equalities team. It has been determined through the EQIA screening that a full EQIA is not required and is therefore not appended with this report.
- 7.3. Climate change/sustainability: N/A
- 7.4. Data Protection/GDPR. GDPR compliance is included as a specific risk on the register in regard to processing and handling personal data, this is dealt with in the appendix along with the relevant mitigations.

#### **8. CONSULTATION**

- 8.1. 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 1 Appendix:

- Appendix 1 – Risk Register

## 11. BACKGROUND DOCUMENTS

11.1. This report is supported by 0 background documents:

## 12. CONSULTATION (MANDATORY)

Name of consultee	Post held	Date sent	Date returned
<i>Mandatory: Statutory Officers (or deputy)</i>			
Elizabeth Griffiths	Executive Director of Resources (Section 151 officer)	n/a	n/a
Elaine Browne	Deputy Director of Law and Governance (Monitoring Officer)	30/08/2023	
<i>Deputies:</i>			
Andrew Vallance	Deputy Director of Finance (Deputy Section 151 officer)	30/08/2023	01/09/2023
Jane Cryer	Principal Lawyer (Litigation) and Deputy Monitoring Officer	30/08/2023	
<i>Other consultees:</i>			
Cllr Simon Bond	Chairman – Berkshire Pension Fund Committee	30/08/2023	
Alan Cross	Chairman – Local Pension Board	30/08/2023	06/09/2023

## 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

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18/09/2023		<b>Risk Calculation Key</b>	
Author: Damien Pantling, Head of Pension Fund		IMPACT (Total) = IMPACT (Fund) + IMPACT (Employers) + IMPACT (Reputation)	
Andrew Vallance - Interim 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	IMPACT				TOTAL	Likelihood	Gross Risk	Mitigating Actions	Revised Likelihood	Net Risk	
				Fund	Employers	Reputation							Owner	Reviewed
<b>ASSET AND INVESTMENT RISKS</b>														
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	<b>TREAT</b> 1) The LPPI/RCBPF 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, above the actuarial discount rate <b>TOLERATE</b> 1) The actuarial assumptions regarding asset performance are regarded as achievable over the long term in light of historical data.	2	24	Damien Pantling	24/08/2023
Asset & Investment Risk	PEN002	↔	Significant volatility and negative sentiment in global investment markets following disruptive geo-political uncertainty and/or unforeseen events such as global health and conflicts. Increased risk to global economic stability.	4	4	1	9	3	27	<b>TREAT</b> 1) Maintaining a well diversified portfolio with significant allocation to both public and private markets, a variety of asset classes and a variety of geographical locations. 2) Routinely receiving market updates from LPPI and independent advisors and acting upon the recommendations where appropriate - such as issuing additional/new guidance/instruction to LPPI. 3) Examining portfolio at an individual investment level to fully understand exposure to effected regions and reacting as appropriate.	2	18	Damien Pantling	24/08/2023
Asset & Investment Risk	PEN003	↗	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	<b>TREAT</b> 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	24/08/2023
Asset & Investment Risk	PEN004	↗	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	<b>TREAT</b> 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	24/08/2023
Asset & Investment Risk	PEN005	↗	Financial failure of third party supplier including fund managers results in service impairment, financial loss, value and confidence loss, increased costs.	5	4	2	11	2	22	<b>TREAT</b> 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 different providers. 4) Review of internal control reports on an annual basis and regular Internal Audits are undertaken (at least annually) 5) Credit rating kept under review through procurement processes. 6) Fund is reliant upon current adequate contract management activity overseen by our investment managers LPPI. 7) Fund is reliant upon alternative suppliers at similar prices being found promptly.	2	22	Damien Pantling	24/08/2023
Asset & Investment Risk	PEN006	↔	Global investment markets fail to perform in line with expectations (market benchmark) leading to deterioration in funding levels and increased contribution requirements from employers compared to the rest of the LGPS.	3	5	2	10	2	20	<b>TREAT</b> 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 more frequently if required. 5) Asset allocations and strategies of other LGPS funds is monitored routinely to determine best practice	1	10	Damien Pantling	24/08/2023
Asset & Investment Risk	PEN007	↔	Climate Change risk - this can generally be categorised as transitory (short term) and physical (long term) risk. Whilst considered a risk on its own, it is seen to manifest itself in at least 7 of the existing risks in this framework; Employer covenant risk, Investment risk, Inflation risk, Mortality risk, Legislative risk, Reputational risk and Operational risk.	2	4	3	9	3	27	<b>TREAT</b> 1) The fund undertakes a climate risk assessment at each triennial valuation to determine if adequate prudence has been built into the ongoing discount rate based on available information and industry recognised forecasts at that point in time. 2) Where additional prudence is required in the ongoing discount rate, this may be added and employer contributions may be increased as appropriate (determined by stability and affordability objectives). 3) Where it can be determined that changing the Fund's Strategic Asset Allocation can reduce the amount of prudence required in the ongoing discount rate, this will be considered with amendments made as appropriate and considering the Fund's other objectives and fiduciary responsibility.	2	18	Damien Pantling	24/08/2023
<b>LIABILITY RISKS</b>														
Liability Risk	PEN008	↔	Scheme members live longer than expected (increasing mortality rates / reducing longevity rates) leading to higher than expected liabilities.	5	5	1	11	2	22	<b>TREAT</b> 1) A longevity swap insurance contract was entered into in 2009 which effectively hedged (or transferred) 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. The opportunity cost of entering into the longevity contract was the loss of upside benefits associated with decreasing longevity rates - this was an active decision previously taken by the Fund. Since entering into the contract, longevity rates have decelerated substantially and actually reduced over the pandemic period which has had a positive impact on the Fund's liabilities, but negatively offset by a reduction in the value of the longevity swap contract in respect of those members covered by the contract. <b>TOLERATE</b> 1) All scheme members that were not part of the longevity swap contract group in 2009 have liabilities exposed to the risk of increasing longevity rates. 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, consideration of liability matching). 2) The impact of increasing longevity rates will be partially reduced because a group of members (c6,500) are still covered by the contract.	1	11	Damien Pantling	24/08/2023
Liability Risk	PEN009	↗	Long-term price inflation is significantly more than anticipated in the actuarial assumptions, negatively affecting the Funding level of the Fund	5	5	1	11	4	44	<b>TREAT</b> 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	24/08/2023



18/09/2023		<b>Risk Calculation Key</b>	
Author: Damien Pantling, Head of Pension Fund		IMPACT (Total) = IMPACT (Fund) + IMPACT (Employers) + IMPACT (Reputation)	
Andrew Vallance - Interim S.151 Officer		Gross Risk Score = IMPACT (Total) x Likelihood	
Status: FINAL		Net Risk Score = IMPACT (Total) x Revised Likelihood	
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RED = Score of 26 - 75			

Risk Group	Risk Ref.	Trending	Risk Description	IMPACT				TOTAL	Likelihood	Gross Risk	Mitigating Actions	Revised Likelihood	Net Risk	Owner	Reviewed
				Fund	Employers	Reputation									
<b>LIABILITY RISKS (CONTINUED)</b>															
Liability Risk	PEN010		Employee pay increases are significantly more than anticipated for employers within the Fund.	3	4	2	9	2	18	<b>TOLERATE</b> 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	24/08/2023	
Liability Risk	PEN011		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	<b>TREAT</b> 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 made prudent assumptions about diminishing workforce when carrying out the 2022 triennial actuarial valuation and will do so for future valuations 3) Review maturity of scheme at each triennial valuation. 4) Cashflow position monitored monthly and 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.	2	16	Damien Pantling	24/08/2023	
Liability Risk	PEN012		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	<b>TOLERATE</b> 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	24/08/2023	
Liability Risk	PEN013		Impact of increases to employer contributions following the 2025 actuarial valuation.	4	5	3	12	3	36	<b>TREAT</b> 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. <b>TOLERATE</b> 1) For 2022 valuation (affecting contributions 2023-2026), 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	24/08/2023	
Liability Risk	PEN014		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	<b>TREAT</b> 1) Cashflow forecast maintained and monitored regularly. 2) Cashflow requirement is significant factor in the Fund's Investment Strategy Statement 3) Maintain a material level of cash held within a short duration bond fund, which allows access at short notice.	1	12	Damien Pantling	29/08/2023	
Liability Risk	PEN015		Mismatching of assets and liabilities, inappropriate long-term asset allocation or investment strategy, mistiming of investment strategy.	5	3	3	11	2	22	<b>TREAT</b> 1) Active investment strategy and asset allocation monitoring by LPPi, overseen by Pension Fund Committee, officers and independent advisors. 2) Strategic asset allocation review undertaken at regular intervals (last at March 2023) 3) Setting of Fund specific benchmark relevant to the current position of fund liabilities approved at each Triennial valuation 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	29/08/2023	
Liability Risk	PEN016		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	<b>TREAT</b> 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. 2) Educate members on the long term benefit of remaining in the LGPS vs the short term benefits of a cash lump sum, forums such as AGM	1	10	Damien Pantling	29/08/2023	
Liability Risk	PEN017		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	<b>TREAT</b> 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	29/08/2023	
<b>EMPLOYER RISK</b>															
Employer Risk	PEN018		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.	2	5	4	11	3	33	<b>TREAT</b> 1) Employer covenant risk assessment was conducted by BW in 2023 using 2022 valuation data. 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. Fund officers are in contact with the employers flagged through this review 2) 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. 3) Where appropriate seek to agree support from the relevant Local Authority. 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 5) Implementation of pass-through provisions from 1 April 2023 so this risk is fully mitigated for all new admission bodies	2	22	Damien Pantling	29/08/2023	
Employer Risk	PEN019		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	<b>TREAT</b> 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 5) Regular covenant assessment undertaken, at each triennial valuation, last undertaken in 2023 (2022 valuation)	1	11	Damien Pantling	29/08/2023	
Employer Risk	PEN020		Risk of unexpected employer contributions (primary and secondary) as a result of poor employer budget management i.e. failure to plan and budget for the increased contribution costs. General risk of poor accountability and planning within employers and the Fund. Payment delay or failures may increase funding deficit primarily for that employer but may affect others in the event of failure	2	5	4	11	3	33	<b>TREAT</b> 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 <b>TOLERATE</b> 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	29/08/2023	



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Risk Group	Risk Ref.	Trending	Risk Description	IMPACT				TOTAL	Likelihood	Gross Risk	Mitigating Actions	Revised Likelihood	Net Risk	
				Fund	Employers	Reputation							Owner	Reviewed
<b>RESOURCE AND SKILL RISK</b>														
Resource & Skill Risk	PEN021		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	<b>TREAT</b> 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	29/08/2023
Resource & Skill Risk	PEN022		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	<b>TREAT</b> 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	29/08/2023
Resource & Skill Risk	PEN023		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	<b>TREAT</b> 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	29/08/2023
Resource & Skill Risk	PEN024		McCloud remedy will generate considerable additional workloads for the team resulting in potential resource concerns.	3	3	2	8	4	32	<b>TREAT</b> 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) Increase headcount in this area through recruitment or secondment	3	24	Damien Pantling	29/08/2023
<b>ADMINISTRATIVE AND COMMUNICATIVE RISK</b>														
Administrative & Communicative Risk	PEN025		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	<b>TREAT</b> 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 from 1 April 2023, moving way from Gilt yields to "prudence plus" protecting the Fund in a higher rate environment	2	20	Damien Pantling	29/08/2023
Administrative & Communicative Risk	PEN026		Failure to comply with Scheme regulations and associated pension law leading to, for example, incorrect pension payments being made. Risk of fines, adverse audit reports and breaches of the law. (Scoring update in September 2023 puts considerable weight on Mccloud remedy)	5	4	4	13	3	39	<b>TREAT</b> 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	2	26	Damien Pantling	29/08/2023
Administrative & Communicative Risk	PEN027		Administrators do not have sufficient staff or skills to manage the service leading to poor performance and complaints.	3	2	3	8	3	24	<b>TREAT</b> 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	29/08/2023
Administrative & Communicative Risk	PEN028		Failure of pension payroll system resulting in pensioners not being paid in a timely manner.	5	5	5	15	2	30	<b>TREAT</b> 1) System hosted and backed up in two separate locations. 2) Re-issue previous months BACS file in extreme circumstances.	1	15	Damien Pantling	29/08/2023
Administrative & Communicative Risk	PEN029		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	<b>TREAT</b> 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	Damien Pantling	29/08/2023
Administrative & Communicative Risk	PEN030		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	<b>TREAT</b> 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	Damien Pantling	29/08/2023
Administrative & Communicative Risk	PEN031		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	<b>TREAT</b> 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 performance appraisal process.	2	22	Damien Pantling	29/08/2023





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<b>ADMINISTRATIVE AND COMMUNICATIVE RISK (CONTINUED)</b>														
Administrative & Communicative Risk	PEN032		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	<b>TREAT</b> 1) Fund undertakes National Fraud Initiative (NFI) biannually. 2) Fund is a registered adopter of the Governments Tell Us Once (TUCO) 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 existence of in payment scheme members who reside overseas and receive monthly payment to an account in the country of their residence.	1	10	Damien Pantling	29/08/2023
Administrative & Communicative Risk	PEN033		Payments continue to be made incorrectly at a potential cost to the Pension Fund. Distress caused to dependents.	3	3	4	10	2	20	<b>TREAT</b> 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 existence 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	Damien Pantling	29/08/2023
Administrative & Communicative Risk	PEN034		Inability to respond to a significant event leads to prolonged service disruption and damage to reputation.	1	2	5	8	2	16	<b>TREAT</b> 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	Damien Pantling	29/08/2023
Administrative & Communicative Risk	PEN035		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	<b>TREAT</b> 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	Damien Pantling	29/08/2023
Administrative & Communicative Risk	PEN036		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	<b>TREAT</b> 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	Damien Pantling	29/08/2023
Administrative & Communicative Risk	PEN037		Lack of guidance and process notes leads to inefficiency and errors.	3	3	1	7	2	14	<b>TREAT</b> 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	Damien Pantling	29/08/2023
Administrative & Communicative Risk	PEN038		Failure to identify GMP liability leads to ongoing costs for the pension fund.	5	2	1	8	2	16	<b>TREAT</b> 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	Damien Pantling	29/08/2023
Administrative & Communicative Risk	PEN039		Loss of office premises due to fire, bomb, flood etc. leading to temporary loss of service.	5	5	4	14	2	28	<b>TREAT</b> 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	Damien Pantling	29/08/2023
<b>REPUTATIONAL RISK</b>														
Reputational Risk	PEN040		Financial loss of cash investments from fraudulent activity.	3	3	5	11	2	22	<b>TREAT</b> 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	29/08/2023
Reputational Risk	PEN041		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	<b>TREAT</b> 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	29/08/2023
Reputational Risk	PEN042		Inaccurate information in public domain leads to reputation damage and loss of confidence.	1	1	3	5	3	15	<b>TREAT</b> 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 General Meeting every year for members and employers	2	10	Damien Pantling	29/08/2023



18/09/2023		<b>Risk Calculation Key</b>	
Author: Damien Pantling, Head of Pension Fund		IMPACT (Total) = IMPACT (Fund) + IMPACT (Employers) + IMPACT (Reputation)	
Andrew Vallance - Interim 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	IMPACT				TOTAL	Likelihood	Gross Risk	Mitigating Actions	Revised Likelihood	Net Risk	
				Fund	Employers	Reputation							Owner	Reviewed
<b>REGULATORY AND COMPLIANCE RISK</b>														
Regulatory & Compliance Risk	PEN043		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	<b>TREAT</b> 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 performance 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	29/08/2023
Regulatory & Compliance Risk	PEN044		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	3	9	4	36	<b>TREAT</b> 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 closely monitored. 3) Officers maintain knowledge of legal framework for routine decisions. 4) Maintain links with central government and national bodies to keep abreast of national issues. 5) Fund officers to ensure there are regular internal audits and that both internal and external audit recommendations are adhered to	3	27	Damien Pantling	29/08/2023
Regulatory & Compliance Risk	PEN045		Failure to comply with legislative requirements defined in the Fund's published statutory policies e.g. ISS, FSS, Governance Policy, Freedom of Information requests.	3	3	4	10	2	20	<b>TREAT</b> 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 acts as an independent scrutiny and assistance function. 3) Compliance with the legislative requirements are reviewed annually through the audit process.	1	10	Damien Pantling	29/08/2023
Regulatory & Compliance Risk	PEN046		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	<b>TREAT</b> 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	29/08/2023
Regulatory & Compliance Risk	PEN047		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	<b>TOLERATE</b> 1) Pooled funds are not subject to OJEU rules, and most of our funds are in LPPI's pooled vehicles. <b>TREAT</b> 1) For those funds 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	29/08/2023
<b>DELETED RISKS (RISK REF. refers to its reference in the last report before deletion)</b>														
Asset & Investment Risk	PEN003	REMOVED SEPTEMBER 2023	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	<b>TREAT</b> 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	22/05/2023
Liability Risk	PEN009	REMOVED SEPTEMBER 2023	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	<b>TOLERATE</b> 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	22/05/2023
Regulatory & Compliance Risk	PEN049	REMOVED SEPTEMBER 2023	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	<b>TREAT</b> 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	22/05/2023

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Report Title:	<b>Statutory Policies</b>
Contains Confidential or Exempt Information	No - Part I
Lead Member:	Councillor Simon Bond, Chairman Pension Fund Committee and Advisory Panel
Meeting and Date:	Pension Fund Committee and Advisory Panel – 18 September 2023
Responsible Officer(s):	Damien Pantling, Head of Pension Fund
Wards affected:	None

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## **REPORT SUMMARY**

This report brings back to the Committee, two statutory policy documents for periodic review in compliance with the Local Government Pension Scheme Regulations (2013). The Communications strategy and the Administration Strategy were last reviewed and approved by the Pension Fund Committee in October 2022.

### **1. DETAILS OF RECOMMENDATION(S)**

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

- i) Approves the revised Communications Strategy Statement as set out in Appendix 1 to this report; and**
- ii) Approves the revised Pensions Administration Strategy Statement as set out in Appendix 2 to this report.**

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

- 2.1 Regulation 61 of the Local Government Pension Scheme Regulations (2013) (the Regulations) states that an administering authority must prepare, maintain and publish a written statement setting out its policy concerning communications with its key stakeholders. The revised communications strategy (appendix 1) addresses the key points stipulated in the regulations.
- 2.2 The Regulations require that the statement must be revised and published following a material change in any matters referred to in the policy. Whilst there have been no material changes to the fundamental methods of communication, this policy has been refreshed to incorporate the increased use of virtual and hybrid meetings, the streamlining of member newsletter communications and the heightened focus on e-communications where possible. The key changes to the policy are detailed in section 3 of this report.
- 2.3 In addition to complying with the regulations, the Pensions Regulator’s code of practice contains detailed guidance on providing good quality communications

to members and other stakeholders. This guidance has been followed in preparing and reviewing the Fund's updated communications strategy.

- 2.4 Regulation 59 states that an administering authority may (not must) prepare, maintain and publish a written statement of the authority's policies in relation to its Pension Administration activities. The revised Pension Administration Strategy (appendix 2) addresses the key points stipulated in the regulations.
- 2.5 Where a statement is prepared by the Administering Authority, the Regulations require that the statement must be published following any change in any matters referred to in the policy. A summary of the key changes is provided in the key implications part of this report.

### **3. KEY IMPLICATIONS**

- 3.1 Approving the Communications Strategy (Appendix 1) to incorporate the modifications is in line with best practice and the regulations, demonstrating the Fund's position as a well governed LGPS pension scheme.
- 3.2 Aside from a general refresh of the Communications Strategy and updating various provisions to be consistent with other approved policy statements (such as the Funding Strategy Statement), a general summary of changes is noted as follows:
  - 3.2.1 Implementation of a paperless policy, mandating digital communications as a standard with a few exceptions (P60s, Payslips, Retired Member newsletters and pensions increase letters) where there are notable benefits associated with the provision of paper communications.
  - 3.2.2 Providing members with the opportunity to opt out of paper communications (or opt into paperless communications) for those areas that paper is still provided as a default.
  - 3.2.3 Reducing paper payslip production whilst reducing the number of member queries by sending payslips to all members in April, skipping the month of May and providing payslips to members thereafter following £1 net pay change month on month. (Previously, payslips were sent to all members in both April and May)
  - 3.2.4 Combining pension increase letters with the spring member newsletter (the Scribe)
  - 3.2.5 Implementing the official E-P60 production module so that members can access these directly through the online communication portal, enabling the move towards full paperless communication in this area in the future.
- 3.3 The main implications of the above changes are a significant reduction in paper communications, thus environmental and sustainability benefits, and the associated cost savings that come from reduced paper, printing, postage and resourcing commitments.



- 3.4 The demographic make-up and age profile of our membership was considered in revising the Communications Strategy, understanding that digital accessibility may not be reflective of the general population. Thus, at all points, members are given the option to request paper communications where appropriate.
- 3.5 Approving the Pensions Administration Strategy (Appendix 2) to incorporate the modifications is in line with best practice and the regulations, demonstrating the Fund's position as a well governed LGPS pension scheme.
- 3.6 Aside from a general refresh of the Pensions Administration Strategy and updating various provisions to be consistent with other approved policy statements (such as the Funding Strategy Statement), a general summary of changes is noted as follows:
  - 3.6.6 Inclusion of the Pensions Administration Service Level Agreement (SLA) in the strategy as opposed to a standalone document, due to the requirement for overlap and consistency between the two documents. In effect, the SLA enforces the Administration Strategy.
  - 3.6.7 Updating the Pensions Administration Strategy (including the SLA) to reflect the new pass-through provisions in effect from 1 April 2023.
  - 3.6.8 Consolidating the strategy so that the requirements of the Scheme Administrator and the Administering Authority are merged on the basis of the Fund not outsourcing this service.
  - 3.6.9 Update of the objectives to ensure consistency with other fund policies and statements including the annual business plan.
  - 3.6.10 Updated to ensure consistency with the updated communications strategy and other strategy and policy documents updated since the last review in October 2022.

#### **4. FINANCIAL DETAILS / VALUE FOR MONEY**

- 4.1 Several initiatives contained within the revised Communications Strategy are expected to have associated cost savings relating to the reduced use of paper, printing, postage and staff-time resources. These savings have been reflected in the annual budget set in March 2023 and shall be reported in the budget outturn in March 2024.
- 4.2 Several objectives contained within the Pensions Administration Strategy have financial implications, however, all additional expenditure is expected to be managed within existing budgets and there is no requirement for additional financial resources.
- 4.3 There are no financial implications concerned with updating the SLA and combining this with the Pensions Administration Strategy.

## **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. These policies are prepared to be consistent with the relevant legislation.
- 5.2 Whilst the production of a Pensions Administration strategy is not compulsory, it is referred to in detail in the relevant regulations. It should be noted that it is very abnormal for a LGPS Pension Fund not to have this strategy in place. For reasons of best practice and good governance it is included in these statutory policies report despite its inclusion not being an explicit statutory responsibility.

## **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 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. 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. An Equality Impact Assessment (EQIA) screening exercise has been completed and approved in respect of this this report and shared with the RBWM Equalities team. It has been determined through the EQIA screening that a full EQIA is not required and is therefore not appended with this report.
- 7.3 Climate change/sustainability: The paperless and reduced-paper approaches detailed in the Communications Strategy generally have a positive impact on sustainability and environmental initiatives.
- 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 relevant risk report to the Committee along with the relevant mitigations.

## **8. CONSULTATION**

- 8.1 No external consultation has been undertaken in regard to the review of these policies.

## 9. TIMETABLE FOR IMPLEMENTATION

9.1 Immediate

## 10. APPENDICES

10.1 This report is supported by 2 appendices:

- Appendix 1: Communications Strategy Statement
- Appendix 2: Pensions Administration Strategy Statement

## 11. BACKGROUND DOCUMENTS

11.1 This report is supported by 0 background documents:

## 12. CONSULTATION (MANDATORY)

Name of consultee	Post held	Date sent	Date returned
<i>Mandatory:</i>			
<i>Statutory Officers (or deputy)</i>			
Elizabeth Griffiths	Executive Director of Resources (Section 151 officer)	n/a	n/a
Elaine Browne	Deputy Director of Law and Governance (Monitoring Officer)	30/08/2023	
<i>Deputies:</i>			
Andrew Vallance	Deputy Director of Finance (Deputy Section 151 officer)	30/08/2023	01/09/
Jane Cryer	Principal Lawyer (Litigation) and Deputy Monitoring Officer	30/08/2023	
<i>Other consultees:</i>			
Cllr Simon Bond	Chairman – Berkshire Pension Fund Committee	30/08/2023	
Alan Cross	Chairman – Local Pension Board	30/08/2023	

## 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

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# COMMUNICATIONS STRATEGY



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## 1. INTRODUCTION

This Communications Strategy ('the Strategy') is formulated by the Royal Borough of Windsor and Maidenhead in its role as the Administering Authority for the Royal County of Berkshire Pension Fund in accordance with Regulation 61 of the Local Government Pension Scheme Regulations 2013. This Strategy deals with the communication of all aspects of the scheme to both Scheme employers and the individual LGPS members (or their representatives).

It should be noted for the purposes of clarification that the reference to 'scheme member' or 'member' in this statement means an individual who by virtue of his/her employment is an active contributor, deferred beneficiary or retired member of the Royal County of Berkshire Pension Fund (the Fund).

The aim of the Strategy is to provide clear and consistent information to all scheme members and scheme employers and to communicate this information effectively and accurately. This Strategy shall be reviewed and published at least triennially or following any material change to:

- i) The provision of information and publicity about the scheme to members, representatives of members and scheme employers;
- ii) The format, frequency and method of distributing such information or publicity; and
- iii) The promotion of the Scheme to prospective members.

## 2. COMMUNICATION WITH SCHEME EMPLOYERS

The Fund has many Scheme employers that satisfy the relevant membership conditions set out within The Local Government Pension Scheme Regulations 2013 (the regulations). These scheme employers can be broadly split into 2 groups as follows:

- Group 1: Scheduled Bodies, which can include both automatic employers and designating employers as defined in Schedule 2 (parts 1 and 2) of the Regulations. These include Borough, District, Town and Parish Councils, Academies, Fire & Rescue Service, Colleges and Housing Associations
- Group 2 Admission Bodies as defined in Schedule 2 (part 3) of the regulations and are subject to an admission agreement, including scheme employers previously defined as Community Admission Bodies and Transferee Admission Bodies). This refers to all scheme employers admitted to the scheme other than those in group 1.

### 2.1. Decision Making Process

Scheme employers may be involved in the relevant governance and decision making bodies (the Pension Fund Committee, the Advisory Panel and the Local Pension Board). In addition to this, the Fund typically consults relevant scheme employers on any policy or strategy amendment required both understate and as a matter of good governance.

### 2.2. Scheme Employer Meetings

Meetings will be held in person or virtually between the Fund and its scheme employers on an annual basis to provide an update and an opportunity to discuss all current pension-related matters. This meeting is typically attended by Fund officers along with various professional 3<sup>rd</sup> party bodies appointed by the Fund to explain the details of any relevant topic and receive questions. This meeting is typically chaired by either the Head of Fund, the Chair of the Berkshire Pension Fund Committee or the Chair of the Local Pension Board.

### 2.3. Training for Scheme Employers

Scheme administration guidance is available to all the scheme employers within the Fund via the Pension Fund [website](#). In addition, training meetings may be arranged on an ad hoc basis with the relevant officers within the pension administration team and individual Scheme employers by way of supplementing the guidance provided via the website. These meetings are most applicable for HR and payroll staff representing the scheme employer

### 2.4. Regular LGPS updates

Regular updates are sent to each scheme employer by the Fund's communication team regarding any changes to the Local Government Pension Scheme. These are mainly in the form of employer newsletters (*Inscribe*) posted to the employer section of the Royal County of Berkshire Pension Fund [website](#) but updates may also be provided in the form of letters or e-mails. The Inscribe newsletter is published on a quarterly basis.

The Fund operates a [website](#) with sections specifically dedicated to active scheme members, deferred beneficiaries/members, retired members, and scheme employers.

The Berkshire Pension Fund website address is [www.berkshirerpensions.org.uk](http://www.berkshirerpensions.org.uk).

### 2.5. General Guidance and Assistance

The pension administration team can be contacted during normal office hours and is available to answer any questions raised by Scheme employers and can arrange for ad hoc meetings to be held for pension input into any specific tasks Scheme employers may have e.g., outsourcing of services. The pension administration team can be contacted by telephone on 01628 796668 or by email at [info@berkshirerpensions.org.uk](mailto:info@berkshirerpensions.org.uk)

## **2.6. Promotional Services**

Promotional guides, factsheets and leaflets are produced by the pension administration team and are available on the [website](#). The pension administration team also commit to attending any events held by the scheme employers where their input would be seen to be of value. For example – New starter inductions, financial wellbeing events and pension drop-in sessions.

## **2.7. Scheme Member Data**

As defined in the Fund's Pension Administration Strategy, the Fund's approach to sharing member data between Employers and the Fund is via "i-Connect" (a secure, encrypted, real-time and GDPR compliant electronic data transfer interface between the scheme employer's payroll system and the Fund's pension administration system). Utilising "i-connect" to its full potential ensures that scheme members have access to the most up to date membership information via 'mypension ONLINE', keying and data errors are eliminated and scheme administration is maintained to the highest possible standards of accuracy and security.

The Administering Authority will continue to engage and work with scheme employers in implementing i-Connect but until such time as a scheme employer contracts into using i-Connect the scheme administrator will continue to receive pension data from a scheme employer via either a pre-formatted excel spreadsheet or by the completion of standard forms as made available from the scheme employers' section of the Fund's [website](#).

With the exception of scheme employers who use i-Connect, all other Scheme employers are required to supply a 'year-end' return (31<sup>st</sup> March) to the Administering Authority by 30<sup>th</sup> April in a specified format to enable annual benefits statements to be produced and supplied to active and deferred members within the statutory deadlines set out in Scheme regulations.

## **2.8. General Data Protection Regulation (GDPR)**

GDPR came into force on 25 May 2018 and requires Privacy Notices to be published showing transparency on how personal data is used. The Administering Authority has produced and published on the [website](#) a Privacy Notice explaining how the Fund collects personal data, what that data is used for, with whom that data is shared and the rights of individuals with regard to their data.

In addition, a Memorandum of Understanding regarding compliance with Data Protection law has been produced and published on the website and scheme employers and members have been advised through their respective newsletters.

## **2.9. Employer Communication Resources**

A series of communication resources is made available for employers to use and distribute to their staff to promote the LGPS. The resources available include promotional posters and literature to advertise Pension Awareness week which is an annual event.

## **2.10. Creation of communications e-mail inbox**

An e-mail address has been set up specifically for communication enquiries from employers. [Communications@berkshirerpensions.org.uk](mailto:Communications@berkshirerpensions.org.uk) enables employers to make enquiries directly to the Communications team. Bulk e-mails to members and employers are also sent out from this address as and when needed.

### **3. COMMUNICATION WITH INDIVIDUAL SCHEME MEMBERS**

Membership of the Fund covers the active contributors, those members who have left the Fund but still have a deferred pension awaiting payment from normal retirement age and retired members including their dependants.

#### ***3.1. Paperless policy***

The preferred method of communication with scheme members is via '*mypension ONLINE*' a secure member self-service facility provided as part of the pension administration software. '*mypension ONLINE*' is available to all members and enables the member to update certain personal details online and provides each member type with access to their annual benefit statements, membership certificates and guides/leaflets relevant to their membership type.

Where possible, electronic communication will be prioritised other than those situations referred to in sub-sections 3.5, 3.8, 3.9 and 3.10 of this document. Members may opt in to receiving full paperless communications (including in sections 3.5, 3.8, 3.9 and 3.10) at any point and shall be reminded of this through the regular communication channels. Take-up of full paperless communications is expected to increase over time.

Due to the demographic profile of the Fund's membership and the assessment of equalities impacts, the Fund will make every effort to provide paper communications sent to a member's home address where a member (or their dependant) specifically requests this, or in regard to sub-sections 3.5, 3.8, 3.9 and 3.10, where a member does not explicitly opt out of receiving paper.

Since implementing the paperless policy in 2022/23, including regular outreach to scheme members to confirm communication preferences, the Fund has significantly reduced the environmental impact and financial implications associated with providing paper communications which is broadly recognised as a positive sustainability result.

#### ***3.2. Welcome Pack***

Upon receipt of a new starter notification from a Scheme employer, a '*mypension ONLINE*' activation key is sent, by the pension administration team, to the home address of the new active member. Access to '*mypension ONLINE*' provides a new scheme member with a welcome pack and various relevant guidance sheets.

If a scheme member prefers not to use '*mypension ONLINE*', they may request a full welcome pack to be sent to their home address.

#### ***3.3. Annual Benefit Statements***

Each active contributor and deferred beneficiary has an Annual Benefit Statement made available via '*mypension ONLINE*' which includes a suite of useful pension information.

#### ***3.4. Pension Surgeries***

One to one meetings are available at the Pension Fund offices for any scheme member of the Fund and formal Pension Surgeries are held at least annually at the six Unitary Authorities or via a virtual link if preferred and on an ad hoc basis at the offices of other Scheme employers as arranged by the scheme employer.

#### ***3.5. Newsletters***

Newsletters are produced at regular intervals for active, retired and deferred Scheme members. These are available via '*mypension ONLINE*' or the Pension Fund [website](#). The newsletters are tailored to the recipient according to their membership status and contain an update of all matters relating to the LGPS and the Berkshire Pension Fund.



Retired Scheme members receive “The Scribe” and there are significant benefits associated with keeping this as a paper communication (namely the returns we get for information on a death or address change). The intention is to continue to send these communications to home addresses unless the member has opted for paperless communications.

Active and deferred scheme members receive “The Quill”, with separate sections tailored to each membership type. The majority of Active and Deferred scheme members now receive paperless newsletters following a communication outreach exercise through 2022/23, and at any point may request to receive this newsletter in the post should that be their preference.

### **3.6. Pre-Retirement Courses**

Where pre-retirement courses are run by scheme employers, a member of the pension administration team will be available to attend to explain the details of scheme benefits and how and when pension payments will be made.

### **3.7. Pension Fund Website**

Individual scheme members of the Fund have access to the Pension Fund website which is continually reviewed and updated. Specific sections of the website have been designed for each membership type with downloadable forms, guides, videos and online modellers made available. Access to ‘mypension ONLINE’ is available via the Pension Fund website [www.berkshirerensions.org.uk](http://www.berkshirerensions.org.uk)

### **3.8. Pension Payslips**

Pension payslips are available via ‘mypension ONLINE’ and also sent to members home addresses each time there is a variation of £1 or more in net pay between any consecutive months.

From April 2024, the exception to this is in the month of May where no payslips (with the exception of new retirees) shall be physically sent out due to inconsistent variances caused by the application pensions increases. Instead, payslips shall be sent out to all members in April and in future months from June if there is a £1 net-pay variation, unless the member has opted for paperless communications.

A detailed description of a payslip’s contents is available on the retired scheme members section of the Pension Fund website.

### **3.9. P60s**

From April 2024, official E-P60s are available via ‘mypension ONLINE’ but will be sent out to scheme members’ home addresses unless the member has opted for paperless communications (Prior to agreeing this policy, P60 information was available on mypension ONLINE but it was not available in the official HMRC recognised e-p60 format). Every retired scheme member and/or their dependants will receive a P60 each year before the statutory deadline of 31<sup>st</sup> May. A detailed description of a P60 is available on the retired scheme members section of the Pension Fund website.

### **3.10. Annual Pension Increase Letter**

Annual Pension Increase booklets will be sent out to Scheme members’ home addresses as part of the Spring newsletter “the Scribe”. This booklet contains details of the monetary value of their revised individual annual pension including (where applicable) the monetary value of their revised annual pension increase.

As with delivery of the Scribe, the intention is to continue to send these communications to home addresses unless the member has opted for paperless communications.

### **3.11. Annual General Meeting**

An Annual General Meeting (AGM) of the Fund is held with all Scheme members and employers receiving an invite. These meetings are held as a hybrid event giving member the option of attending

in person or online. The main purpose of the meeting is to give an overview of the last financial year and also may cover various other topical matters not limited to the Fund's Annual Report & Accounts, Investment Strategy, Administration and changes to the LGPS Regulations.

### **3.12. Ad Hoc Meetings**

Ad hoc meetings may be held from time to time for various groups of scheme members. These may be defined by type of scheme member (active or retired) or location (for a specific scheme employer or group of scheme employers). The timing of these meetings will be dictated either by requests from scheme employers or the need to consult and notify scheme members of any changes that might have occurred.

## **4. COMMUNICATION WITH PROSPECTIVE SCHEME MEMBERS AND EMPLOYERS**

A brief guide to the scheme is available to all prospective scheme members and should be provided to all new employees by their scheme employer as part of their contract of employment details. The brief guide is available from the Pension Fund [website](#) (has a dedicated area for employees considering opting into the LGPS) and is kept up to date with current regulations.

A guide for admission bodies is available on the [website](#) for all prospective scheme employers considering admission to the Fund and is available as a hard copy on request, including a template admission agreement under the new pass-through policy from 1 April 2023 as ratified in the Fund's Funding Strategy Statement.

The administering authority has the power to accept various types of scheme employers into the Pension Fund but will only do so subject to a full and open discussion taking place between the parties to any admission agreement and that the final admission agreement (including any covenants, guarantees, pass-through provisions etc.) has been completed in advance of the agreed admission date.

## **5. OTHER INTERESTED PARTIES**

Enquiries from related parties shall be dealt with on a best endeavours basis on a reasonable timeframe and subject to resource constraints.

Enquiries from members of the public should be delivered through formal channels as specified under the Freedom of Information Act. The Fund maintains a policy of adopting the Royal Borough of Windsor and Maidenhead's approach to dealing with FOI requests.

# PENSION ADMINISTRATION STRATEGY STATEMENT



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## 1. INTRODUCTION

This Pensions Administration Strategy ('the Strategy') is formulated by the Royal Borough of Windsor and Maidenhead in its role as the Administering Authority for the Royal County of Berkshire Pension Fund (the Fund) in accordance with Regulation 59 of the Local Government Pension Scheme Regulations 2013. This policy was initially developed in consultation with Scheme employers within the Fund.

1 April 2015 was a key milestone in the governance arrangements of the Local Government Pension Scheme (LGPS) as from that date the Pensions Regulator (tPR) took responsibility for setting standards of administration and governance on all administrative aspects of the Scheme. In addition, the local Pension Board now has an independent scrutiny role in assisting the Royal Borough of Windsor and Maidenhead ('RBWM') as the Administering Authority to the Fund, with its regulatory compliance, effective and efficient administration and governance of the Fund.

The LGPS Regulations 2013 allow the Pension Fund Administering Authority (sometimes referred to as the Scheme Manager) to prepare a Pension Administration Strategy for the purpose of improving the administrative processes within their LGPS Fund. This Strategy replaces any earlier versions and ensures the governance and administration requirements of tPR are properly addressed as they fall to the Fund and its Scheme employers.

### 1.1. Strategic Aims

The aim of this Strategy is to continue progress towards a seamless, automated pension service, employing appropriate technologies and best practice which both significantly improve the quality of information and the speed with which it is processed to provide better information and efficiency for Scheme employers, members and other stakeholders. It outlines, in conjunction with the Pension Administration Service Level Agreement (Annex 1), the quality and performance standards expected of all Scheme Employers and Admission Bodies within the Fund.

The Strategy is designed to be a road map as to how the highest standards of administration can be achieved by adopting the most efficient and cost-effective practices thereby ensuring a consistent approach to pension administration across all Scheme employers in partnership with the Fund, so that all Scheme members ultimately receive the highest standard of service in the most efficient and effective manner.

The strategic aims and objectives contained within this strategy document reflect and summarise those included in the Fund's annual business plan, where further detail can be found on the Fund's wider strategic intent, mission statement, aims, values, objectives, initiatives and targets if required.

## 1.2. Legislative Framework

The Fund and its Scheme employers must have regard to this Strategy when carrying out their Scheme administration functions. This Strategy has been made in accordance with Regulation 59 of the LGPS Regulations 2013 which allows the Administering Authority to prepare a Pension Administration Strategy following consultation with its Scheme employers to facilitate best practices and efficient customer service.

As part of Regulation 59 all of the following matters are to be considered to ensure that the aims of this Strategy are achieved:

- Procedures for liaison and communication between the Administering Authority and its Scheme employers with the aim of clarifying the roles and responsibilities of both the Administering Authority and the Scheme employers in administering the LGPS.
- Compliance with statutory requirements setting out clear procedures which aim to secure that the Administering Authority and its Scheme employers comply with those statutory requirements and with any agreement about levels of performance.
- Procedures for improving the flow of communication between the Administering Authority and its Scheme employers to enable the Scheme functions to be carried out effectively and efficiently.
- Establishment of levels of performance that both the Administering Authority and its Scheme employers are expected to achieve including the setting of performance targets, the making of agreements about levels of performance and associated matters and such other matters as the Administering Authority considers appropriate.
- Procedures for producing performance statistics and the publication of an annual report dealing with the extent to which the Administering Authority and its Scheme employers have achieved the levels of performance established.
- Production of a Pension Administration Service Level Agreement (SLA) setting out the various responsibilities of the Administering Authority (on behalf of the Pension Fund) and the Scheme employer with workflows being monitored and findings reported to the Berkshire Pension Fund Committee, Pension Fund Advisory Panel and Local Pension Board as part of an Administration report. All Scheme employers are required to accept the Pension Administration Service SLA as part of the admission agreement (or equivalent) process when joining the Scheme, For Scheme employers without an admission agreement explicitly in place, the SLA is still applicable (agreement implied by joining the Scheme)
- Circumstances for issuing notices of underperformance under Regulation 70 of the Local Government Pension Scheme Regulations 2013 (*Additional costs arising from Scheme employer's level of performance*) on account of the Administering Authority considering that a Scheme employer's performance in carrying out its Scheme functions has been unsatisfactory and associated matters as considered appropriate.

In addition to the above, the Administering Authority has the power to consider any other matters that it believes to be appropriate for inclusion in this strategy and will consult with its Scheme employers and such other persons as required.

## 2. KEY OBJECTIVES

The key objectives of this Strategy align with the Pensions Regulator’s [‘Code of Practice No. 14 – Governance and Administration of Public Service Pension Schemes’](#) and the Pensions and Lifetime Savings Association’s (PLSA) [‘Best practice guide for employers participating in the LGPS’](#) and these objectives are designed to ensure that:

- The Fund and Scheme employers are aware of and understand their respective roles and responsibilities under the LGPS Regulations and in the delivery of administrative functions (largely defined in the Pension Administration SLA);
- The Fund operates in accordance with LGPS Regulations and is aligned with tPR requirements in demonstrating compliance and Scheme governance;
- Communication processes are in place to enable both the Fund and Scheme employers to proactively and responsively engage with each other and other stakeholders;
- Accurate records are maintained for the purpose of calculating pension entitlements and Scheme employer liabilities, ensuring all information and data is communicated accurately, on a timely basis and in a secure and compliant manner;
- The Fund and Scheme employers have appropriate skills, and that training is in place to deliver a high-quality service and effectively contribute to the changing pensions agenda;
- Standards are set and monitored for the delivery of specified activities in accordance with LGPS Regulations and minimum standards set out throughout the Pension Administration Service Level Agreement;
- The Fund and Scheme employers operate a clear and transparent risk management strategy and monitor closely the employer’s ongoing participation in the Fund;
- All payments made to the Pension Fund from the Scheme employer are received within required statutory deadlines.

The key aims and objectives for the Fund and its administration service are provided in the 2023/24 Business plan and can be summarised as follows.

<b>Business Aim</b>	<b>Business Objective</b>
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.

### 3. ACHIEVING THE OBJECTIVES

There are currently (at June 2023) 346 Scheme employers in the Fund differing in size, structure and capability which represents a significant logistical challenge to the management of information, processes and services within the Fund. As the number of Scheme employers within the Fund grows as does the demand for more accurate and timely information especially with the introduction of the Career Average Revalued Earnings (CARE) Scheme from 1 April 2014. This information is also vital to ensure that Scheme employer liabilities are accurate, and that funding targets and employer contribution rates reflect the correct position. Furthermore, tPR has introduced higher levels of compliance and the Fund has a duty to report breaches of the Regulations where they are considered to be of material significance to the Fund.

This strategy applies not only to existing Scheme employers but will also apply to all new future employers of the Fund. Schools (other than Academies, Free Schools and University Technical Colleges (UTCs)) are included under the Local Education Authority (LEA) of the relevant Council even if they have their own payroll or have outsourced it to a third party.

To assist with compliance in all areas of administration and governance the Fund is committed to obtaining accreditation with the Pensions Administration Standards Association (PASA). PASA has been created from within the pensions industry to become the body to set meaningful pension administration standards, assess compliance with those standards and act as a focal point for Government and the pensions industry on matters relating to pension administration. PASA is focused on three core activities:

- defining good standards of pension administration relevant to all providers, whether in-house or third party;
- publishing guidance to support those standards; and
- being an independent accreditation body, assessing the achievement of good standards for Scheme members and sponsors.

In order to achieve accreditation, the Fund is committed to producing clear, understandable and achievable desktop procedures for all areas of administration that will form the basis for ensuring full compliance with statutory obligations and tPR requirements.

The Fund aims to provide clear, relevant, accurate, accessible and timely information to all of its stakeholders. The Fund's communication strategy is already well developed providing a wide range of solutions for all types of communication. However, with the increasing number of Scheme members and Scheme employers there is an increasing need for information and so the Fund is continually developing its communications strategy by embracing technology in a number of key areas.

The Pension Fund [website](#) is regularly reviewed and provides all stakeholders with a single access point to relevant services and information.

A dedicated Scheme employer area of the [website](#) is maintained which includes (but is not limited to):

- General guidance and information on procedures for administering the Local Government Pension Scheme;
- Employer bulletins (*'Inscribe'*) used to communicate current issues pertaining to the Scheme;
- Copies of all standard forms (on-line where possible) to be used by Scheme employers when providing information to the pension administration team;
- Copies of all publications issued by the Administering Authority including Scheme member newsletters, Scheme guides and factsheets;
- A link to the LGPS Regulations, LGA Circulars, DLUHC (Department for Levelling-Up, Housing and the Communities) Guidance, tPR Guidance and all relevant consultation documents.



Pension administration relies largely on information supplied to the Administering Authority by its Scheme employers. It is therefore key that Scheme member records are maintained to a high standard so that information provided by the Fund to its Scheme members is accurate and up to date at all times.

The pension administration team is contactable during normal office hours on 01628 796668 although direct dial numbers are provided to all Scheme employers. An office e-helpdesk is also available at: [info@berkshirepensions.org.uk](mailto:info@berkshirepensions.org.uk).

Each Scheme employer must nominate a Pension Liaison Officer (PLO) to deal with initial enquiries received from the Administering Authority. If preferred a number of officers can be nominated (up to a maximum of 4) by the Scheme employer as part of the Pension Administration Service Level Agreement, provided that their specific responsibilities are identified (e.g., HR or payroll; formulating policy statements; ensuring payment of monthly contributions and submitting returns). The Scheme employer will inform the Administering Authority immediately if these details are amended in any way. Furthermore, the PLO(s) will be responsible for ensuring that Pension Fund communications are disseminated to all relevant officers in their organisations who have responsibility for any part of the process in administering the LGPS e.g., payroll officers, HR advisors, Heads of Department and other Senior officers, School Business Managers.

The Administering Authority will maintain a schedule of PLOs and ensure that all staff concerned with pension administration use the contact details provided by the Scheme employer.

Further information on the Fund's liaison and communication activities and processes can be found in the Fund's communication strategy.

### 3.1. Legislative framework and compliance with statutory requirements

In carrying out their roles and responsibilities in relation to the administration of the LGPS, the Administering Authority and Scheme employers will, as a minimum, comply with the statutory Scheme regulations and associated legislation. These include (but are not limited to) the following regulations and any amendments thereto:

- The LGPS Regulations 2013 (as amended)
- The LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014
- The Public Service Pensions (Record Keeping and Miscellaneous) Regulations 2014
- The Public Service Pensions Act 2013
- The Automatic Enrolment (Miscellaneous Amendment) Regulations 2013
- The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013
- The Pensions Regulator Code of Practice Number 14 (Governance and administration of public service pension Schemes)
- Earlier versions of the LGPS Regulations as they remain in force and relate to current and former Scheme members.
- The Pensions Acts 1995, 2004, 2008
- The Finance Act 2004
- Various related statutory instruments (Government Data Protection Regulation (GDPR), Freedom of Information, Data Subject Access Request, Age Discrimination etc.)

The legislative framework under which this Strategy has been developed is provided above and detailed in ANNEX 2 to this strategy document. It is vital that every Scheme employer understands the statutory obligations under which they must fulfil their duties in administering the LGPS. This Strategy and associated Service Level Agreement (SLA) sets out agreed quality standards and the methods by which levels of performance will be monitored, reviewed and reported to ensure that those statutory obligations are maintained in line with the requirements of tPR.

The Fund is committed to providing the necessary tools to enable Scheme employers to meet their statutory obligations thereby continually improving the service that Scheme members receive at the same time as reducing, and ultimately eradicating, the risk of intervention from, and possible sanction by, tPR.

The Fund is also subject to a statutory annual external audit of its processes and internal controls. The Fund and its Scheme employers are expected to fully comply with any requests for information from both internal and approved external auditors. Any subsequent recommendations made will be considered by the Fund and, where appropriate, duly implemented, following discussions with Scheme employers where necessary.

### 3.2. Improving the flow of communication

As mentioned in section 1.1 the strategic aim of the Fund's administration function is to provide a seamless, automated pension service by employing appropriate technologies and best practice to ensure the most effective and efficient service is provided to all of its stakeholders. The key principle is to identify the customer needs and attempt to provide this in the most efficient way.

The Fund will continue to invest and use IT solutions to assist Scheme employers with the delivery of timely and accurate data. To this end the Fund is committed to working with Scheme employers in implementing and using i-Connect, a secure electronic data transfer system, as the method by which pension data is transferred between the Scheme employer and the Administering Authority.

i-Connect provides many benefits for both the Scheme employer and the Fund that support the strategic aim of improving the flow of communication and ultimately the levels of performance:

- Data is encrypted and submitted in real time on each occasion that a payroll is run meaning that, not only is data transmitted securely, but Scheme members also have instant access to the most up to date membership information;
- The need for Scheme employers to complete paper forms, spreadsheets and year-end returns is removed;
- All membership data is submitted at the correct time thereby ensuring that no data is missing and eliminating the risk of data inputting errors;
- All data protection requirements are met, and security risks are significantly reduced;
- Instant reconciliation of Scheme contribution payments;
- Addresses auto-enrolment obligations thereby minimising the risk of fines from tPR;
- Automatically maintains membership data in line with the requirements set out in Record-Keeping regulations and to the standard required by tPR.

The Fund aims to have all Scheme employers employing at least 10 Scheme members to be using i-Connect by March 2024. Discussions will be held with the remaining Scheme employers to determine the best course of action whether that be to use a manual input process to i-Connect or a continuance of manual input.

An annual meeting is held to which all Scheme employer PLOs are invited in accordance with the Administering Authority's Communications Strategy Statement.

Furthermore, the Fund will issue regular Scheme employer bulletins ('Inscribe') and issue at least one employer survey per year the outcome of which will be used to further improve communications and administration procedures. Further information on the Fund's liaison and communication activities and processes can be found in the Fund's communication strategy.

### 3.3. Establishment of levels of performance (including the SLA)

The use of time and accuracy-based SMART targets are vital in delivering a high level and cost-effective service whilst complying with statutory obligations.



In establishing acceptable levels of performance, the Fund has tried to ensure that these targets strike a balance between allowing for each Scheme employers' other work pressures and the minimum turnaround times the Fund requires to ensure its system is as up to date as possible. By keeping pension systems up to date, the Fund is able to significantly reduce pension related workloads for both the Fund and the Scheme employer by avoiding the follow-on problems that can occur as well as improving the service provided to Scheme members.

The Fund has developed a Service Level Agreement (SLA) at ANNEX 1 to this report in consultation with Scheme employers, which sets out specific targets that apply to all Scheme employers and the Fund in respect of all pension administration processes. It should be noted that many of the targets are set to ensure compliance with statutory requirements that already exist.

For some smaller Scheme employers, and for areas other than benefit administration, the amount of data typically collected will be too small to assess and report on statistically in a meaningful way. However, these targets will still apply and be considered on a case-by-case basis, particularly where the performance (underperformance) of the Fund or the Scheme employer falls well outside the prescribed targets. In these circumstances the appropriate action will be taken where necessary.

#### 3.4. Procedures for producing performance statistics.

The Pensions Regulator requires a Scheme Manager (Administering Authority) to keep records of information pertaining to Scheme member data across all membership categories and the Pension Board plays an independent scrutiny role to assist the Scheme Manager with regulatory compliance and has the authority to report any serious concerns to tPR.

Assessment of the levels of administrative performance requires that agreed performance standards are monitored regularly. The level of performance will be included in the Pension Fund's annual report and accounts and reported back to Scheme employers at the annual Scheme employer meeting. A Performance Report will contain the key areas of performance setting out the total number of notifications received against the number received within the prescribed timescale set out in the agreed Service Level Agreement. In order to measure the efficiency of service processes the following areas of administration will be reported:

- New Scheme joiners;
- Refund of pension contributions;
- Retirements – Active and Deferred Scheme members;
- Deaths – Active, Deferred and In Payment Scheme members;
- Payments of contributions (including receipt of monthly schedules);
- Settlement of invoices;
- Year-end returns;
- Scheme member complaints.

The Fund will work with Scheme employers to ensure that overall quality and timeliness is improved and will identify any problem areas and devise an action plan designed to improve service delivery.

The Fund will also present an Administration Report at all meetings of the Pension Fund Committee, Pension Fund Advisory Panel and Pension Board in which the performance of all Scheme employers (and that of the Fund) will be scrutinised and remedial actions considered.

tPR imposes a statutory obligation upon an Administering Authority and the Pension Board to report failures which are likely to be of material significance. All breaches of statutory requirements must be recorded in the breaches log and be reported to the Pension Fund Committee, Pension Fund Advisory Panel and Pension Board. This log may also be published on the Pension Fund [website](#) and in the Fund's Annual Report. Where there is a material breach

which represents a reportable event to tPR then the Regulator would expect to see an improvement plan implemented to rectify this position.

### 3.5. Circumstances for issuing notices of underperformance.

The purpose of the Pension Administration Strategy is to secure improvement across the administrative processes of the Fund. Both the Fund and its Scheme employers need to play their part in meeting this objective. However, in areas of continuous poor performance the Fund has a statutory option to apply financial penalties and may ultimately do so but only as a matter of last resort.

In accordance with Regulation 59(2)(e) of the Local Government Pension Scheme Regulations 2013, an Administering Authority has to consider the circumstances in which it may give a written notice to any of its Scheme employers under Regulation 70 of those Regulations (additional costs arising from Scheme employer's level of performance), on account of the Scheme employer's unsatisfactory performance in carrying out its Scheme functions when measured against levels of performance established in accordance with this Pension Administration Strategy and associated Pension Administration Service Level Agreement.

The Fund will remind PLOs of the key targets on occasion and where individual cases are found to be outside of the performance targets set, the Fund will provide the Scheme employer with case-tracking information to help the employer understand if structural or procedural changes need to be made.

However, where persistent failure occurs and no improvement is demonstrated by the Scheme employer and/or unwillingness is shown by the employer to resolve the identified issue, the Fund will contact the PLO for the employer to discuss the area of poor performance and to find a satisfactory solution. Where the poor performance continues, a formal written notice will be issued to the employer and escalated to a senior officer for action.

The following are circumstances upon which the Administering Authority will issue written notices of unsatisfactory performance:

- Where, in the opinion of the Administering Authority, it has incurred additional costs as a result of a Scheme employer's unsatisfactory performance, the Administering Authority will give a written notice to the Scheme employer setting out the reasons for forming its opinion and specifying the amount the Administering Authority has determined the Scheme employer should pay in accordance with Regulation 69(1)(d) and the basis upon which the amount has been calculated;
- Where a Scheme employer fails to make payment of employee and employer contributions by the 19<sup>th</sup> of the month following the period in relation to which the contributions were deducted;
- Where a Scheme employer persistently fails to provide the necessary documentation in support of the contribution payment;
- Where a Scheme employer has failed to settle an invoice for any additional costs arising as a result of their early retirement decisions within the prescribed 21-day deadline;
- Where a Scheme employer has failed to notify the Administering Authority that one of its employees has become entitled to the release of their pension benefits and, as a result of which, payment of any lump sum is made later than 30 calendar days from the date that pension benefits become payable.

On each occasion that any notice of unsatisfactory performance is issued it will be included in the Administration Report presented at meetings of the Pension Fund Committee, Pension Fund Advisory Panel and Local Pension Board.

Where the Pension Fund has become liable to pay interest due to the unsatisfactory performance of a Scheme employer, consideration will be given to charging that interest payment to the appropriate Scheme employer.

Interest will be calculated in accordance with Regulation 71 of the Local Government Pension Scheme Regulations 2013 (one per cent above the BOE base rate on a day-to-day basis from the due date to the date of payment and compounded with three-monthly rests).

The Administering Authority will assist the Scheme employer to resolve any issues but where persistent failure by a Scheme employer to meet payment deadlines can be evidenced, or where a Scheme employer continually fails to meet statutory requirements and/or the performance standards set out in the Pension Administration Service Level Agreement, further consideration will be given to whether or not that Scheme employer should be reported to the Pensions Regulator in line with Code of Practice number 14, 'Governance and Administration of Public Service Pension Schemes'.

Should the Fund incur any fine or charge for breach of its statutory duties which is as a result of a Scheme employer's performance failure, the Fund reserves the right to require the Scheme employer to reimburse it within 21 days of the fine or charge having been received by the Fund.

It is vital that all Scheme employers ensure that appropriate record-keeping is maintained and where they outsource their payroll, HR or pension administration functions to a third party, that the Scheme employer is clear that the legal responsibility for the provision of pension data to the Administering Authority lies with the Scheme employer and not the third party. Scheme employers must therefore ensure, as part of any contract entered into with a third party, that the third party has sufficiently robust processes in place to fulfil the statutory duties of the Scheme and the performance levels set out in the Pension Administration Service Level Agreement.

See ANNEX 3 for a schedule of notices of unsatisfactory performance that may be provided by the Fund.

### 3.6. Disputes

The Fund has a clear internal disputes resolution procedure (IDRP) set out for Scheme members of the LGPS which can be found on the Pension Fund's [website](#). Scheme employers are, however, required to nominate an adjudicator to deal with disputes at stage 1 of the process. Scheme employers are asked to supply the details of their stage 1 adjudicator as part of their discretionary policy statement and should advise the Fund immediately of changes made in this regard.

Where a Scheme employer is formally disputing a decision or action taken by the Fund, the Fund will in the first instance attempt to resolve the matter internally and may seek an independent senior mediator from within RBWM as the Administering Authority to make a final internal determination. Should this prove to be unsuccessful, a suitable, mutually agreeable and independent third party shall be appointed to determine the outcome of the matter.

## 4. REVIEW AND CONSULTATION PROCESS

The Fund will review this Strategy to ensure it remains up to date and meets the necessary regulatory requirements at least triennially. A current version of the Strategy will always be available on the Pension Fund [website](#) for interested party perusal.

In preparing this Strategy the Fund has consulted with Scheme employers and other persons considered appropriate. Where it is necessary to make material revisions to the Strategy all Scheme employers will be notified of the changes and advised where they can obtain a copy of the revised strategy.

In line with best practice, this document shall be reviewed and refreshed at least triennially and taken to the Pension Fund Committee for approval even with no material changes at each review.

## ANNEX 1

### PENSIONS ADMINISTRATION SERVICE LEVEL AGREEMENT (SLA)

#### 1) DEFINITIONS

For the purpose of this Service Level Agreement:

**"Administering Authority"** means the Royal Borough of Windsor & Maidenhead as Administering Authority to the Royal County of Berkshire Pension Fund;

**"Scheme Employer"** means a 'scheduled' or 'admitted' employer to the Royal County of Berkshire Pension Fund;

**"i-Connect"** means a secure electronic data transfer interface operated between the Scheme Employer and the Administering Authority.

#### 2) THE REGULATIONS – AFFECT ON AGREEMENT

This agreement sets out, for administrative convenience, the manner in which certain duties and responsibilities of both the Administering Authority and the Scheme Employer are expected to be carried out. It does not override any provision or requirement in the Regulations outlined below or any overriding legislation. The intentions of the Regulations in their application to members, potential members, deferred members and retired members must at all times be complied with.

The Regulations forming the basis of this agreement are as follows:

- The Local Government Pension Scheme Regulations 2013 (S.I. 2013 No. 2356) (referred to as the Scheme Regulations) and any amendments thereto;
- The Local Government Pension Scheme (Transitional Provisions, Savings & Amendment) Regulations 2014 (S.I. 2014 No. 525) (referred to as the Transitional Regulations) and any amendments thereto;

Plus

- Those saved provisions in previous Regulations that remain extant and have not been revoked.

#### 3) ADMINISTRATIVE PROCEDURES – GENERAL

##### a) Access to Information

A Scheme Employer's section of the Royal County of Berkshire Pension Fund [website](http://www.berkshirerpensions.org.uk) ([www.berkshirerpensions.org.uk](http://www.berkshirerpensions.org.uk)) is available to assist employers in administering the LGPS on behalf of its scheme members and to ensure that employers follow certain procedures and policies as covered by the scheme regulations and guidance as issued by the Administering Authority.

The Administering Authority may, from time to time as appropriate, inform and amend the [website](http://www.berkshirerpensions.org.uk) as required by changes to scheme regulations and the adaptation of procedures in order to adopt these changes and/or improve the administration of the scheme.

##### b) Employer Bulletins

The Administering Authority will issue employer bulletins ('*Inscribe*') as required and post these to the employers' section of the [website](http://www.berkshirerpensions.org.uk). These bulletins will be the method by which the Administering Authority will, in general, keep Scheme Employers up to date with important changes to the scheme and any issues relating to the LGPS of which the employers need to be informed. A global e-mail will be sent to all Scheme Employer Pension Liaison Officers notifying them when a new bulletin is posted to the [website](http://www.berkshirerpensions.org.uk).

##### c) Pension Liaison Officer

The Scheme Employer shall nominate a person who will be responsible for pension matters and who will act as the Administering Authority's primary contact with the Scheme Employer. The name, job title and contact details of the nominated Pension Liaison Officer are shown at Appendix A of this agreement. Should the Scheme employer wish to nominate more than one Pension Liaison Officer (up to a maximum of

4) the above details in respect of each of those officers must be given at Appendix A along with a description as to each officer's specific responsibilities.

**d) Responsible Officers**

Any documents and/or instructions received from the Scheme Employee by the Administering Authority must be submitted by a responsible officer (PLO). Where documents are submitted in a paper format, they must be signed by a signatory that is recognisable to the Administering Authority. Where data is submitted electronically it will be accepted by the Administering Authority on the understanding that the data has been submitted by a responsible officer authorised by the Scheme Employer. Only information which has been authorised by a recognised responsible officer will be actioned by the Administering Authority.

Any proposed change to the Pension Liaison Officer(s) must be notified to the Administering Authority immediately.

It is the responsibility of the Scheme Employer to ensure that details of their Pension Liaison Officer(s) are correct at all times.

**e) Review and Variation of this Agreement**

From time to time, those responsible for the services set out in this agreement may wish to undertake a review of the services provided by the Scheme Employer and the Administering Authority. The review will be held in the form of an in person or virtual meetings of those officers responsible for the services set out in this agreement.

Following any discussion and review, any party to this agreement may notify any other in writing with suggested changes to this agreement.

**4) SCHEME EMPLOYER RESPONSIBILITIES**

**a) Duties - General**

The main duties of the Scheme Employer are:

- i) To decide who is eligible to become a member of the Scheme and the date from which membership of the Scheme commences;
- ii) To decide whether that person is employed in a full time, part time or variable time capacity. If the employee is part time the Scheme Employer must also determine the proportion which the employee's contractual hours bear to the hours of a comparable full-time employee and the proportion which the employee's contractual weeks bear to a whole year (52.143);
- iii) To determine an employee's pay for the purposes of calculating pension contributions. NB: a Scheme Employer can specify in an employee's contract what other payments or benefits are to be pensionable, other than those automatically pensionable under Regulation 20(1)(a) or (b) of the Scheme Regulations and which are not otherwise precluded from being pensionable by virtue of Regulation 20(2) of the Scheme Regulations;
- iv) To determine the employee contribution rate payable in respect of each post held by their scheme members in accordance with Regulation 9 of the Scheme Regulations;
- v) To administer appropriately a Scheme member's election to move between the MAIN and 50/50 sections of the Scheme and to provide full and accurate information to the Administering Authority.
- vi) To determine final pay for the purposes of calculating benefits due from the Scheme for membership built up to 31 March 2014 and beyond (following implementation of the Mccloud remedy);
- vii) To determine actual pensionable pay each year (1 April to 31 March) for the purposes of calculating pension benefits due from the Scheme for membership built up from 1 April 2014;
- viii) To determine assumed pensionable pay (APP) for the purposes of calculating accrued pension during periods of reduced or nil pay as a result of sickness or injury or child-related leave;

- ix) On the cessation of a Scheme member's membership of the Scheme to determine the reason for leaving and entitlement to benefit and notify the Administering Authority and the Scheme member of the decision;
- x) To supply timely and accurate information to the Administering Authority and the Administering Authority to enable the correct calculation of benefits payable from the Scheme;
- xi) To collect, pay over and account for the deduction of the correct rate of pension contributions payable by both the employee and the employer, including any additional employee contributions that the Administering Authority instruct the Scheme Employer to deduct;
- xii) Upon receipt of a notification from the Administering Authority of an employee's election to pay, vary the amount of or cease Additional Voluntary Contributions, to apply the notification accordingly and where applicable deduct from a member's pay and pay over to the specified AVC provider the contributions as instructed by the Administering Authority;
- xiii) Upon receipt of a notification from the Administering Authority of an employee's election to pay Additional Pension Contributions, to apply the notification accordingly and where applicable deduct from a member's pay and pay over to the Administering Authority, the contributions as instructed by the Administering Authority;
- xiv) To accompany any statement issued to a Scheme member relating to any decision made about the Scheme, with a notice drawing the Scheme member's attention to their right of appeal under the LGPS;
- xv) To use an Independent Registered Medical Practitioner (IRMP) qualified in Occupational Health medicine (who has been approved by the Administering Authority) in advising upon ill health retirement;
- xvi) To appoint an adjudicator to deal with any dispute raised by one of the Scheme Employer's Scheme members (or former Scheme members) at stage one of the Internal Disputes Resolution Procedures (IDRP);
- xvii) To produce, publish and keep under review an employer policy statement in respect of a number of discretions available to the Scheme Employer under the Scheme Regulations, Transitional Regulations and former Regulations as the case may be.

The above is a summary of the main duties of a Scheme Employer under the Scheme Regulations. In the event of doubt the Regulations must be consulted for clarification and will prevail in the event of any dispute.

#### ***b) Duties – Specific; New Scheme Members***

Upon notification that an individual has entered an employment for which he or she is eligible for membership of the LGPS (under the age of 75 with a contract of employment of at least 3 months duration), the Scheme Employer shall contractually admit (\*see note regarding designation bodies) that individual to the LGPS unless a written election, signed and dated after the commencement of employment, has been received from the employee choosing not to join the Scheme.

**NOTE:** Where an individual elects to opt out of the LGPS upon appointment to a role that is eligible for contractual enrolment into the LGPS, the Scheme Employer must continue to monitor that individual every time that they run their payroll in order to assess whether or not that individual should be re-enrolled into the Scheme under the automatic enrolment legislation. Regardless of whether or not the individual is contractually enrolled or automatically enrolled into the LGPS the Scheme Employer must follow the same procedure, as set out below, for notifying the Administering Authority of a new scheme admission.

The Scheme Employer will notify the Administering Authority of a new scheme member admission by:

- i) Submitting a data file created from their payroll system to i-Connect, in the format specified by the Administering Authority, by the end of the month in which the new scheme member joins the Scheme or, if later, by the end of the month in which the new scheme member's details first appear on their payroll system;

or, where the Scheme Employer has yet to sign up to the Administering Authority's preferred method of member data transfer i.e., i-Connect, by



- ii) Submitting a spreadsheet containing the new scheme member details in the format specified by the Administering Authority to the Scheme Employer via [info@berkshirepensions.org.uk](mailto:info@berkshirepensions.org.uk) by the end of the month in which the member joined the Scheme or, if later, by the end of the month in which the new scheme member's details first appear on their payroll system;

or, where no alternative method of submission can currently be achieved, by

- iii) Completion of a starter form LGS15A as formatted by the Administering Authority (an up to date version of which will always be available on the Fund's [website](#)) sent as a pdf. file to [info@berkshirepensions.org.uk](mailto:info@berkshirepensions.org.uk) or (where all other forms of submission have been exhausted) in a paper format by the end of the month in which the new scheme member joined the Scheme or, if later, by the end of the month in which the new scheme member's details first appeared on their payroll system.

As part of the employee's appointment process the Scheme Employer will provide their employee with the current version of leaflet LGS1B (an up to date version of which will always be available on the Fund's [website](#)), providing a summary of the LGPS and what it can provide for its members. Upon receipt of the duly completed admission details a member record will be created on the pension administration system and an activation key sent to the Scheme member for access to 'mypension ONLINE' where they will find all relevant documentation (guides and forms etc.) required of a new Scheme member.

**\*NOTE: DESIGNATION BODIES (Schedule 2, Part 2 and Part 3 of the Regs)** – In accordance with LGPS regulations designation bodies can choose which employees or group of employees are eligible for membership of the LGPS. If any employee is not included in the employer's designation concerning eligibility for scheme membership, they cannot be admitted to the pension scheme unless the Scheme Employer amends their designation. This is particularly important now that the Workplace Pensions initiative requires all employers to offer a qualifying pension scheme to all of their employees (the LGPS being a qualifying pension scheme). If a Scheme employer designates any of their employees as not being eligible for membership of the LGPS an alternative pension scheme must be provided for those employees. To be a designation body the Scheme employer must be either a Schedule 2 Part 2 Scheme Employer (which includes parish, town and community councils) or an admission body (Schedule 2, Part 3).

**c) Duties – Specific; Contract Variations**

Where a Scheme member has a variation to their contract which will impact on the calculation of pension benefits, the Scheme Employer shall notify the Administering Authority of the change in membership status by

- i) Submitting a data file created from their payroll system to i-Connect, in the format specified by the Administering Authority, by the end of the month in which the contract variation takes effect or, if later, by the end of the month in which the contract variation first appears on their payroll system;

or, where the Scheme Employer has yet to sign up to the Administering Authority's preferred method of member data transfer i.e., i-Connect, by

- ii) Submitting a spreadsheet containing contract variation details in the format specified by the Administering Authority to the Administering Authority via [info@berkshirepensions.org.uk](mailto:info@berkshirepensions.org.uk) by the end of the month in which the contract variation took effect or, if later, by the end of the month in which the contract variation first appears on their payroll system;

or, where no alternative method of submission can currently be achieved, by

- iii) Completion of form [LGS15B](#) as formatted by the Administering Authority (an up-to-date version of which will always be available for download at sent as a pdf. file to [info@berkshirepensions.org.uk](mailto:info@berkshirepensions.org.uk) or (where all other forms of submission have been exhausted) in a paper format by the end of the month in which the contract variation took effect or, if later, by the end of the month in which the contract variation first appears on their payroll system.

**d) Duties – Specific; Leavers (No Entitlement to Immediate Release of Pension Benefits)**

Upon notification that a scheme member's period of employment has terminated or should a scheme member elect to opt out of the LGPS, the Administering Authority must be notified of all relevant information by the Scheme Employer.

The Scheme Employer will notify the Administering Authority of a scheme leaver by:

- i) Submitting a data file created from their payroll system to i-Connect, in the format specified by the Administering Authority, by the end of the month in which the scheme member leaves the Scheme or, if later, by the end of the month in which the scheme member is set as a leaver on their payroll system;

or, where the Scheme Employer has yet to sign up to the Administering Authority's preferred method of member data transfer i.e., i-Connect, by

- ii) Submitting a spreadsheet containing the scheme leaver details in the format specified by the Administering Authority to the Administering Authority via [info@berkshirerepensions.org.uk](mailto:info@berkshirerepensions.org.uk) by the end of the month in which the member leaves the Scheme or, if later, by the end of the month in which the scheme member is set as a leaver on their payroll system;

or, where no alternative method of submission can currently be achieved, by

- iii) Completion of a leaver form LGS15C as formatted by the Administering Authority (an up to date version of which will always be available on the Fund's [website](#)) sent as a pdf. file to [info@berkshirerepensions.org.uk](mailto:info@berkshirerepensions.org.uk) or (where all other forms of submission have been exhausted) in a paper format by the end of the month in which the scheme member leaves the Scheme or, if later, by the end of the month in which the scheme member is set as a leaver on their payroll system.

**NOTE:** Where a scheme member opts out of the scheme within the first three months of joining, the Scheme Employer MUST refund all contributions previously paid by the member to the member through the payroll system thereby automatically adjusting the Income Tax and National Insurance record of the employee. Any such payment if made by the Administering Authority would be deemed to be an unauthorised payment by HMRC and must therefore be paid by the Scheme Employer even where the 3-month period spans more than one financial year. On these occasions the Scheme employer is required to manually calculate the revised figures and manually amend their payroll where necessary.

**e) Duties – Specific; Retirements (Including Normal Age, Redundancy, Efficiency, Ill Health, Flexible and Voluntary Retirements)**

Once known that a scheme member is to retire (or that he or she has died), the Scheme Employer will notify the Administering Authority immediately either by email at [info@berkshirerepensions.org.uk](mailto:info@berkshirerepensions.org.uk) or by telephone on 01628 796668. This will enable the Administering Authority to contact the Scheme member (or next of kin/representative) and send out certain forms that the member (next of kin/representative) is required to complete before payment of their benefits can be made.

When submitting the leaver details to the Administering Authority, the Scheme Employer must ensure that all information as it relates to existing and former Scheme Regulations is supplied. Where the scheme leaver has scheme membership from before 1<sup>st</sup> April 2014 (or later as protected by the Mccloud remedy) they will be entitled to pension benefits based on final pay and, so that the Administering Authority can calculate the final salary benefits accurately, the Scheme Employer must supply a final pay figure based on the definition of final pay under the LGPS 2008 regulations:

- i) Best of the last 3 years calculated to date of leaving (or possibly best three-yearly average in the last 10 years calculated to 31<sup>st</sup> March);
- ii) Full-time equivalent rate of pay if the scheme member was employed on a part-time basis at the date of leaving; and
- iii) Pay excluding any non-contractual overtime payments received during the year.

In addition, the Scheme Employer must supply details of the CARE pay received since 1<sup>st</sup> April last year to the date of leaving.

**IT IS IMPORTANT TO NOTE THAT THE PENSION FUND'S SERVICE STANDARDS TO MEMBERS STATES THAT RETIREMENT LUMP SUMS WILL BE PAID WITHIN 30 CALENDAR DAYS OF RETIREMENT. IT IS ESSENTIAL THAT ALL RELEVANT INFORMATION IS SUPPLIED IN A TIMELY MANNER IN ORDER TO ACHIEVE THIS REQUIREMENT.**

**NOTE: ILL HEALTH RETIREMENTS**



In cases of ill health retirement, the Scheme Employer will arrange for their employee to undergo a medical with their chosen and approved Independent Registered Medical Practitioner (IRMP) qualified in occupational medicine, obtaining a certificate detailing whether in their opinion the member meets both conditions required of the Scheme Regulations:

**i) CONDITION 1**

As a result of ill-health or infirmity of mind or body, the Scheme member is permanently incapable of discharging efficiently the duties of the employment they were engaged in.

**ii) CONDITION 2**

As a result of ill-health or infirmity of mind or body the Scheme member is not immediately capable of undertaking gainful employment (employment at the rate of 30 hours per week for a continuous period of 12 months).

Where both conditions are met the IRMP will be required to indicate on the ill-health certificate whether the Scheme member qualifies for a Tier 1, Tier 2 or Tier 3 ill health retirement.

The Scheme Employer will, having considered the advice provided by their IRMP, decide the level of benefits payable.

Should the Scheme Employer at any time seek to appoint a different IRMP for the purposes of undertaking the responsibilities outlined in the Scheme Regulations, they must seek the approval of the Administering Authority before appointing the new preferred practitioner.

**f) Duties – Specific; Deaths**

The Scheme Employer will notify the Administering Authority of a scheme member's retirement or death by:

- i) Submitting a form [LGS15C](#) in the first instance prior to a data file created from their payroll system to i-Connect, in the format specified by the Administering Authority, by the end of the month in which the scheme member leaves the Scheme or, if later, by the end of the month in which the scheme member is set as a leaver on their payroll system; or,
- ii) where the Scheme Employer has yet to sign up to the Administering Authority's preferred method of member data transfer i.e., i-Connect, by completion of a leaver form LGS15C as formatted by the Administering Authority (an up to date version of which will always be available on the Fund's [website](#)) sent as a pdf. file to [info@berkshirerpensions.org.uk](mailto:info@berkshirerpensions.org.uk) or (where all other forms of submission have been exhausted) in a paper format by the end of the month in which the scheme member left the Scheme or, if later, by the end of the month in which the scheme member is set as a leaver on their payroll system.

**g) Duties – Specific; Payment of Contributions**

The Scheme Employer will ensure that the correct rate of employer contribution is deducted in accordance with the rates and adjustment certificate issued by the Fund Actuary as part of the triennial valuation of the Pension Fund. Where the Scheme Employer 'outsources' its payroll function to a third party the Scheme Employer is responsible for ensuring that notification of any change in the employer contribution rate is sent to their contracted payroll provider.

**NOTE:** Where a Scheme Employer has appointed a third-party payroll provider the Scheme Employer retains all the responsibilities required of them under the Scheme Regulations and they remain accountable for any failure by the third-party payroll provider to meet those requirements or the requirements set out in this service level agreement. A Scheme Employer must advise the Administering Authority of their payroll provider and any changes that may be made in this regard and ensure that their contractual arrangements with their appointed third-party payroll provider are sufficiently robust to avoid underperformance.

The Scheme Employer (or their appointed third-party payroll provider) will make payment of employee and employer contributions to the Administering Authority by the 19<sup>th</sup> of the month following the end of the month in which contributions have been deducted. ***(It should be noted that this is the legal requirement. However, contributions should always be submitted as soon as is practicably possible. Remember, the contributions paid by scheme members are payments to the Pension Fund and not the revenue account of the Scheme Employer)***. Failure to make payment of the contributions within the statutory deadline will result in a notice of unsatisfactory performance being issued to the Scheme Employer in accordance with the Administering Authority's 'Pension Administration Strategy'.

Even where a Scheme Employer submits data via i-Connect to the Administering Authority updating contribution and membership details in real time, the Scheme Employer (or their appointed third-party payroll provider) MUST complete the contribution return spreadsheet as formatted by and in line with guidance issued by the Administering Authority giving full and accurate information. The Scheme Employer (or their appointed third-party payroll provider) will submit the spreadsheet to the Administering Authority's generic email address [lgps@rbwm.gov.uk](mailto:lgps@rbwm.gov.uk) by the 19<sup>th</sup> of the month in line with the contribution payment. Persistent failure to meet this deadline may result in the Scheme Employer being issued with a notice of unsatisfactory performance in accordance with the Administering Authority's 'Pension Administration Strategy'.

**NOTE: It is important that the Scheme Employer (or their appointed third-party payroll provider) ensures the correct month is completed in line with the 'tabs' at the bottom of the spreadsheet and that all relevant fields are completed each month prior to submission.**

***h) Duties – Specific; Other Conditions Relating to Contributions***

The Scheme Employer (even if they have appointed a third-party payroll provider) is responsible for ensuring that employee contributions are deducted from:

- i) Any pay received by a Scheme member during a period of statutory sickness;
- ii) Any pay received by a Scheme member during a period of child-related leave including half pay and SMP where appropriate; and

The Scheme Employer (even if they have appointed a third-party payroll provider) also remains responsible for ensuring that employer contributions are paid in full during:

- iii) any period of employment during which a Scheme member elects to contribute to the 50/50 section of the Scheme;
- iv) any period that a Scheme member receives reduced or nil contractual pay due to sickness or injury (based on the assumed pensionable pay calculation); and
- v) any period that a Scheme member receives reduced contractual pay as a result of child-related leave (based on the assumed pensionable pay calculation).

**NOTE:** Any actual pay paid by a Scheme Employer to a reservist during Reserve Forces Service Leave is not pensionable. Whilst on reserve forces service leave the employee and the Ministry of Defence pay contributions on the amount of Assumed Pensionable Pay.

***i) Duties – Specific; Absences***

Where a Scheme member is absent due to:

- i) a period of UNPAID child-related leave; or
- ii) a period of authorised absence,

the Scheme Employer will ensure that their employee is aware of their right to enter into a Shared-Cost Additional Pension Contribution contract within 30 days of returning to work in order to 'buy-back' any 'lost pension' due to being absent.

Where a Scheme member is absent due to a trade dispute (strike) the Scheme Employer will ensure that their employee is made aware of their right to enter into a Full-Cost Additional Pension Contribution contract in order to 'buy-back' any 'lost pension' due to being on strike. There is no 30 days requirement in this regard.

***j) Duties – Specific; Pensionable Pay and Assumed Pensionable Pay***

The Scheme Employer (even if they have appointed a third-party payroll provider) is responsible for ensuring that employee and employer contributions are deducted from all pensionable pay received by a Scheme member in accordance with Regulation 20 of the Scheme Regulations.

Where a Scheme member enters into a period of reduced or nil contractual pay as a result of:

- i) sickness or injury; or
- ii) PAID child-related leave

the Scheme Employer (or their appointed third-party payroll provider) will provide to the Administering Authority an Assumed Pensionable Pay (APP) figure calculated in accordance with Regulation 21 of the Scheme Regulations.

#### ***k) Duties – Specific; Annual Returns***

Except where a Scheme Employer submits data via i-Connect to the Administering Authority providing contribution and membership information in real time, the Scheme Employer will, by 30<sup>th</sup> April each year, provide the Administering Authority with a 'year-end' schedule in the format prescribed by the Administering Authority.

The Administering Authority will supply the pre-formatted 'year-end' schedule to all Scheme Employers (with the exception of those using i-Connect) in February each year.

**IMPORTANT NOTE: Where a scheme member holds more than one post, the Scheme Employer will ensure that they provide multiple entries detailing each post separately i.e., each post is to be treated as if it is totally independent of all other posts and must be recorded as such on the annual return.**

The Scheme Employer will respond within 10 working days to requests made by the Administering Authority for further information and clarification of issues raised from the annual return of contributions.

#### ***l) Duties – Specific; Pension Estimates***

The Scheme Employer will, as part of their request for a pension estimate in respect of one of their scheme members, provide the Administering Authority with details of the member's proposed date of leaving, the reason for leaving, the assumed final pay, the current year's CARE pay and any additional membership or pension to be granted at the Scheme Employer's discretion. An on-line pension estimate request form is available for completion on the employer section of the pension Fund's [website](#) and should be used wherever possible as it will prompt a Scheme Employer to submit all of the required information.

#### ***m) Duties – Specific; Scheme Employer Costs***

The Scheme Employer will make payment of all early retirement costs as instructed by the Administering Authority and in accordance with LGPS regulations. An invoice will be raised by the Administering Authority for each capital cost that arises, and the Scheme Employer will settle the invoice within 19 calendar days of the invoice date (or otherwise agreed in the relevant admission agreement). Failure to do so will result in the issue of a notice of unsatisfactory performance in accordance with the Administering Authority's 'Pension Administration Strategy'.

The Scheme Employer will make payment of any actuarial costs incurred as a result of any request made by the Scheme Employer for actuarial information. This could be as a result of the TUPE transfer of a group of employees to a private company, a request for a covenant review or cessation valuation estimate or in the case of an academy, a funding statement at the point of conversion. An invoice will be raised by the Administering Authority on each occasion that the actuary submits a schedule of costs to the Administering Authority which includes fees resulting from a Scheme Employer's request for actuarial information. The Scheme Employer will settle the invoice within 21 calendar days of the invoice date.

#### ***n) Duties – Specific; Administering Authority Enquiries***

The Scheme Employer will respond to enquiries made by the Administering Authority within 9 working days or sooner where possible. Where an enquiry will take longer than 10 working days to resolve, the Scheme Employer will notify the Administering Authority as the case may be and keep them up to date with any progress made.

### **5) SCHEME EMPLOYER DISCRETIONS**

The Scheme Employer must produce, publish and keep under review its policy regarding the discretions available under the LGPS regulations and will notify the Administering Authority and scheme members in

their employ of any changes to those policies within 30 calendar days of the changes taking effect. (A pro-forma policy statement and guide to completing the policy statement is available on the Fund's [website](#)).

The discretions afforded to a Scheme Employer by the Scheme Regulations and the Transitional Regulations are set out below.

**a) Mandatory Policy Required**

- i) Regulation 16(2)(e) and 16(4)(d) of the Scheme Regulations – Employer Funding of Additional Pension Contributions (APCs);
- ii) Regulation 30(6) of the Scheme Regulations – Flexible Retirement;
- iii) Regulation 30(8) of the Scheme Regulations – Waiving of Actuarial Reduction;
- iv) Regulation 31 of the Scheme Regulations – Award of Additional Pension;
- v) Schedule 2 of the Transitional Regulations – Switching on the 85-Year Rule.

**b) Additional Policy Recommended**

- i) Regulation 9(1) & (3) of the Scheme Regulations – Setting of Employee Contributions Rates;
- ii) Regulations 17(1) of the Scheme Regulations - Additional Voluntary Contributions (AVCs) and Shared Cost Additional Voluntary Contributions (SCAVCs);
- iii) Regulation 21(5) of the Scheme Regulations – Assumed Pensionable Pay;
- iv) Regulation 22 of the Scheme Regulations – Merging of Deferred Member Pension Accounts with Active Member Pension Accounts;
- v) Regulation 100(6) of the Scheme Regulations – Inward Transfer of Pension Rights.

**The Administering Authority undertake that they will not give scheme members any expectation as to how the Scheme Employer will exercise any discretion.**

## **6) ADMINISTERING AUTHORITY RESPONSIBILITIES**

**NOTE:** Whilst prior versions of this SLA make a differentiation between the Administering Authority and the Scheme Administrator, these have been merged in this version on the basis that the Scheme Administrator (or the Scheme Administration Function) is not outsourced to a third party, thus, a Scheme Employer should make no differentiation between the Administering Authority and the Scheme Administrator. This may be subject to future review.

**a) New Scheme Admissions**

Where a Scheme Employer submits new scheme member information, the Administering Authority will set up a new member record on the pension administration system, send a 'mypension ONLINE' activation key to the new scheme member and produce an on-line membership certificate for the new scheme member within 20 working days of the details having been received from the Scheme Employer.

Where relevant, and once any transfers of pension rights from previous pension schemes have been concluded, the Administering Authority will release a revised on-line membership certificate for the Scheme member to view, download or print where additional membership has been awarded as a result of the transfer calculation.

Where additional pension has been awarded as a result of the transfer calculation, confirmation of this amount will be released by the Administering Authority in the form of a letter made available on-line for the scheme member to view, download or print.

**b) Contract Variations**

Where a Scheme Employer submits a contract variation via i-Connect the scheme member's record will be updated automatically as part of the submission process. The Administering Authority will release an on-line membership certificate for the Scheme member to view, download or print setting out the changes that have been made within 10 working days of the member record having been updated.

Where a Scheme Employer submits a contract variation via either a spreadsheet or a form [LGS15B](#), the Administering Authority will release an on-line membership certificate for the Scheme member to view, download or print setting out the changes that have been made within 20 working days of the details having been received from the Scheme Employer

#### **c) *Scheme Leavers***

Where a Scheme Employer submits leaver details (either as a result of a scheme member leaving employment or opting out of the Scheme) via i-Connect the scheme member's record will be updated automatically as part of the submission process. The Administering Authority will notify the Scheme member of their benefit options within 20 working days of the member record having been updated.

Where a Scheme Employer submits leaver details (either as a result of a scheme member leaving employment or opting out of the Scheme) via a spreadsheet or form LGS15C the Administering Authority will update the Scheme members record and notify the Scheme member of their benefit options within 20 working days of the details having been received from the Scheme Employer.

#### **d) *Retirements***

Irrespective of the method by which the Scheme Employer notifies the Administering Authority that a Scheme member who has left employment is entitled to the immediate release of their pension benefits; The Administering Authority will notify the Scheme member of their benefit options within 5 working days of receipt of all relevant Scheme leaver information from the Scheme Employer. The Administering Authority will make payment of any retirement lump sum within 30 calendar days of the date of the Scheme member's 'retirement' subject to all relevant information having been received from both the Scheme Employer and the Scheme member to enable them to do so.

#### **e) *Changes in Administrative Procedures***

The Administering Authority will ensure that the Scheme Employer is notified of any material changes to administrative procedures that may arise as a result of changes in pension scheme regulations and provide copies of revised standard documentation as agreed via the pension fund [website](#). Any other changes to administrative procedures will only take place following discussions with the Scheme Employer.

#### **f) *Training Sessions, Seminars and Pension Surgeries***

The Administering Authority will provide the Scheme Employer with training sessions if required in respect of scheme administration procedures. The Administering Authority will also provide ad hoc seminars to scheme members as requested and as organised by the Scheme Employer.

The Administering Authority will provide two pension surgeries per year for employees of the Unitary Authorities to which employees of other Scheme Employers are welcome to attend and also provide additional surgeries on an ad hoc basis as required and as organised by the Scheme Employer.

#### **g) *Scheme Member Database***

The Administering Authority will maintain a database of all LGPS members employed by the Scheme Employer and provide the Scheme Employer with reports as may be requested from time to time.

#### **h) *Scheme Member Enquiries***

The Administering Authority will answer enquiries made by scheme members employed by the Scheme Employer and respond to such enquiries within 10 working days or sooner where possible. Where an enquiry will take longer than 10 working days to resolve, the Administering Authority will notify the scheme member accordingly and keep them up to date with any progress made.

#### **i) *Scheme Employer Enquiries***

The Administering Authority will respond to enquiries made by the Scheme Employer within 10 working days or sooner where possible. Where an enquiry will take longer than 10 working days to resolve, the Administering Authority will notify the Scheme Employer and keep the Scheme Employer up to date with any progress made.

#### **j) *Annual Benefit Statements***

The Administering Authority will provide an electronic version of the scheme member's annual benefit statement within the statutory deadline (31<sup>st</sup> August) providing the Scheme Employer has submitted their 'year-end data file and answered all associated queries in accordance with section 4) of this SLA. Annual Benefit Statements will be made available to view, download or print by the Scheme member via 'mypension ONLINE'. Hard copies of the statement will be made available to Scheme members of a Scheme Employer upon request.

**k) Pension Estimates**

The Administering Authority will provide an estimate of pension benefits upon request from the Scheme Employer within 5 working days, or sooner where possible, of receipt of all relevant information. Where the estimate is in respect of an early retirement for whatever reason, the Administering Authority will provide the Scheme Employer with estimated details of the full capital cost to be paid by them.

**l) Early Retirements**

Upon completion of an actual early retirement calculation by the Administering Authority which generates a Pension Fund strain cost (otherwise known as a capital cost), the Administering Authority will raise an invoice and issue it to the Scheme Employer requesting payment, within 21 calendar days of the full capital cost owing to the Pension Fund.

**m) Employer Meetings**

The Administering Authority will arrange meetings with the 6 Unitary Authorities on an at least annual basis and with other Scheme Employers on an annual basis.

**n) Pensions Increase**

The Administering Authority will apply pensions increase annually to the relevant pensions in payment and deferred pensions retained in the Fund in accordance with the Pensions Increase (Review) Order issued by the Government each year.

**o) Regulations**

The Administering Authority will notify the Scheme Employer of any significant changes to:

- i) Scheme regulations that might affect scheme members in their employ;
- ii) The requirements of any policy statements that are maintained by them under the regulations;
- iii) Procedures adopted by them in accordance with this agreement;
- iv) The method of making payments to the Pension Fund or any changes to values of any payments to be made.

Guidance will be given to a Scheme Employer in respect of matters arising from the interpretation and implementation of Scheme Regulations.

**p) Scheme Contributions**

The Administering Authority will allocate all contributions submitted by the Scheme Employer to their respective income codes and reconcile the total contributions paid on a monthly basis where the Scheme Employer submits contribution data via i-Connect otherwise on an annual basis.

**q) Capital Cost Payments**

The Administering Authority will allocate all capital cost payments submitted by the Scheme Employer to their respective income codes and reconcile the payments to the Pension Fund bank account.

**r) Pension Scheme Recharges**

The Administering Authority will calculate and invoice a Scheme Employer, on an annual basis and by the end of April each year, for any pension scheme recharges owing to the Pension Fund where the Scheme Employer has liabilities relating to certain retired scheme members for whom the Pension Fund arrange to make payment through the pension payroll on behalf of the Scheme Employer.

**s) Presentations**

The Administering Authority will provide presentations to the Scheme Employer on an ad hoc basis and as required in respect of all matters relating to the Local Government Pension Scheme.



A Scheme Employer pension forum will be held on an annual basis in order to keep Scheme Employers up to date with matters relating to the performance of the Royal County of Berkshire Pension Fund and LGPS issues.

**t) Performance Indicators and Management Information**

The Administering Authority will, with the assistance of the Administering Authority, produce a quarterly Administration Report setting out key performance indicators and statistics relating to the administration of the Scheme. The report will be presented to the Berkshire Pension Fund Committee, Pension Fund Advisory Panel and Local Pension Board on each occasion that it meets and show the performance of:

- i) All Scheme Employers within the Royal County of Berkshire Pension Fund, and
- ii) The Administering Authority (undertaking its function as scheme administrator)

**u) Fund Actuary**

The Administering Authority will correspond with and commission any advice required of the Fund Actuary on behalf of the Scheme Employer in respect of any matters that may arise which require the determination of the Actuary and recharge any such costs that may arise to the Scheme Employer.

The Administering Authority will arrange for the triennial valuation of the Royal County of Berkshire Pension Fund and provide the Scheme Employer with a copy of the Actuary's valuation report and a copy of the annual report and statement of accounts.

The Administering Authority will commission the Actuary to provide an FRS102/IAS19 report as required and requested by a Scheme Employer at its appropriate financial year end date.

**v) Internal Disputes Resolution Procedure (IDRP)**

The Administering Authority will maintain a complaints procedure in accordance with the Local Government Pension Scheme Regulations including the appointment of an adjudicator to deal with cases at stage two of the procedure.

**w) Publicity and Promotion**

The Administering Authority will maintain a supply of scheme publications and ensure that the most up to date versions are always available to print or download from the Pension Fund [website](#).

**x) Pensions Increase**

The Administering Authority will apply the Pensions Increase (Review) Order as issued annually by the Government.

**y) Data Protection**

The Administering Authority will ensure compliance with Government Data Protection Regulation (GDPR).

## **7) PRIVATE CONTRACTORS**

In accordance with Regulation 3(5) and paragraphs 3 to 12 of Schedule 2 in Part 3 of the Scheme Regulations, the Administering Authority can enter into an admission agreement with an "external contractor" undertaking local government work formerly undertaken by a Scheme Employer.

This ability to become an Admission Body within the LGPS enables Scheme members to retain their rights to contribute to the Scheme and avoids the need for the contractor to offer an alternative pension scheme to the transferring employees.

**a) Scheme Employer responsibilities**

The Scheme employer will:

- i) Undertake to include the conditions surrounding any possible admission agreement to be made with a chosen service provider (and the Administering Authority) as part of any tendering exercise that it undertakes;
- ii) Consult with staff representatives and issue information to staff;
- iii) Notify the Administering Authority immediately of any decision that is made to transfer any part of their service to an "external contractor";

- iv) Supply the Administering Authority with full and accurate details of all employees, both those contributing to the LGPS and those, for whatever reason, are not contributing to the Scheme but are eligible to do so, involved in any potential transfer from the Scheme Employer to the Admission Body as soon as this information is known. The Administering Authority will supply a data capture spreadsheet for completion by the Scheme Employer;
- v) Sign up to the admission agreement before the start date of the service contract;
- vi) Decide whether or not the Admission Body will be required to provide a bond or indemnity as calculated by the Actuary or if they as the Transferor Scheme Employer will act as a guarantor;
- vii) Decide whether or not the Admission Agreement will be an Open or Closed agreement;
- viii) Notify the Administering Authority immediately if the contract with the Admission Body is terminated;
- ix) Pay any outstanding liabilities where they arise and are the responsibility of the Scheme Employer, as calculated by the Fund Actuary, to the Administering Authority in the event of the early termination of a contract with an Admission Body.
- x) Ensure that pass-through provisions are complied with as defined in the Funding Strategy Statement from 1 April 2023.

***b) Administering Authority responsibilities***

The Administering Authority will:

- i) Obtain details from the Fund Actuary of the potential employer's contribution rate and level of indemnity or bond required by the Admission Body upon receipt of all information supplied by the Scheme Employer (simplified by the implementation of pass-through provisions from 1 April 2023);
- ii) Supply a draft admission agreement and draft indemnity/bond agreement and guide to completing an admission agreement;
- iii) Obtain details from the Fund Actuary of any outstanding liabilities resulting from the termination of the Scheme Employer's contract with the Admission Body;
- iv) Ensure that all parties to the admission agreement receive a copy of the final admission agreement document.

**8) COMPLIANCE**

Where it is proven that as a result of any non-compliance by the Scheme Employer in respect of any of the requirements of this service level agreement, the Administering Authority suffer any fine or financial penalty as imposed by The Pensions Regulator or any other statutory body, that penalty shall be transferred to the Scheme Employer for settlement in accordance with the guidelines issued by the relevant Statutory body at the time that the penalty is imposed.

Where it is proven that the Scheme Employer is not responsible for any fine or penalty imposed by The Pensions Regulator or any other statutory body as a result of non-compliance of this service level agreement, any such charge will automatically default to the Administering Authority.

In accordance with Regulation 70 of the Scheme Regulations and in line with its Pension Administration Strategy, the Administering Authority reserves the right to issue to a Scheme Employer a notice of unsatisfactory performance where the Administering Authority, in its opinion, has incurred additional costs which should be recovered from the Scheme Employer.



**9) PENSION LIAISON DETAILS**

**EMPLOYER NOMINATED PENSION LIAISON OFFICER AND AUTHORISED SIGNATORIES**

The following officer is hereby nominated as Pension Liaison Officer to the Administering Authority to deal with all issues relating to the administration of the pension scheme:

Name: \_\_\_\_\_

Position: \_\_\_\_\_

Signature: \_\_\_\_\_

Contact Telephone Number: \_\_\_\_\_

Email Address: \_\_\_\_\_

Postal Address: \_\_\_\_\_

\_\_\_\_\_

Date: \_\_\_\_\_

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**Please provide details of other officers authorised to act as a Pension Liaison Officer.**

The following person is nominated as a pension liaison officer with specific duties as described below\*

Name: \_\_\_\_\_

Position: \_\_\_\_\_

Signature: \_\_\_\_\_

Contact Telephone Number: \_\_\_\_\_

Email Address: \_\_\_\_\_

Postal Address: \_\_\_\_\_

\_\_\_\_\_ Date: \_\_\_\_\_

\*Summary of duties: \_\_\_\_\_

\_\_\_\_\_

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The following person is nominated as a Pension Liaison Officer with specific duties as described below\*

Name: \_\_\_\_\_

Position: \_\_\_\_\_

Signature: \_\_\_\_\_

Contact Telephone Number: \_\_\_\_\_

Email Address: \_\_\_\_\_

Postal Address: \_\_\_\_\_

\_\_\_\_\_ Date: \_\_\_\_\_

\*Summary of duties: \_\_\_\_\_

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The following person is nominated as a Pension Liaison Officer with specific duties as described below\*

Name: \_\_\_\_\_

Position: \_\_\_\_\_

Signature: \_\_\_\_\_

Contact Telephone Number: \_\_\_\_\_

Email Address: \_\_\_\_\_

Postal Address: \_\_\_\_\_

\*Summary of duties: \_\_\_\_\_

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\_\_\_\_\_ Date:

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***Add additional copy pages of the above if required.***

## ANNEX 2

### LEGISLATIVE FRAMEWORK FOR THIS STRATEGY

#### Local Government Pension Scheme Regulations 2013

##### **Pension administration strategy**

**59.**—(1) An administering authority may prepare a written statement of the authority's policies in relation to such of the matters mentioned in paragraph (2) as it considers appropriate ("its pension administration strategy") and, where it does so, paragraphs (3) to (7) apply.

(2) The matters are—

(a) procedures for liaison and communication with Scheme employers in relation to which it is the administering authority ("its Scheme employers");

(b) the establishment of levels of performance which the administering authority and its Scheme employers are expected to achieve in carrying out their Scheme functions by—

(i) the setting of performance targets,

(ii) the making of agreements about levels of performance and associated matters, or

(iii) such other means as the administering authority considers appropriate;

(c) procedures which aim to secure that the administering authority and its Scheme employers comply with statutory requirements in respect of those functions and with any agreement about levels of performance;

(d) procedures for improving the communication by the administering authority and its Scheme employers to each other of information relating to those functions;

(e) the circumstances in which the administering authority may consider giving written notice to any of its Scheme employers under regulation 70 (additional costs arising from Scheme employer's level of performance) on account of that employer's unsatisfactory performance in carrying out its Scheme functions when measured against levels of performance established under sub-paragraph (b);

(f) the publication by the administering authority of annual reports dealing with—

(i) the extent to which that authority and its Scheme employers have achieved the levels of performance established under sub-paragraph (b), and

(ii) such other matters arising from its pension administration strategy as it considers appropriate; and

(g) such other matters as appear to the administering authority after consulting its Scheme employers and such other persons as it considers appropriate, to be suitable for inclusion in that strategy.

(3) An administering authority must—

(a) keep its pension administration strategy under review; and

(b) make such revisions as are appropriate following a material change in its policies in relation to any of the matters contained in the strategy.

(4) In preparing or reviewing and making revisions to its pension administration strategy, an administering authority must consult its Scheme employers and such other persons as it considers appropriate.

(5) An administering authority must publish—

(a) its pension administration strategy; and

(b) where revisions are made to it, the strategy as revised.

(6) Where an administering authority publishes its pension administration strategy, or that strategy as revised, it must send a copy of it to each of its Scheme employers and to the Secretary of State as soon as is reasonably practicable.

(7) An administering authority and its Scheme employers must have regard to the pension administration strategy when carrying out their functions under these Regulations.

(8) In this regulation references to the functions of an administering authority include, where applicable, its functions as a Scheme employer.

### **Additional costs arising from Scheme employer's level of performance.**

**70.**—(1) This regulation applies where, in the opinion of an administering authority, it has incurred additional costs which should be recovered from a Scheme employer because of that employer's level of performance in carrying out its functions under these Regulations.

(2) The administering authority may give written notice to the Scheme employer stating—

- (a) the administering authority's reasons for forming the opinion mentioned in paragraph (1);
- (b) the amount the authority has determined the Scheme employer should pay under regulation 69(1)(d) (payments by Scheme employers to administering authorities) in respect of those costs and the basis on which the specified amount is calculated; and
- (c) where the administering authority has prepared a pension administration strategy under regulation 59, the provisions of the strategy which are relevant to the decision to give the notice and to the matters in sub-paragraphs (a) or (b).

### **Statements of policy about exercise of discretionary functions**

**60.**—(1) A Scheme employer must prepare a written statement of its policy in relation to the exercise of its functions under regulations—

- (a) 16(2)(e) and 16(4)(d) (funding of additional pension);
- (b) 30(6) (flexible retirement);
- (c) 30(8) (waiving of actuarial reduction); and
- (d) 31 (award of additional pension),

and an administering authority must prepare such a statement in relation to the exercise of its functions under regulation 30(8) in cases where a former employer has ceased to be a Scheme employer.

(2) Each Scheme employer must send a copy of its statement to each relevant administering authority before 1st July 2014 and must publish its statement.

(3) A body required to prepare a statement under paragraph (1) must—

- (a) keep its statement under review; and
- (b) make such revisions as are appropriate following a change in its policy.

(4) Before the expiry of a month beginning with the date any such revisions are made, each Scheme employer must send a copy of its revised statement to each relevant administering authority and must publish its statement as revised.

(5) In preparing, or reviewing and making revisions to its statement, a body required to prepare a statement under paragraph (1) must have regard to the extent to which the exercise of the functions mentioned in paragraph (1) in accordance with its policy could lead to a serious loss of confidence in the public service.

(6) In this regulation a relevant administering authority in relation to a Scheme employer, is any authority which is an appropriate administering authority for that employer's employees.

### **Statements of policy concerning communications with members and Scheme employers**

**61.**—(1) An administering authority must prepare, maintain and publish a written statement setting out its policy concerning communications with—

- (a) members;
- (b) representatives of members;
- (c) prospective members; and
- (d) Scheme employers.

(2) In particular the statement must set out its policy on—

- (a) the provision of information and publicity about the Scheme to members, representatives of members and Scheme employers;

(b) the format, frequency and method of distributing such information or publicity; and

(c) the promotion of the Scheme to prospective members and their employers.

(3) The statement must be revised and published by the administering authority following a material change in their policy on any of the matters referred to in paragraph (2).

### **Pension fund annual report**

**57.**—(1) An administering authority must, in relation to each year beginning on 1st April 2014 and each subsequent year, prepare a document (“the pension fund annual report”) which contains—

(a) a report about the management and financial performance during the year of each of the pension funds maintained by the authority;

(b) a report explaining the authority’s investment policy for each of those funds and reviewing the performance during the year of the investments of each fund;

(c) a report of the arrangements made during the year for the administration of each of those funds;

(d) for each of those funds, a statement by the actuary who carried out the most recent valuation of the assets and liabilities of the fund in accordance with regulation 62 (actuarial valuations of pension funds) of the level of funding disclosed by that valuation;

(e) the current version of the statement under regulation 55 (governance compliance statement);

(f) for each of the funds, the fund account and net asset statement with supporting notes and disclosures prepared in accordance with proper practices;

(g) an annual report dealing with—

(i) the extent to which the authority and the Scheme employers in relation to which it is the administering authority have achieved any levels of performance set out in a pension administration strategy in accordance with regulation 59 (pension administration strategy), and

(ii) such other matters arising from a pension administration strategy as it considers appropriate;

(h) the current version of the statement referred to in regulation 58 (funding strategy statement);

(i) the current version of the statement under regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 ;

(j) the current version of the statement under regulation 61 (statements of policy concerning communications with members and Scheme employers); and

(k) any other material which the authority considers appropriate.

(2) The authority must publish the pension fund annual report on or before 1st December following the Scheme year end.

(3) In preparing and publishing the pension fund annual report, the authority must have regard to guidance given by the Secretary of State.

## **Public Service Pensions Act 2013**

### **Administration**

#### **17 Regulatory oversight.**

(1) Schedule 4 contains provision relating to the regulation of Schemes under section 1, new public body pension Schemes and connected Schemes.

(2) The Secretary of State may by order make—

(a) provision consequential on Schedule 4, and

(b) further provision for, or in connection with, the regulation of public service pension Schemes within the meaning of the Pensions Act 2004 (as amended by that Schedule).

(3) The provision referred to in subsection (2) includes provision made by amending any legislation (including this Act).

(4) An order under this section may make different provision for different purposes.

(5) An order under this section is subject to—

- (a) the affirmative procedure, if it amends primary legislation, and
- (b) the negative procedure, in any other case.

#### **SCHEDULE 4 Regulatory oversight**

Amends the Pensions Act 2004 to cover Public Service Pensions and the Pensions Regulator involvement.

##### **16 Records.**

(1) The Scheme manager for a Scheme under section 1 and any statutory pension Scheme that is connected with it must keep such records as may be specified in regulations made by the Secretary of State.

#### **The Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014.**

##### **Records**

3. For the purposes of section 16 of the 2013 Act, the Scheme manager for a public service pension Scheme (1) must keep the records which are specified in regulations 4 to 6.

##### **Records of member and beneficiary information**

4.—(1) In respect of member and beneficiary information, the records which are specified are—

- (a) the name of each member and of each beneficiary;
- (b) the date of birth of each member and of each beneficiary;
- (c) the gender of each member and of each beneficiary;
- (d) the last known postal address of each member and of each beneficiary;
- (e) each member's identification number in respect of the Scheme;
- (f) the national insurance number of each member who has been allocated such a number; and
- (g) in respect of each active member, deferred member and pensioner member—
  - (i) the dates on which such member joins and leaves the Scheme;
  - (ii) details of such member's employment with any employer participating in the Scheme including—
    - (aa) the period of pensionable service in that employment; and
    - (bb) the amount of pensionable earnings in each year of that employment.

(2) In respect of each member's rights and, where applicable, of each beneficiary's entitlement, to any benefits which are not money purchase benefits, injury benefits or compensation benefits under the Scheme, the records which are specified are—

- (a) any formula or formulas used for calculating the member's or beneficiary's pension or benefit;
- (b) the percentage to be applied in respect of revaluation for each year to the member's accrued rights to benefits under the Scheme; and
- (c) any increase to be applied to the pensioner member's or beneficiary's pension or benefit in payment in each year.

(3) In respect of each member's rights to any money purchase benefits under the Scheme, the records which are specified are—

- (a) any investment decisions taken by, or in relation to, the member;
- (b) any investments held on behalf of the member; and
- (c) any anticipated date of retirement notified by the member.

(4) In respect of pension credits under section 29(1)(b) of the Welfare Reform and Pensions Act 1999(1) (creation of pension debits and credits) or under article 26(1)(b) of the Welfare Reform and Pensions (Northern Ireland) Order 1999(2) (creation of pension debits and credits), the records which are specified are records of any information relevant to calculating each member's rights under the Scheme which are attributable (directly or indirectly) to a pension credit.

(5) In respect of pension debits under section 29(1)(a) of the Welfare Reform and Pensions Act 1999 or under article 26(1)(a) of the Welfare Reform and Pensions (Northern Ireland) Order 1999, the records which are specified are records of any information relevant to calculating any reduction in each member's rights under the Scheme which are attributable to a pension debit.

### **Records of transactions**

5. In respect of transactions, the records which are specified are—
- (a) any employer contribution or member contribution paid in relation to each active member;
  - (b) payments of pensions and benefits including the date of the payment;
  - (c) except where the payment is a payment under paragraph (b) or (f), payments made by, or on behalf of, the Scheme manager to any person including—
    - (i) the name and address of the person to whom payment was made; and
    - (ii) the reason for that payment;
  - (d) any movement or transfer of assets from the Scheme to any person including—
    - (i) the name and address of the person to whom the assets were moved or transferred; and
    - (ii) the reason for that transaction;
  - (e) the receipt or payment of money or assets in respect of the transfer of members into or out of the Scheme including—
    - (i) the name of that member;
    - (ii) the terms of the transfer;
    - (iii) the name of the Scheme into or out of which the member has been transferred;
    - (iv) the date of the transfer; and
    - (v) the date of receipt or payment of money or assets;
  - (f) payments made to any member who leaves the Scheme, other than on a transfer, including—
    - (i) the name of that member;
    - (ii) the date of leaving;
    - (iii) the member's entitlement at that date;
    - (iv) the method used for calculating any entitlement under the Scheme; and
    - (v) how that entitlement was discharged;
  - (g) payments made to any employer participating in the Scheme;
  - (h) any amount due to the Scheme which has been written off in the Scheme's accounts; and
  - (i) any other payment to the Scheme including the name and address of the person from whom it is received and, where a payment is made in respect of a member, the name of the member in respect of whom it is made.

### **Records of pension board meetings and decisions**

- 6.—(1) In relation to any pension board meetings, the records which are specified are records relating to any such meeting including—
- (a) the date, time and place of the meeting;
  - (b) the names of all the members of the pension board invited to the meeting;
  - (c) the name of any person who attended the meeting and the capacity in which each attended; and
  - (d) any decisions made at the meeting.
- (2) In relation to any other decision made by the members of the pension board in the exercise of their functions as members of the pension board, the records which are specified are records relating to any such decision including—
- (a) the date, time and place of the decision; and
  - (b) the names of the members of the pension board who participated in making the decision.

(3) In relation to any decision made by a committee or sub-committee of the pension board which has not been ratified by the pension board, the records which are specified are records relating to any such decision including—

- (a) the date, time and place of the decision; and
- (b) the names of the members of the committee or sub-committee who participated in making the decision.

### **Amendment of the Occupational Pension Schemes (Scheme Administration) Regulations 1996**

7. For regulation 16A of the Occupational Pension Schemes (Scheme Administration) Regulations 1996(1) (exemptions from the requirement to notify the Authority or the member of a late contribution payment) substitute—

#### **“Exemptions from the requirement to notify the Authority or the member of a late contribution payment.**

**16A.**—(1) Subject to paragraph (3), where an amount corresponding to any contribution payable on behalf of an active member of an occupational pension Scheme—

- (a) is deducted from that member’s earnings in respect of any employment; and
- (b) is not paid to the trustees or managers of the Scheme within the period of 19 days beginning on the first day of the month after which the deduction is made,

the trustees or managers do not need to give notice of the failure to pay that amount within that period to the Authority or member in the circumstances specified in paragraph (2).

(2) The specified circumstances are where the trustees or managers of the Scheme are exempt from the requirement—

- (a) to secure the preparation, maintenance and revision of a payment schedule for the purposes of section 87(1) of the 1995 Act (schedules of payments to money purchase Schemes), by virtue of regulation 17(2); or
- (b) to prepare, review and if necessary revise a schedule of contributions under section 227 of the 2004 Act (schedule of contributions), by virtue of any of sub-paragraphs (a) to (i) and (k) to (m) of regulation 17(1) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005(3).

(3) Paragraph (1) does not apply in circumstances where the Scheme is a public service pension Scheme.

(4) For the purposes of this regulation—

“the 2013 Act” means the Public Service Pensions Act 2013;

“connected”, “new public body pension Scheme” and “statutory pension Scheme” have the meanings given in section 37 of the 2013 Act (general interpretation);

“public service pension Scheme” means—

- (a) a Scheme established under section 1 of the 2013 Act (Schemes for persons in public service);
- (b) a new public body pension Scheme;
- (c) any statutory pension Scheme which is connected with a Scheme referred to in paragraph (a) or (b).”

### **Explanatory note for this amendment**

Under section 49 of the Pensions Act 1995 trustees or managers must notify the Pensions Regulator and the member where there is a late payment of a contribution where such late payment is likely to be of material significance to the Pensions Regulator’s function. Regulation 16A of the Scheme Administration Regulations sets out exceptions to that duty. The amendments mean that managers of public service pension Schemes under the 2013 Act cannot benefit from the exception and will now be subject to the duty to notify.



**ANNEX 3  
WRITTEN NOTICES OF UNSATISFACTORY PERFORMANCE**

Fund ref.	Description of notice
1	<p>In accordance with Regulation 69(1)(d), where, in the opinion of the Administering Authority, it has incurred additional costs in line with Regulation 70 as a result of a Scheme employer's unsatisfactory performance, the Administering Authority will give a written notice to the Scheme employer setting out the reasons for forming its opinion, the amount the Administering Authority has determined the Scheme employer should pay and the basis upon which the amount has been calculated.</p> <p>The Administering Authority has the power to charge a Scheme employer additional cost arising from the Scheme employer's level of performance in accordance with Regulation 70 of the Local Government Pension Scheme Regulations 2013 which will be referred to in all cases.</p>
2A	<p>Failure to make payment of monthly employee and employer contributions by the 19<sup>th</sup> of the month following the period to which the contributions relate will result in the Administering Authority issuing a written notice of unsatisfactory performance. Where a Scheme employer persistently fails to make payments within the statutory deadline and the Administering Authority considers that this is of a material significance, the Scheme employer will be reported to the Pensions Regulator. Responsibilities concerning the payment of contributions is set out in section 4) of the SLA.</p>
2B	<p>Where a Scheme employer persistently fails to provide the necessary documentation in support of the contribution payment the Administering Authority will issue a written notice of unsatisfactory performance. Responsibilities concerning the provision of information in respect of Employer and Employee (member) contributions are set out in section 4) of the SLA.</p>
3	<p>Failure to make payment of a capital cost owing to the pension fund within 19 calendar days from the date of issue of an invoice will result in the Administering Authority issuing a written notice of unsatisfactory performance. This will be reported as part of the Administration report presented at meetings of the Berkshire Pension Fund Committee, Pension Fund Advisory Panel and Local Pension Board and steps will be taken to recover the amount of interest lost by the Pension Fund calculated in accordance with Regulation 71* of the Local Government Pension Scheme Regulations 2013.</p> <p>Responsibilities concerning the payment of capital/strain costs are set out in section 4) of the SLA.</p>
4	<p>Where, as a result of the Scheme employer's failure to notify the administering authority of a Scheme member's retirement, interest becomes payable on any retirement lump sum paid and the Administering Authority will issue a written notice of unsatisfactory performance. This will be reported as part of the Administration report presented at meetings of the Berkshire Pension Fund Committee, Pension Fund Advisory Panel and Local Pension Board and steps will be taken to recover the amount of interest lost by the Pension Fund calculated in accordance with Regulation 71* of the Local Government Pension Scheme Regulations 2013.</p> <p>Responsibilities concerning the provision of information in respect of retirements is set out in section 4) of the SLA</p>

**NOTE**

\* Regulation 71 of the Local Government Pension Scheme Regulations 2013 states that interest must be calculated at one per cent above base rate on a day-to-day basis from the due date to the date of payment and compounded with three-monthly rests.

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Report Title:	<b>Administration Report</b>
Contains Confidential or Exempt Information	No - Part I
Lead Member:	Councillor Simon Bond, Chairman Pension Fund Committee and Advisory Panel
Meeting and Date:	Pension Fund Committee and Advisory Panel – 18 September 2023
Responsible Officer(s):	Damien Pantling, Head of Pension Fund
Wards affected:	None



## **REPORT SUMMARY**

This report deals with the administration of the Pension Fund for the period 1 April 2023 to 30 June 2023. 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.

### **1. DETAILS OF RECOMMENDATION(S)**

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

- i) Notes all areas of governance, administration and the key performance indicators as reported;**

### **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. 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. An Equality Impact Assessment (EQIA) screening exercise has been completed and approved in respect of this this report and shared with the RBWM Equalities team. It has been determined through the EQIA screening that a full EQIA is not required and is therefore not appended with this report.
- 7.3. Climate change/sustainability: N/A
- 7.4. Data Protection/GDPR. GDPR compliance is included as a specific risk on the register in regard to processing and handling personal data, this is dealt with in the appendix along with the relevant mitigations.

## **8. CONSULTATION**

- 8.1. 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 1 appendix:
- Appendix 1: Administration Report 1 April 2023 to 30 June 2023

## 11. BACKGROUND DOCUMENTS

11.1. This report is supported by 0 background documents.

## 12. CONSULTATION (MANDATORY)

Name of consultee	Post held	Date sent	Date returned
<i>Mandatory:</i>		<i>Statutory Officers (or deputy)</i>	
Elizabeth Griffiths	Executive Director of Resources (Section 151 officer)	n/a	n/a
Elaine Browne	Deputy Director of Law and Governance (Monitoring Officer)	30/08/2023	
<i>Deputies:</i>			
Andrew Vallance	Deputy Director of Finance (Deputy Section 151 officer)	30/08/2023	01/09/2023
Jane Cryer	Principal Lawyer (Litigation) and Deputy Monitoring Officer	30/08/2023	
<i>Other consultees:</i>			
Cllr Simon Bond	Chairman – Berkshire Pension Fund Committee	30/08/2023	
Alan Cross	Chairman – Local Pension Board	30/08/2023	

## 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

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THE ROYAL COUNTY OF  
**BERKSHIRE**  
PENSION FUND

**ADMINISTRATION REPORT**

**QUARTER 2 – 2023 (Q1 2023/24)**

**1 April 2023 to 30 June 2023**

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## 1. ADMINISTRATION

### 1.1. Scheme Membership

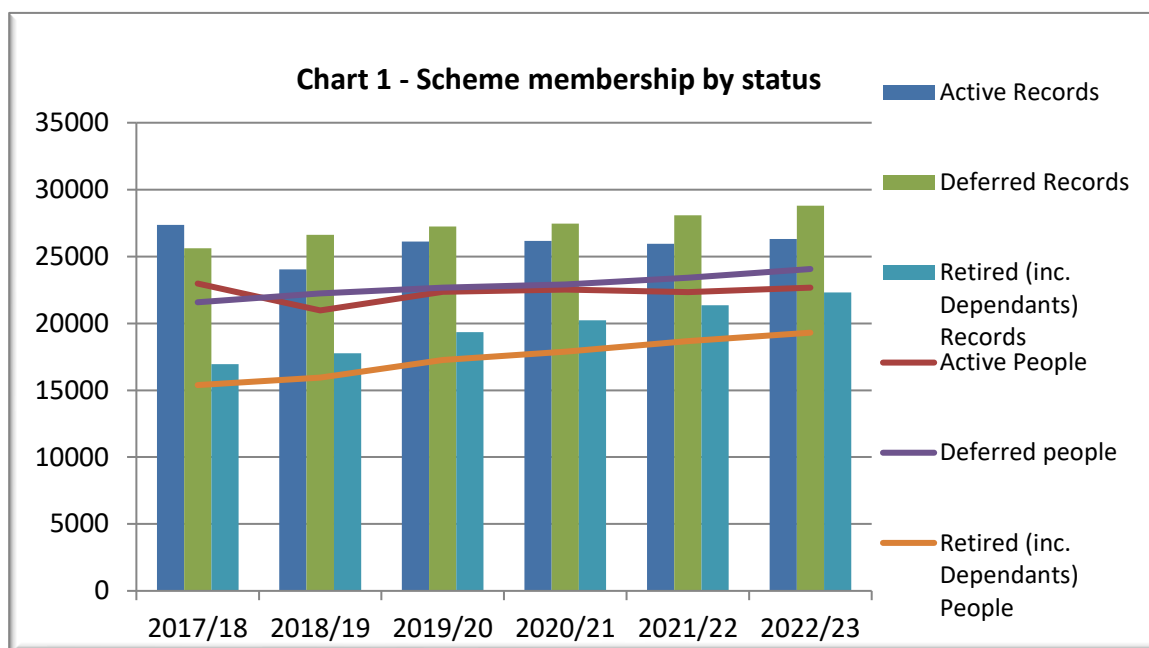


Table 1 – Total Membership as at 30 June 2023

Active Records	26,076	Active People	22,685
Deferred Records	28,951	Deferred People	24,199
Retired Records	22,500	Retired People	19,419
<b>TOTAL</b>	<b>77,527</b>	<b>TOTAL</b>	<b>66,303</b>

### 1.2. Membership by Employer

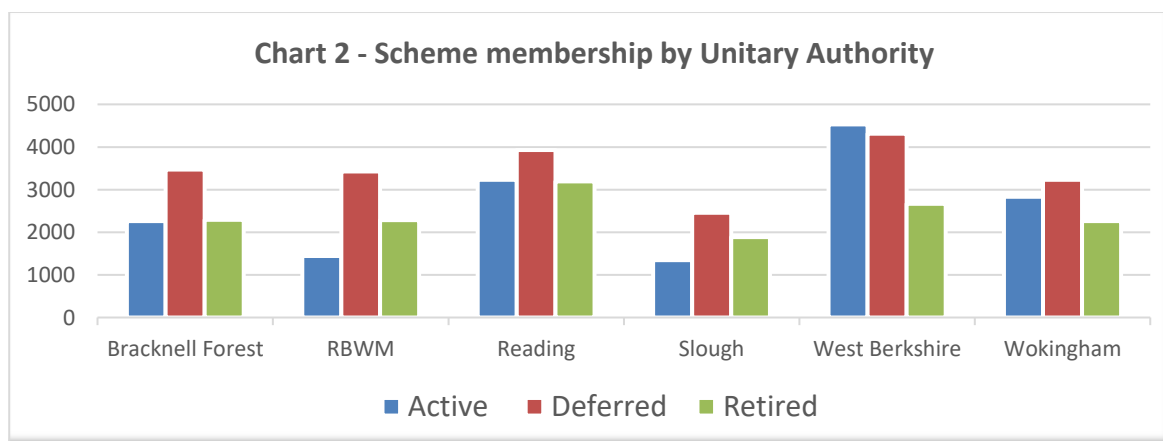
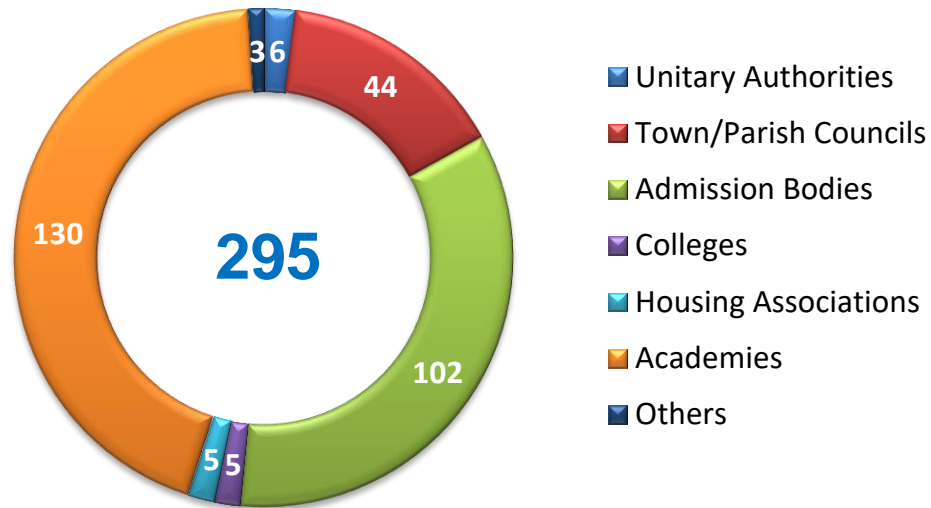


Table 2 - Membership movements in this Quarter (and previous Quarter)

	Bracknell	RBWM	Reading	Slough	W Berks	Wokingham
Active	<b>+30</b>	<b>-14</b>	<b>+62</b>	<b>-26</b>	<b>+83</b>	<b>-43</b>
	-22	-7	-104	+7	+34	+9
Deferred	<b>-5</b>	<b>-7</b>	<b>+11</b>	<b>-3</b>	<b>+27</b>	<b>+7</b>
	+37	-11	+33	-6	+19	+20
Retired	<b>+18</b>	<b>+15</b>	<b>+19</b>	<b>+16</b>	<b>+47</b>	<b>+22</b>
	+16	+20	+43	+22	+48	+41

### 1.3. Scheme Employers

Chart 3 - Employers with active members



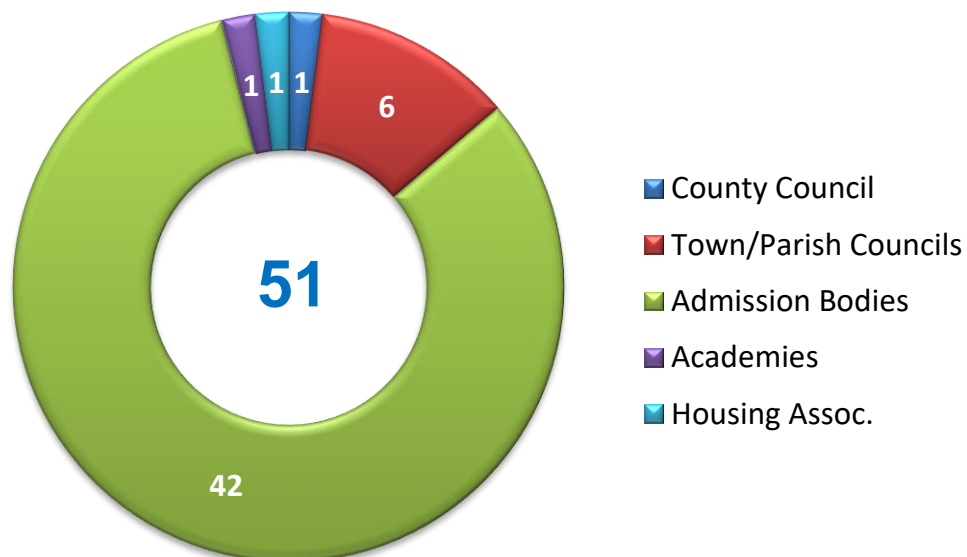
New employers since last report:

**Admission Bodies:** None

**Academies:** None

**Scheduled bodies:** None

Chart 4 - Employers without active members



**Exiting employers:** None

## 1.4. Scheme Employer Key Performance Indicators

Table 3 – i-Connect users Quarter 1 (1 April 2023 to 30 June 2023)

Employer	Starters	Leavers	Changes	Total	Submission Received Within Specification
<b>Bracknell Forest Council</b>	189	84	1,294	1,567	100%
<b>RBWM</b>	94	66	981	1,141	100%
<b>Reading BC</b>	259	118	1,260	1,637	100%
<b>Slough BC</b>	85	40	169	294	100%
<b>West Berks Council</b>	397	253	2,699	3,349	100%
<b>Wokingham BC</b>	93	68	1,544	1,705	100%
<b>Academy/ School</b>	786	478	8,310	9,574	85.11% (+ 5.56%)
<b>Others</b>	116	45	474	635	97.06%

**NOTES:** Table 3 above shows all transactions through i-Connect Software for the first quarter of 2023/2024. Changes include hours/weeks updates, address amendments and basic details updates.

The benefits of i-Connect are:

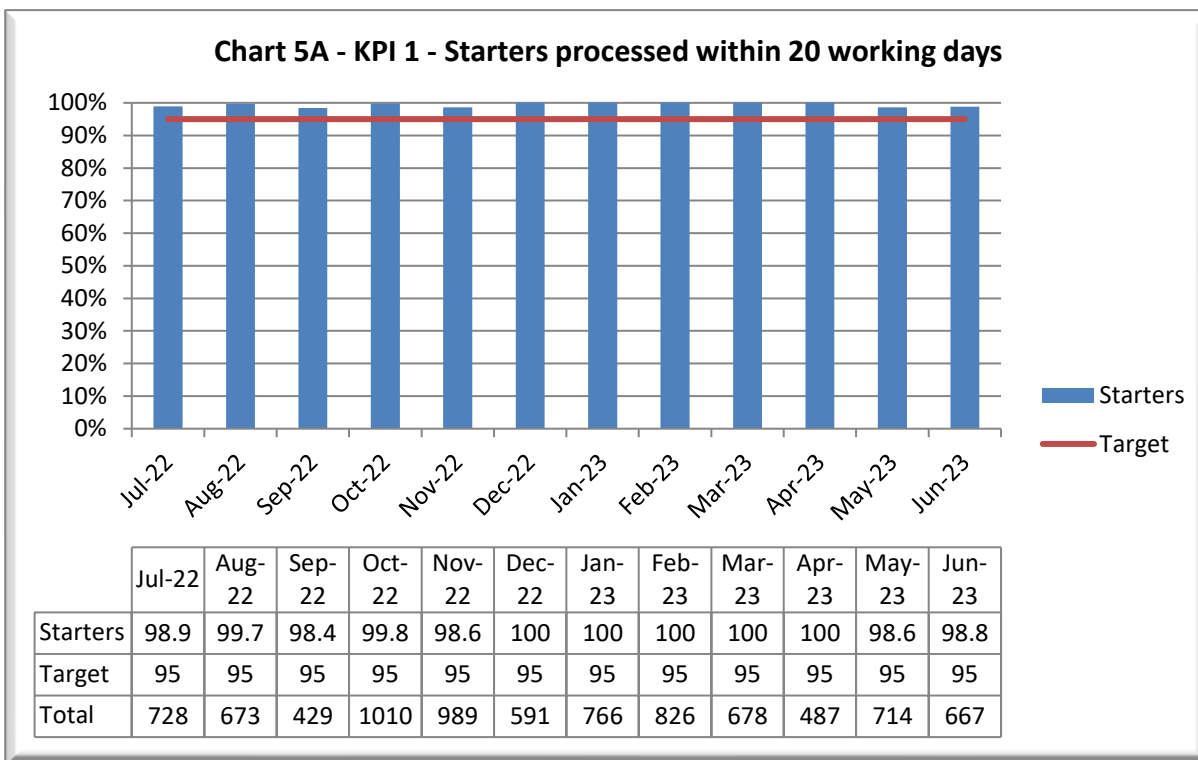
- Pension records are maintained in 'real-time';
- Scheme members are presented with the most up to date and accurate information through "my pension ONLINE" (Member self-service);
- Pension administration data matches employer payroll data;
- Discrepancies are dealt with as they arise each month;
- 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 April 2023, two scheme employers have on board i-connect Software – Change Grow Live (CGL) and Slough and East Berkshire MAT (SEBMAT) representing 254 scheme member records. Officers continue to work closely with Denefield School, Excalibur Academies Trust, Schelwood Academy Trust, The Arbib Education Trust, The Keys Academy Trust and The Pioneer Educational Trust which represents circa 815 scheme member records endeavouring to on board.

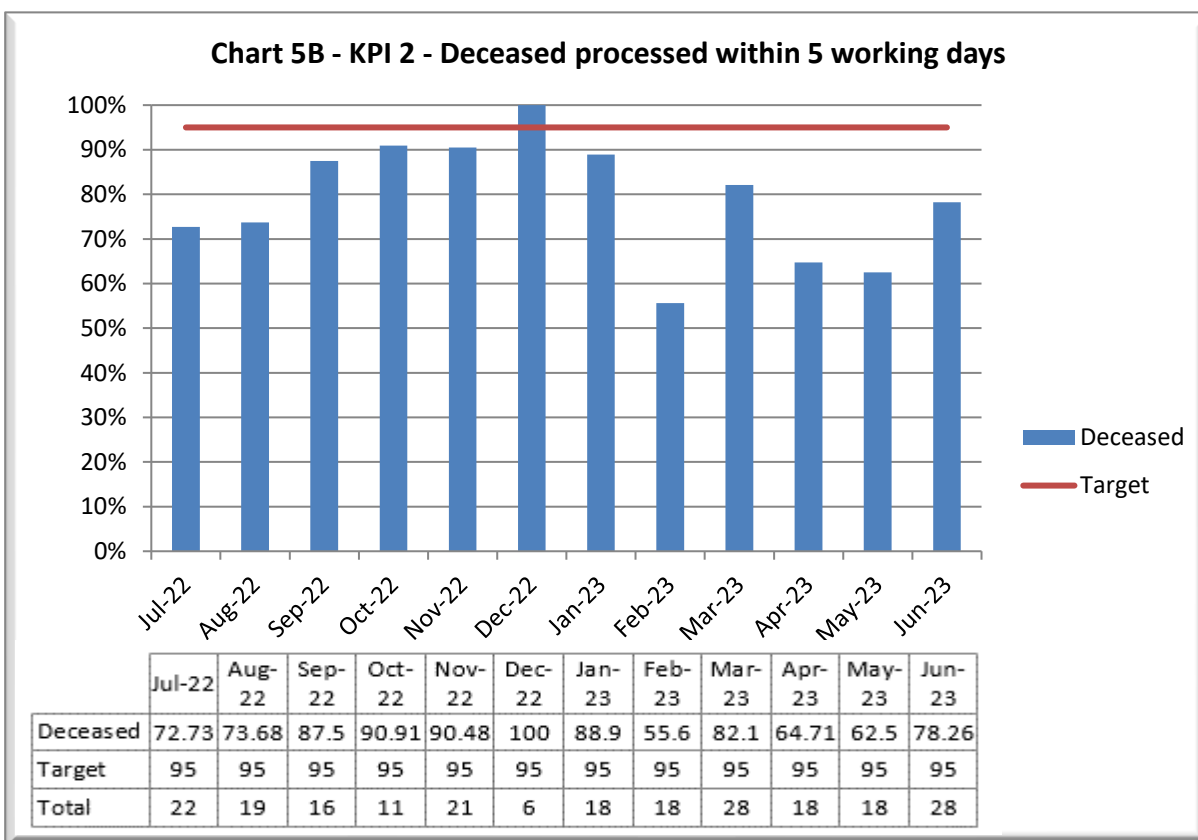
Overall, 133 scheme employers are yet to on board i-Connect Software which represents circa 1,950 scheme member records (7.50% of total Active Scheme members).

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 (81 employers) have the option of using an on-line portal version of i-Connect Software rather than submitting via ".csv".

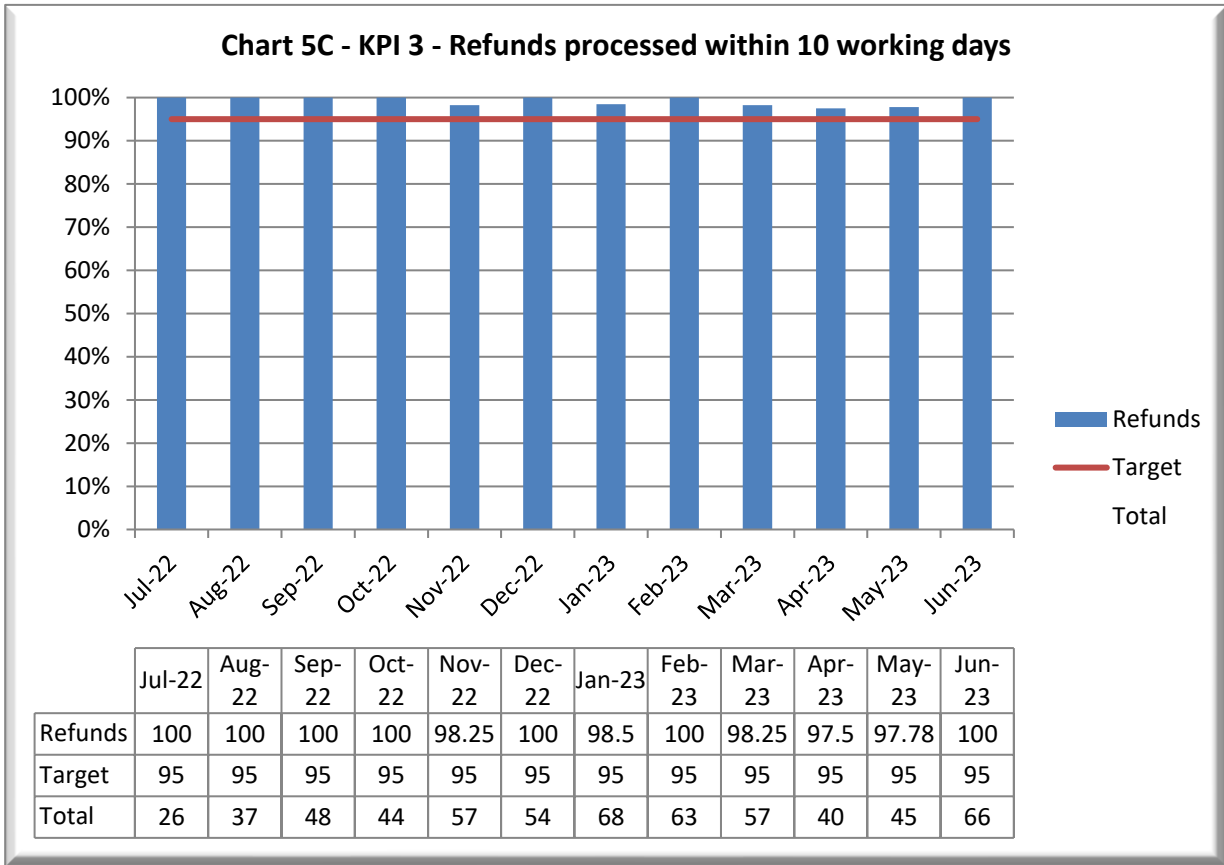
### 1.5. Key Performance Indicators



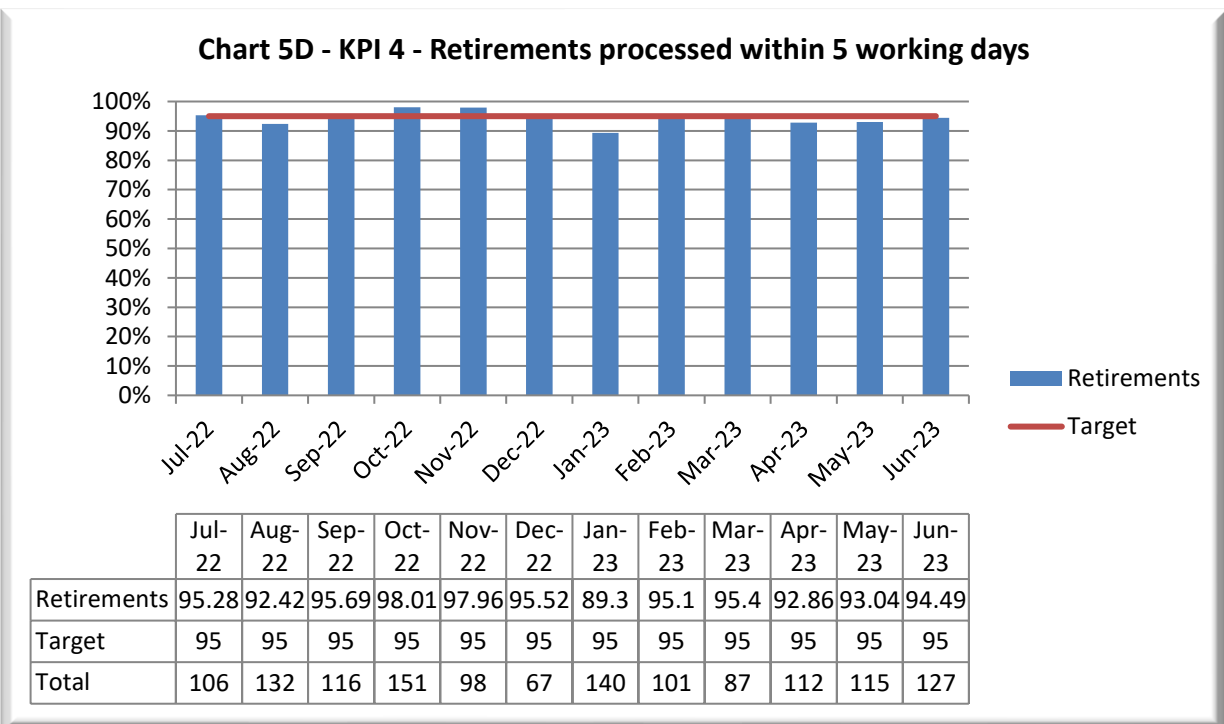
**CIPFA Benchmark:** Two months from date of joining the scheme or if earlier within one month of receiving jobholder information.



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



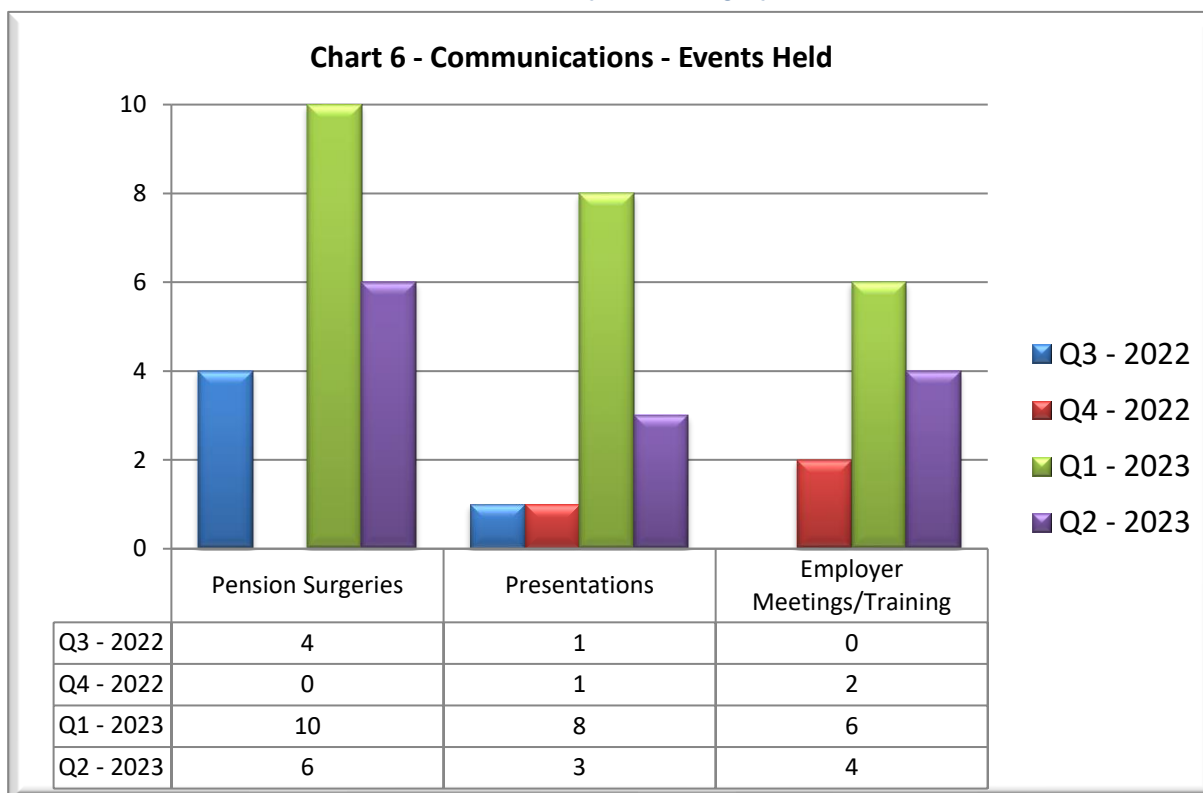
**CIPFA Benchmark:** No more than two months from date of receiving the scheme members signed declaration requesting to receive a refund of employee pension contributions.



**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.



## 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
12/04/2023	Email	I wanted to put on record my appreciation for a quick response to a recent pension query I raised. I'm on the Board of a couple of pension schemes where we have an SLA of 5 working days for turnaround of queries. When I raised a query with your team, I received a full response from [NAME] (Pension Administrator) within 20 minutes of my email. That's the fastest ever response I have ever had. I know people can be quick to complain and, in this instance, felt called to be quick to say "Great job. Well done". Thanks for all your continued hard work on behalf of the scheme. Appreciated.
21/04/2023	E-mail	Thank you very much for responding so quickly to my enquiry, you have been extremely helpful and informative.

29/04/2023	E-mail	I see you continue to be very diligent in all you do [NAME] - relying to me on a Saturday. Thank you. All this makes sense.
03/05/2023	E-mail	Thanks [NAME], A very prompt and helpful response, please copy my thanks for your prompt and efficient work to your manager
04/05/2023	E-mail	Thank you for all of your help with this, you have been great!
19/05/2023	E-mail	Dear [NAME]  Thank you for your letter of 16 May confirming my chosen beneficiary details. I am most grateful to you and your colleagues for assisting me in dealing both with this issue but also in securing access to my pension records.  It has been most helpful, prompt and very good service - if I may say so in stark contracts to my similar experience with a private insurance company.  Kind regards [NAME]
24/05/2023	E-mail	Hi [NAME], You're amazing. Thank you so much!! I hope you have a nice bank holiday weekend when it comes.

## 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.

These new regulations are expected to come into force in October 2023.

## ***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.

The DWP announced on 2 March 2023 a significant delay to the Pensions Dashboards Programme. The statement released explained that the Pensions Dashboards Programme will be unable to meet the connection deadlines set out in legislation, and the timeline will need to be revised. The framework for dashboards will remain unchanged, but DWP will now legislate to provide new deadlines. It is anticipated public sector pension scheme administrators will now begin onboarding during quarter four of 2025 rather than 2024.

Officers recognise it is important not to wait. 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.



Report Title:	<b>Responsible Investment</b>
Contains Confidential or Exempt Information	No - Part I
Lead Member:	Councillor Simon Bond, Chairman Pension Fund Committee and Advisory Panel
Meeting and Date:	Pension Fund Committee and Advisory Panel – 18 September 2023
Responsible Officer(s):	Damien Pantling, Head of Pension Fund
Wards affected:	None

www.rbwm.gov.uk



## **REPORT SUMMARY**

This report aims to update the reader on the Fund’s responsible investment activities and outcomes through presenting a Responsible Investment (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 RI policy and thus carries material weight in this update. This report also seeks to provide the reader with a suite of key engagement activities undertaken on behalf of the Fund and the outcomes of these engagements.

In addition, this report seeks to build upon work undertaken previously on climate risk and scenario analysis, addressing key actions and limitations associated with this work.

## **1. DETAILS OF RECOMMENDATION(S)**

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

- i) Approves the Fund’s RI dashboard, RI report and Active Engagement report for publication;**
- ii) Acknowledges the forward looking actions on climate risk assessment; and**
- iii) Agrees to the re-establishment of a RI working group and full review of RI policy by end of 2023/24**

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

2.1 Since December 2021, the Fund has reported publicly on its implementation and outcomes concerning responsible investment. The report and dashboard to Q2 2023 (or Q1 2023/24) are included respectively at Appendix 1 and Appendix 2 to this report.

2.2 Notably, the report and dashboard shows indicative “green/brown” portfolio exposures to all of the Fund’s equity and equity-like assets (listed equity, private equity, and infrastructure) plus corporate bonds within fixed income. The key takeaways from this analysis are as follows:

- 2.2.1 Investments in brown sectors (extraction, transportation, storage, supply, and generation of energy from fossil fuels) make up just 1.98% of the portfolio.

- 2.2.2 Investments in green sectors (renewable energy generation, clean technology, and decarbonising activities) make up over 6.85% of the portfolio.
- 2.3 As illustrated above, the green exposure significantly outweighs the brown exposure by over 3x within the identified portfolio.
- 2.4 LPPI has published a net-zero roadmap (presented at the March 2023 meeting) and its net-zero targets for the LPPI Global Equity Fund, further work is being undertaken by LPPI in relation to Net Zero target setting for additional asset classes with targets for Fixed Income and Real Estate to be published in 2023/24 and shared with the Committee in due course through this quarterly report.
- 2.5 In addition, LPPI is currently undertaking a project to develop a Climate Solutions Fund with details to be shared in due course.
- 2.6 Whilst a separate RI policy is not compulsory for LGPS Funds under the Regulations, regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations (2016) requires that the Authority's Investment Strategy Statement (ISS) must include its "policy on how ESG considerations are taken into account in the selection, non-selection, retention and realisation of investments". The Fund's ISS 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 The Fund's RI policy was last presented for approval by the RI working group (the task and finish group) and approved by the Committee in October 2022 along with a commitment to review regularly. One of the actions of this report concerns the re-establishment of the working group and set up of a project to review the RI policy again for presentation at the March 2024 Committee. This action includes procuring and engaging relevant expert support to enable this project.
- 2.8 Consideration of climate risk was an important part of the triennial valuation process and final valuation report which was signed off by the Committee in March 2023. Supplementary to the triennial valuation was a climate risk report which detailed the Fund's approach to measuring climate risk and ensuring it is accounted for in contribution setting and establishing the funding level. A climate risk training session was subsequently held on 19 June 2023 and the climate risk report providing further detail on the valuation process was presented for approval at the 19 June 2023 Committee meeting.
- 2.9 Officers took away several actions from the 19 March 2023 Committee meeting in relation to climate risk and these are addressed as follows:
- 2.9.3 It was noted that there are widely recognised limitations in the data used to measure climate risk when looking at both transition and physical climate risks and this should be considered further. Some of these limitations are already noted in the climate risk report and others in a recent publication by the Institute and Faculty of Actuaries (available in the background papers of this report), which specifically addresses the limitations of climate risk analysis in respect of the scenarios used by data modellers. This IFoA publication specially outlines that some of the more pessimistic and extreme scenarios (such as a

zero-GDP economy) are not properly considered by climate risk analysis models.

2.9.4 Whilst the data and scenarios used by Barnett Waddingham (adopting an approach developed by the Bank of England) follows a generally accepted approach for institutional investors, it should be noted (based on the IFOA publication) that there is a potential for optimism in the results. In addressing this, officers took an action to undertake a cost benefit analysis on re-visiting climate risk report with alternative data and scenario approaches (considering both alternative data and the use of a bottom-up approach). The key advantages and disadvantages following this review are outlined in Table 1.

**Table 1 – Cost-benefit analysis**

<b>Costs/Disadvantages</b>	<b>Benefits/Advantages</b>
Based on quotes from third party providers, a top-down analysis similar to already undertaken but with alternative scenarios will cost in the region of £0.070m-£0.090m. A bottom-up report is likely to cost significantly more depending on the level of detail we require to be modelled. This is currently unbudgeted so should be set in 2024/25 and funded by other service efficiencies; – budget efficiencies will require careful consideration of their impacts on fund governance, resourcing and core operations.	Bottom-up analysis of the fund’s assets may lead to better visibility and understanding of how our existing assets will be impacted by both the transition and physical risks associated with climate change. This may create or enable us to identify opportunities.
Change of approach would involve going against the advice of our independent scheme actuary which may cause governance concerns. Implementing approach different to that already used in the valuation will lead to Berkshire being a LGPS outlier, which has been the cause of many legacy issues.	Top-down alternative data modelling and scenarios may give the Fund a more holistic picture of the risks of climate change, allowing the comparison and contrasting views of two data modellers.
If the results produce an alternative outcome to that of Barnett Waddingham’s analysis, a contribution review should be undertaken with the results impacting scheme employers.	Fund may be regarded as more forward-thinking and advanced on the climate change risk reporting agenda.
This may, to some extent, be duplicating work that will need to be undertaken as part of the mandatory TCFD reporting framework currently being implemented across the LGPS.	Time. Implementing a bottom-up approach, or using an alternative data provider for a top down approach would likely take considerable time to arrange and the results would not be available for immediate consideration.
If the analysis was re-modelled and instead relied on more extreme risk assumptions, similar critiques would still apply as those on the existing model; the results would still not produce a true picture of the likely, or plausible, reality as models today still can’t account for it accurately, and flaws in the models’ assumptions will still exist. Balancing pragmatism, it is best instead to recognise the early stage we are at and its widely understood shortfalls, committing to take account of these going forward, evolving the approach at future junctures.	

2.9.5 Considering the cost-benefit analysis undertaken by the Fund and summarised above, officers recommend that a bottom-up approach is postponed until the statutory implementation of TCFD (first report due by December 2025 at the earliest). LPPI have offered to assist the Fund in preparing for TCFD requirements which will provide an efficient and cost-effective solution compared to any alternative.

- 2.9.6 Regarding the use of alternative scenarios for top-down modelling, the Fund has aligned with the commonplace LGPS industry approach thus far to achieve some level of consistency and comparability across the asset owner community. This approach is aligned with TCFD Principle 5; “Disclosures should be comparable among organizations within a sector, industry, or portfolio”. For that reason, officers do not recommend re-modelling scenarios at this point in time but do recognise the existing model’s flaws and aim to continue to evolve its approach over time. Furthermore, work in this area is understood to be nascent, therefore, further work at this point might not deliver the intended benefit of a significantly greater degree of certainty and insight.
- 2.10 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 increase capacity for 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 Q2 2023 (or Q1 2023/24) on the Fund’s website and noted in the background papers section to this report. The key parts of the active engagement report are summarised within the RI report attached at Appendix 1.

### **3. KEY IMPLICATIONS**

- 3.1 A key implication of publishing this report is to actively put the Fund’s RI outcomes and data in the public domain in advance of receiving FOI requests. Officers have thus far seen a significant reduction in the amount of time dedicated to addressing RI related FOI requests as a consequence of proactively publishing this report quarterly since December 2021.
- 3.2 The Fund seeks to achieve good ESG credentials whilst maintaining strong investment performance. Evidence<sup>1</sup> 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.
- 3.3 Strong ESG credentials are positive indicators for sustainable companies. Therefore, incorporating material ESG considerations is an important part of both asset selection and active stewardship and is additive to the identification of long-term stable returns, thus assisting the Fund in meeting its fiduciary responsibility.

### **4. FINANCIAL DETAILS / VALUE FOR MONEY**

- 4.1 Budget and funding implications should be properly considered if the Committee intend on undertaking additional climate risk analysis work over and above the work already undertaken.
- 4.2 Re-establishment of the RI working group (task and finish group) may require additional consultancy and advisory costs, but these shall be met within existing service budgets.

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<sup>1</sup> The Journal of Sustainable Finance & Investment (2015) Vol 5 (Issue 4)

## **5. LEGAL IMPLICATIONS**

- 5.1 Reporting against RI metrics and making a net-zero commitment are not legal or regulatory 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 closely.
- 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 in 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. 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 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. 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. An Equality Impact Assessment (EQIA) screening exercise has been completed and approved in respect of this this report and shared with the RBWM Equalities team. It has been determined through the EQIA screening that a full EQIA is not required and is therefore not appended with this report.
- 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 relevant risk report to the Committee along with the relevant mitigations.

**8. CONSULTATION**

8.1 The Fund’s fiduciary Investment manager LPPI, independent advisors and independent scheme actuary Barnett Waddingham 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 to prior Responsible Investment reports presented to the Pension Fund Committee.

**10. APPENDICES**

- 10.1 This report is supported by 2 appendices:
- Appendix 1: Responsible Investment Report Q2 2023
  - Appendix 2: Responsible Investment Dashboard Q2 2023

**11. BACKGROUND DOCUMENTS**

- 11.1 This report is supported by two background documents:
- Responsible Investment Policy (October 2022) is available in the “policies and reports” section of the Pension Fund [website](#)
  - Active Engagement Report (Q2 2023) is available in the “Investments” section of the Pension Fund [website](#)
  - IFoA paper on limitations of climate scenarios [Emperor’s New Climate Scenarios – a warning for financial services \(actuaries.org.uk\)](#)

**12. CONSULTATION (MANDATORY)**

Name of consultee	Post held	Date sent	Date returned
<i>Mandatory:</i>			
<i>Statutory Officers (or deputy)</i>			
Elizabeth Griffiths	Executive Director of Resources (Section 151 officer)	n/a	n/a
Elaine Browne	Deputy Director of Law and Governance (Monitoring Officer)	30/08/2023	
<i>Deputies:</i>			
Andrew Vallance	Deputy Director of Finance (Deputy Section 151 officer)	30/08/2023	01/09/2023
Jane Cryer	Principal Lawyer (Litigation) and Deputy Monitoring Officer	30/08/2023	
<i>Other consultees:</i>			
Cllr Simon Bond	Chairman – Berkshire Pension Fund Committee	30/08/2023	
Alan Cross	Chairman – Local Pension Board	30/08/2023	

**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
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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 April - 30th June 2023 plus insights on current and emerging issues for client pension funds.

<sup>R</sup> This symbol indicates a term explained in the reference section at the end of this report.

Key takeaways for the period:

- In Q2 2023 LPPI voted on 97% company proposals, supporting 85% of these.
- Investments in Brown sectors (extraction, transportation, storage, supply, and generation of energy from fossil fuels) are 1.98% of the portfolio.
- Investments in Green sectors (renewable energy generation, clean technology, and decarbonising activities) are 6.85% of the portfolio.
- As part of the investor-led engagement phase of the IIGCC Net Zero Engagement Initiative, LPPI has been selected as part of the engagement group for three companies.
- LPPI is participating in a working group ‘on climate risk reporting’ convened by the Scheme Advisory Board’s Responsible Investment Advisory Group.
- LPPI has made a response to the Financial Conduct Authority’s consultation on proposals to make changes to UK Listing Rules.

### RCBPF RI Policy Priorities (coverage)

This section is a new addition to help reference and link RCBPF’s RI policy with the content in this report.

	Theme	Coverage	Location
E	Climate Change	TPI	p. 3
		Green & Brown	p. 1, 4-5
		Climate Voting	p. 7-8
		IIGCC Net Zero Engagement Initiative Update	p. 11
	Pollution		
	Biodiversity	Robeco Overview (Biodiversity)	p. 9-10
S	Local Investment		
	Affordable Housing		

<b>G</b>	Corporate Governance	Governance Insights	p. 3
		Core Stewardship	p. 5-9
		Robeco Overview (Good Governance)	p. 11
		Vote Reporting Group	p. 12-13

## 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 & 2*) offer insights on the composition of the portfolio and its general characteristics. See the summary for Q2 2023 outlined below.

The Real-World Outcomes section of the dashboard features examples of socially positive investments and this quarter the focus is on Real Estate. Pages 6-9 share information on a selection of investments within the RCBPF portfolio which are developing solutions based in the UK and abroad.

Listed equities (Dashboard p1)

### Sector Breakdown

Categorised by GICS<sup>R</sup> the largest sectoral exposures for the GEF are Information Tech. (21%), Financials (17%), and Consumer Discretionary (14%).

Comparing the GEF with its benchmark (MSCI ACWI)<sup>R</sup> 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 23% of the total LPPI GEF.

In Q2 2023 Microsoft remains the largest holding in the GEF. Visa, Nestle, Alphabet, Accenture and LVMH all remain in the top six, and remain stationary. Apple has moved up 3 positions to 7th, and Intuit has moved down 1 position to 8th. Rockwell Auto remains stationary, Adobe replaces Starbucks in 10th position.

### Portfolio ESG Score

The GEF's Portfolio ESG score has decreased from 5.7 to 5.6 between Q1 and Q2. In the same period the equivalent score for the benchmark has remained stationary at 5.5.



### *Transition Pathway Initiative (TPI)*

Monitoring against TPI<sup>R</sup> Management Quality ratings confirms the GEF continues its relatively low exposure to highly carbon intensive activities with minimal changes in ratings since Q1. By value, the coverage of the GEF represented within the globally high emitting companies under TPI assessment has decreased from 11.9% to 11.6%, between Q1 and Q2. This reflects that the number of GEF companies in scope of TPI scoring has decreased by 3 since Q1 2023, changing from 33 to 30 through holdings being disinvested.

Of the 30 companies in TPI scope:

- 91% (by value) are rated TPI 3 and above – demonstrably integrating climate change into their operational planning (TPI3) and into their strategic planning (TPI 4). Even with 3 companies dropping out of scope, this remains the same as Q1 2023, which is a general reflection of the increased value of these assets.
- 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 Q2 2023, an average of 31% of board members were female in the GEF, which is up from 30% in Q1. There was a coverage of 85% data availability (unchanged from Q1), 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 Q2 2023, on average 69% of board members were independent in the GEF, which is unchanged from Q1. There was a coverage of 84% data availability (unchanged from Q1), 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 Q2 2023, an average of 88% were in support for say on pay (unchanged from Q1), which indicates a high proportion of investors were supportive of the pay policies of investee companies. There was a coverage of 69% data availability (up from 62% in Q1), which was a result of several companies not being in scope of the ISS database.

## Other asset classes (Dashboard p2)

### *Private Equity*

The largest sector exposure continued to be in health care, increasing from 39% in Q1 to 40% in Q2 2023. The geographical exposure continued to have a strong presence in the United States (36%), slightly reducing from 37% in Q1 2023.

### *Infrastructure*

The geographical exposures to UK based infrastructure remained stationary at 46% in Q2 2023. 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 Q2 2023, making up 31% of the portfolio. The portfolio continued to be largely deployed in the UK, slightly reducing from 75% in Q1 to 73% in Q2 2023.

### *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 Q1 2023, Brown exposure has decreased from 2.08% to 1.98%. The biggest contribution to the reduced exposure comes from the Infrastructure asset class. The figures reflect a mark-to-market decrease in the value of Brown positions held in portfolio. This has reduced infrastructure's Brown exposure from 1.22% in Q1 to 1.21% of the portfolio in Q2 2023. Other contributions were from the GEF asset class, where there has also been a mark-to-market decrease in the value of Brown positions held in portfolio.

Compared with Q1 2023, Green activities have decreased from 6.96% to 6.85% of the portfolio. The biggest contributor is a reduction in RCBPF's allocation to the Fixed Income

asset class, which results in a reduced exposure to green bonds. This has decreased Fixed Income's Green exposure from 0.10% in Q1 to 0.01% of the portfolio in Q2.

Investments in renewable energy generation from wind, solar, hydro, and waste make up 63% of total Green exposure, and 96% 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 April – 30th June 2023 encompassed 243 meetings. LPPI voted at 236 (97%) meetings where GEF shares entitled participation, totalling 3205 resolutions voted. LPPI did not vote in seven meetings. The reasons for this were:

- One meeting at a Russia-linked holding where Do Not Vote was cast as the position was not liquidated prior to trading restrictions.
- Two meetings in share blocking markets where Do Not Vote is applied.
- Four meetings were not voted due to issues with Power of Attorney (PoA) documentation at the sub-custodian level. While LPPI raised this with the Custodian in advance of voting season, they were not in place in advance of company meetings. The operations team will raise concerns around implementation speed at the next service review.

#### **Company Proposals**

LPPI supported 85% of company proposals in the period.

Voting against management captured:

- the election of directors: 35% of votes against (addressing overall board independence, over-boarding, and company specific issues such as diversity).
- compensation: 22% 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 136 director-related management resolutions across 77 companies. This was 8% of all director-related votes.

LPPI voted against 29 directors across 16 companies in relation to minority shareholder rights. Members of Governance Committees were targeted where problematic governance practices (including the presence of a classified board and multiple share classes with unequal voting rights) existed. For example, at Comcast Corporation (USA: Cable & Satellite), LPPI withheld support for the Chair of the Governance Committee. This was due to the presence of a multi-class share structure that is not subject to a reasonable time-based sunset provision. Result: 24.4% against.

LPPI voted against 34 director-linked votes across 14 companies due to concerns around board independence levels. For example, at Groupe Bruxelles Lambert (Belgium: Multi-Sector Holdings), LPPI voted against three directors because they were non-independent incumbent directors and the board's overall independence level was less than 50% (results: 12.4% - 16.3% against).

LPPI voted against 36 directors across 32 companies due to a lack of board gender diversity. This reflects changes introduced in LPPI's 2022 proxy voting guidelines that introduced a higher threshold across GEF holdings in the FTSE350 and Russell 3000 requiring at least 30% women on the Board. In some instances, LPPI did not cast adverse votes where a company had less than 30% Board gender diversity. This typically occurred where no members of the Nomination Committee were on the ballot for re-election, or when company reporting indicated ambitions to meet the 30% standard.

### *Case Study – Compensation*

LPPI voted against 87 compensation management resolutions at 50 companies. This was approximately 17% of management tabled compensation related votes.

At Netflix (USA: Movies & Entertainment), LPPI voted against the say on pay. Pay has been a contentious issue at Netflix for a number of years. Some improvement was made following low support in 2022, for example, the introduction of base salary caps and of an annual bonus scheme for a portion of the base salary paid in cash, however, overall practices remained sub-standard. For example, stock option awards lack performance criteria and meaningful vesting periods, and the company does not disclose a clawback policy. Result: 71.3% Against.

At American Express (USA: Consumer Finance), LPPI voted against the say on pay. This was driven by poor disclosure of targets and their respective weightings and thresholds. In addition, a one-time performance award was introduced that features, among other things, a total shareholder return based component that can be met with short term (20 day) price spike. Result: 45.8% Against.

At Unilever (UK: Personal Care Products), LPPI voted against the say on pay. The incoming CEO's salary was set higher than his predecessors at a level significantly higher than UK

market peers. The Company did not provide compelling justification for this remuneration package. Result: 58.0% against.

### Shareholder Proposals

LPPI voted against management in 95 out of the 177 shareholder resolutions filed in Q2 (54%). The breakdown of votes against management is below:

Compensation	2
Director Related	12
Social	61
Environmental	14
Corporate Governance	6
<b>Grand Total</b>	<b>95</b>

At Walmart (USA: Consumer Staples Merchandise Retail), LPPI supported a shareholder resolution which requested enhanced disclosure of Walmart’s human rights due diligence processes regarding actual and potential adverse human rights impacts in its domestic and foreign operations and supply chains. The resolution was co-filed by Robeco, who capture Walmart under the “Labour Rights in their Post Covid-19 World” theme and filed the resolution as an escalation following difficulties in engaging. The resolution only received 5.7% support (noting the Walton’s family’s c.46% ownership stake), however, asks by Robeco in conversations following co-filing, such as reference to labour rights risk areas within their operations, have been captured in updated reporting.

At Amazon (USA: Broadline Retail) and Brookfield Corporation (Canada: Asset Management & Custody Banks), LPPI supported shareholder resolutions seeking enhanced reporting on corporate tax transparency. Specifically, they requested alignment with the Global Reporting Initiative’s (GRI) Tax Standard on country-by-country reporting. The resolutions received support of 17.6% and 26.9% respectively.

At Wells Fargo (USA: Diversified Banks), LPPI supported a shareholder resolution requesting the bank oversee the preparation of an annual public report describing and quantifying the effectiveness and outcomes of company efforts to prevent harassment and discrimination. This follows a number of controversies relating to discrimination in company hiring practices. The resolution passed with 52.3% support.

### Climate Voting

In Q2, 23 companies in LPPI’s climate voting watchlist held meetings. Votes against management were cast in eight instances. These were typically cast against the Chair of the Audit Committee, which is the role frequently identified as having oversight for climate-related risks. However, LPPI also supported relevant shareholder resolutions and votes against reports and accounts. Adverse votes occurred due to poor disclosure against the Net Zero Investment Framework pillars or, where a company is in coverage, the CA100+<sup>R</sup> benchmark.

Companies typically avoided votes against management where disclosure has improved or there is evidence of adequate progress prior to reporting (e.g. as ascertained through engagement calls).

Nine companies in the CA100+<sup>R</sup> universe held AGMs during Q2. Of these, three faced votes flagged by the CA100+<sup>R</sup> voting database:

- At Engie (France: Multi-Utilities), LPPI supported a shareholder resolution which sought to amend company bylaws to enhance disclosure on climate-related risks. While there are some reservations over the use of a by-law amendment to pursue this goal, the non-binding nature of the resolution and the French state's c.24% ownership meant the threshold of comfort was met to support the spirit of this resolution. Result: 24.4% For.
- At CRH (Ireland: Construction Materials), Sarasin & Partners led a campaign seeking enhanced disclosure regarding critical accounting assumptions in company accounts and how these are consistent with the company's climate targets. LPPI aligned with these efforts, voting against the Auditor and Financial Statements, while abstaining for the vote on the Chair of the Audit Committee. Results: 0.7% - 3.2% Against.
- At Berkshire Hathaway (USA: Multi-Sector Holdings), LPPI supported two climate-related shareholder resolutions flagged by the CA100+<sup>R</sup>. One, co-filed by Robeco, sought disclosure of the mechanisms through which the Board has oversight of climate-related risks. The second requested reporting on the management of physical and transition risk. Results: 18.3% and 27.1% For. LPPI also voted against the Chair of Berkshire Hathaway's Audit Committee, in line with the LPPI Shareholder Voting Guidelines. This aligned with the CA100+<sup>R</sup>. Unlike the CA100+<sup>R</sup>, LPPI did not vote against all Audit Committee nominees, saving this for future escalation. Result: 13.8% Against.

### *LAPFF Voting Alerts*

LAPFF issued voting alerts for eight companies held in the GEF over Q2, covering 50 individual resolutions. LPPI voted in the same direction as LAPFF recommendations for 39 votes (78%). In the majority of cases where LPPI took an opposing view to LAPFF, resolution quality was considered poor.

### *Case Study – Manager Engagement*

During Q2, LPPI conducted annual responsible investment focussed meetings with each of the external managers in the GEF. In advance of each discussion, LPPI requested the manager update their response to the LPPI Responsible Investment Due Diligence Questionnaire (RI DDQ) which comprises the following sections: Governance, ESG Integration, Active Ownership, and Reporting. This structure allows LPPI to deep dive into both operational and investment related changes, building on the discussions that occur throughout the year as part of regular portfolio monitoring. Analysis of the RI DDQ response, alongside portfolio specific questions, determined the agenda for each of the meetings. The year in review also captured the roll out of LPPI's net zero enhanced engagement and reporting expectations, which allowed for further conversation on the progress of implementation and firm and portfolio-level thinking on the topic.

Overall, we are pleased with the progress our managers demonstrated. All managers have been able to meet our enhanced engagement and reporting baseline meaning we now receive novel insights regarding their climate-related stewardship. We also value their varying



approaches to ESG, allowing us to learn from best practice, while also sharing these insights internally to improve portfolio-wide practices.

#### 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 33 companies in the LPPI Global Equities Fund (GEF) and 7 companies in the LPPI Fixed Income Fund (FIF), accounting for 18.4% and 2.1% of the total portfolios respectively.

##### Engagement (Public Markets): Robeco (Dashboard page 5)

Engagement progress by theme, also shown on page 2 in the Robeco Active Ownership report, summarises engagement activity for our portfolio over the quarter and breaks this down into sub-sectors, which are rated on success/progress (shown as a %). For this quarter, one theme has been removed as it has now been concluded - Lifecycle Management of Mining

Also included in the progress chart for this quarter is Robeco's theme *Acceleration to Paris*, which is an enhanced engagement program that addresses the transition towards net-zero carbon emissions in key emitting companies.

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 Active Ownership Report: Content Overview***

#### **Biodiversity**

In 2020, Robeco initiated an engagement programme focused on one of the key biodiversity loss drivers – deforestation. It focused on some of the highest-risk soft commodities, namely cocoa, pulp and paper, natural rubber, beef and soy. As their engagement efforts of the initial engagement phase come to an end, Robeco reflect on the main achievements and challenges that have been identified across the several sectors covered in the work.

In the last three years, companies have set and accelerated their zero deforestation targets to as early as 2025, and strengthened their monitoring systems to map how their suppliers are exposed to deforestation risks. However, challenges remain around the scope of some of these policies, along with the depth and credibility of monitoring efforts.

One way for companies to manage their negative impact on land use change is through ecosystem conservation and restoration efforts. Robeco have seen that most companies have restoration and conservation projects in place. However, these tend to be implemented on an ad-hoc basis without being strategically set to reverse or mitigate the negative impact of their sourcing strategies. They hope the integration of the new Taskforce for Nature-related

Financial Disclosures (TNFD) framework will help companies carry out their biodiversity impact assessments.

The livelihood and well-being of local communities has shown to be directly linked to deforestation rates. Recognising that farmers often cannot earn a living income by selling their produce, some companies have integrated a premium into the commodity price as a way to fill this gap. This aims to drive systemic change by improving living conditions and meeting the basic needs of farmers. However, pressure from buyers to keep commodity prices at competitive levels still remains, hindering the applicability of this instrument.

Increased momentum on the topic of mitigating biodiversity loss in the next decade is undeniable. Hence, Robeco's corporate engagement efforts around minimising biodiversity loss will continue, despite the closure of the engagement dialogues related to deforestation. In the coming months, they will be involved in the launch of Nature Action 100, targeting engagement efforts on those companies and sectors with the highest negative impact on nature loss, beyond deforestation.

### **Human Rights Due Diligence for Conflict-Affected and High-Risk Areas**

Robeco launched their dedicated human rights engagement programme in the fourth quarter of 2021 and are now at the midway point of the three-year theme. To begin, they selected 10 companies from eight different sectors with significant exposure to Conflict-Affected and High-Risk Areas (CAHRA), with a focus on the Occupied Palestinian Territories (OPT), Myanmar and China/Xinjiang.

The progress of the engagement has varied among the companies. Overall, they have been open to Robeco's engagement, with only one company failing to respond despite multiple attempts. It remains challenging for most companies to close the gap between their commitments and implementation, as demonstrated by some cases where positive commitments did not translate into tangible processes. Robeco's engagement going forward will increase their focus on companies' implementation efforts.

The engagement also revealed regional trends, with better progress observed in the OPT compared to Myanmar and Xinjiang. Since the start of the engagement, two companies decided to stop their operations in high risk regions identified. Going forward, Robeco's engagement will focus on the human rights implications of withdrawing versus staying, as this has to be carefully weighted to ensure a responsible exit.

In light of the Russian-Ukraine war and the increased attention to Xinjiang, another four companies have been included in the engagement program. In addition to company engagement, Robeco will continue to consult relevant stakeholders such as civil society groups, international human rights organisations and experts. Since obtaining information regarding the situation on the ground in CAHRA is challenging, they note the importance of this consultation as being necessary to achieve a positive outcome of the programme.



## Good Governance

Robeco note that in 2023, a growing number of civil society organisations have found their way to companies' annual general meetings (AGMs), searching for a platform to voice their concerns. AGMs at many larger listed companies are getting livelier, particularly due to the participation of shareholders that are not part of pre-AGM engagement.

At the AGMs of oil and gas companies, these groups usually ask a higher number of questions than institutional or retail shareholders. During periods of takeovers or restructurings, employees and labour unions also find their way to the AGM to make their voices heard. If non-shareholder stakeholders don't have another channel to effectively raise their concerns, the AGM can become an annual meeting of stakeholders rather than shareholders.

Following the pandemic, participants could again join meetings in-person and made full use of that opportunity. What Robeco note as concerning is instances of the tone of the debate becoming much more hostile or, in some instances, even violent. Such 'debates' are far from being a dialogue, and increasingly the AGM is threatened with becoming a place to make a point or a political statement. This could potentially result in management deciding to hold virtual-only AGMs, which have already been seen at many different US tech companies. Robeco are not in favour of virtual-only AGMs as they provide management with the opportunity to prioritise the questions they are comfortable with, and to limit the opportunity for shareholders to raise concerns.

What changes are necessary to avoid this situation is difficult to say, but pre-AGM engagements (or other forms of effective communication) with a larger set of stakeholders than just institutional investors appears a good way forward. Robeco note that there is also a role for the board as the conductor of the meeting beyond just opening the room for questions and sitting through until all questions are answered.

## 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 Q2 2023.

### *IIGCC Net Zero Engagement Initiative Update*

During Q2, the IIGCC circulated company responses to the NZEI letter circulated to target companies (which outlined climate transition plan reporting expectations), commencing the investor-led engagement phase of the initiative. LPPI has been selected as part of the engagement group for three companies. Of these, two did not respond to the initial letter, however, LPPI have already separately engaged with one of them on climate-related matters. The remaining company provided a comprehensive response to the IIGCC and LPPI is in discussions with co-leads on next steps.

## *Climate Risk Report: Guidance for LGPS Funds*

LPPI is participating in a working group convened by the Scheme Advisory Board's Responsible Investment Advisory Group. The Working Group (which has already met for the first time) will assemble representatives from each of the pooling companies with secretariat provided by the Local Government Association. The group's shared objective is to review the proposals set out in the DLUHC consultation and develop shared interpretations which support clear and consistent guidance to LGPS pension schemes, supporting their production of annual Climate Risk Reports.

## *FCA Consultation on UK Listing Rules*

LPPI has made a response to the Financial Conduct Authority's consultation on proposals to make changes to UK Listing Rules which closed in June.

Consultation Paper 23/10 – "Primary Markets Effectiveness Review: Feedback to CD22/2 and proposed equity listing rules" proposes that a single listing category should replace the current standard and premium listing regime and outlines what accommodating this change would mean.

LPPI's submission acknowledged the importance of facilitating more companies to list in the UK and the appropriateness of reviewing current barriers to this, but voiced concern at aspects of the proposals which place greater responsibility on shareholders to hold companies to account whilst simultaneously removing important shareholder safeguards. This reflects that some material matters currently requiring a shareholder vote would no longer do so under the revised approach, removing the ability for shareholders to oppose company proposals pre-emptively.

The urgency to act in 2023 before a "far wider package of reforms required to enhance the attractiveness of UK public markets" has been developed is also not sufficiently clear, and LPPI recommended postponing proposed revisions until measures can be considered within the context of broader changes.

## **6. Other News and Insights**

### *PRI Update*

In May 2023, PRI's 2023 reporting framework opened for signatories to report their RI activities. LPPI is now in the middle of this reporting process, with a submission deadline at the beginning of September 2023. Once submitted, PRI will compile all the results and will aim to publish the public transparency reports between November – December of this year.

### *Vote Reporting Group*

The FCA has launched a public consultation on the 'vote reporting template', the reporting framework created by the FCA-convened Vote Reporting Group, in which LPPI was a participant. The aim of the consultation is to build industry consensus on a voluntary vote reporting template for asset managers in the UK. The FCA hopes these proposals will provide

asset owners with more consistent, up-to-date and comparable data, allowing them to make timely and accurate decisions while increasing reporting efficiency for asset managers. The consultation closes in September and LPPI is planning to respond.

### ***Boycotts, Divestments, and Sanctions***

The Department for Levelling Up, Housing and Communities has introduced primary legislation prohibiting Boycotts Divestments and Sanctions by public bodies.

The Economic Activity of Public Bodies (Overseas Matters) Bill which received its second reading in the House of Commons on July 3rd, 2023, is a proposal for new legislation and is subject to change as it progresses through the House of Commons and House of Lords.

Legislation will fulfil a 2019 manifesto pledge which followed a Supreme Court judgment that the UK Government's guidance to Local Government Pension Schemes ("LGPS") that they may not pursue embargos contrary to UK foreign policy was unlawful as it went beyond existing legislation.

Under the proposals, public bodies will be banned from incorporating political or moral disapproval of a foreign state when making procurement and investment decisions.

LPPI's interpretation of the Bill and explanatory notes are that going forward:

- pension funds may not set policies which independently censure foreign states (i.e. at a strategy level).
- scope remains for reasonable environmental, social, and corporate governance ("ESG") considerations which are appropriate to the decision-making context.
- the measures will provide support/protection to public bodies who are being lobbied (whether internally or externally) to take a specific stance that involves censuring the conduct of a foreign state.

Parliamentary debate on the detail of the Bill recorded concern at the very broad powers it will grant to the Secretary of State and the vagueness of drafting which leaves gaps and questions needing to be addressed. Concerns emerging in relation to the LGPS include insufficient reference to stewardship (incorporating ongoing engagement) as a legitimate fiduciary activity, the use of terminology without adequate definition, and the prospect of pressure groups repetitively triggering judicial review, potentially consuming significant time and resources.

LPPI is continuing to monitor the situation and is liaising with LGPS peers and industry groups to share insights and record concerns, aiming for these to be addressed as part of reshaping and refinement of the Bill as it progresses.

### **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](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.

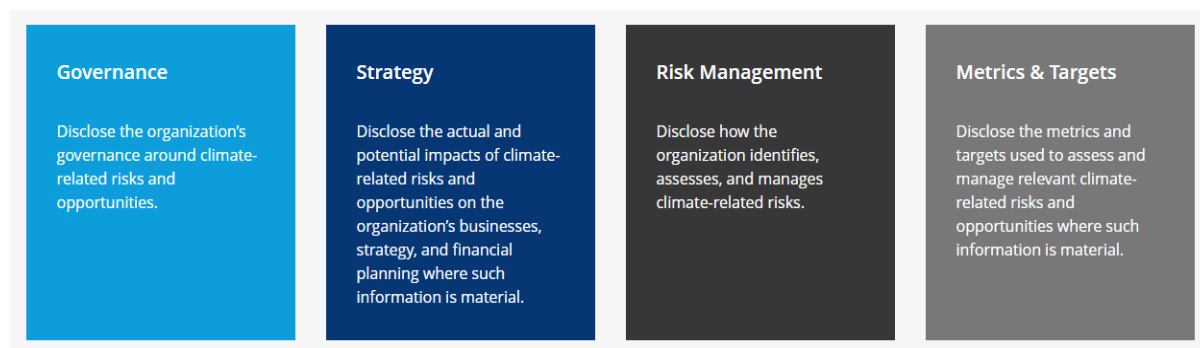
### **MSCI - Morgan Stanley Capital International**

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/>

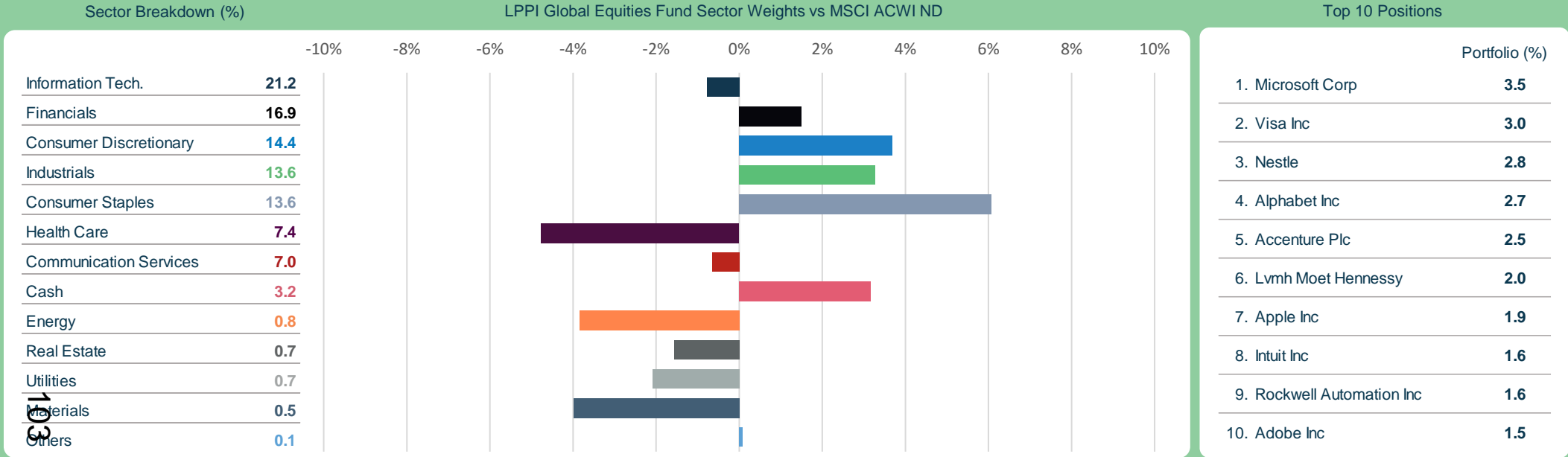
A United Nations-supported international network of financial institutions working together to implement its six aspirational principles, often referenced as "the Principles"

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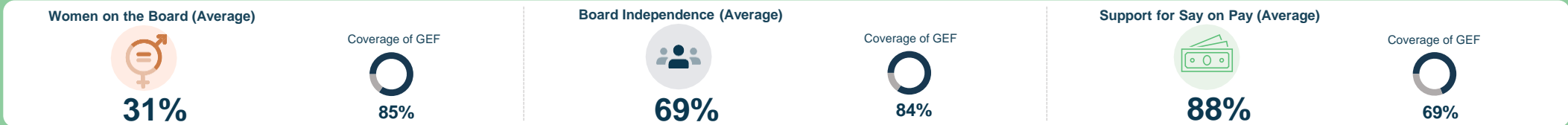
# Responsible Investment Dashboard Q2 2023

## 1. Portfolio Insights

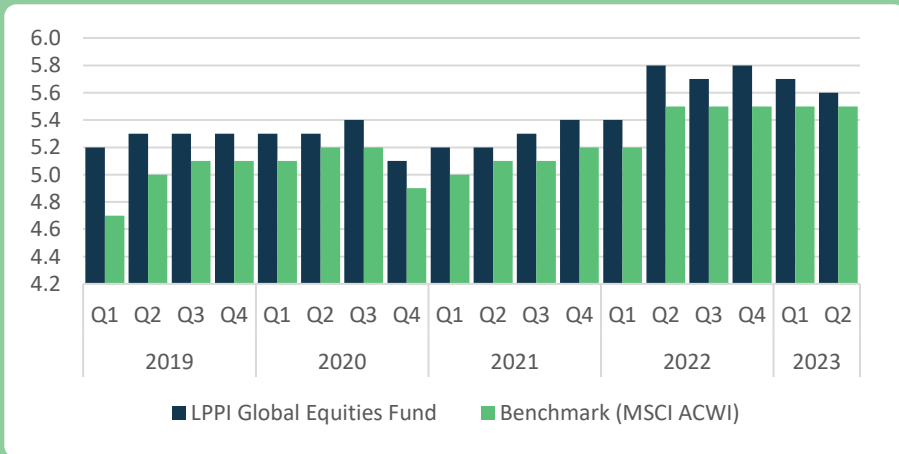
### Listed Equities (LPPI Global Equities Fund)



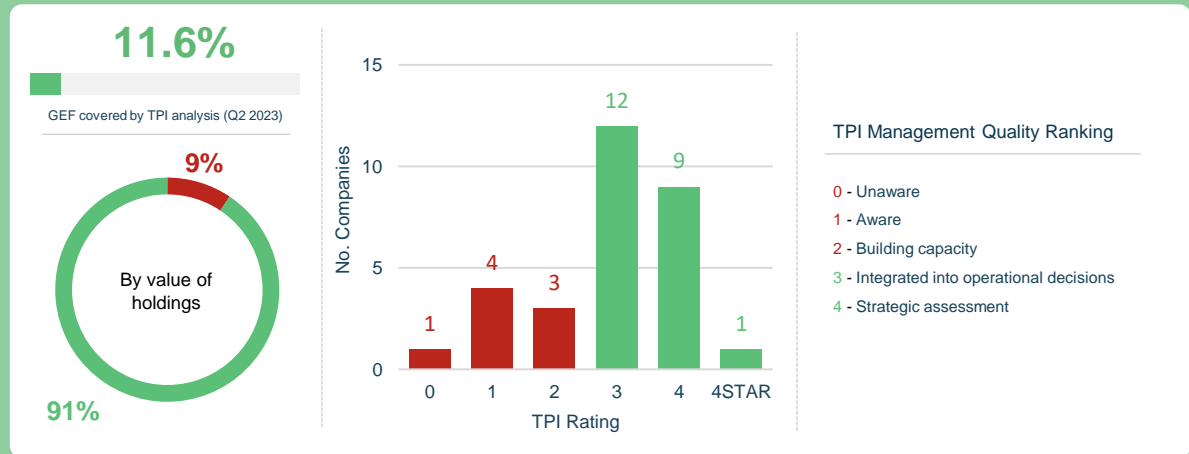
### Governance Insights (ISS DataDesk)



### Portfolio ESG Score (MSCI ESG Metrics)



### Transition Pathway Initiative – Management Quality Headlines



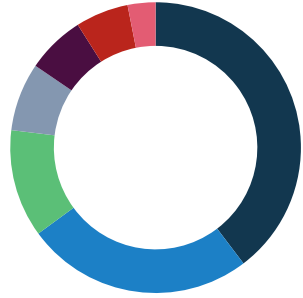
# Responsible Investment Dashboard Q2 2023

## 1. Portfolio Insights

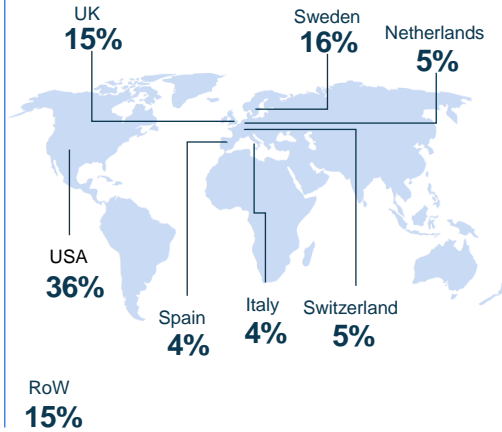
### Other asset classes

#### Private Equity

##### Industry Breakdown (%)

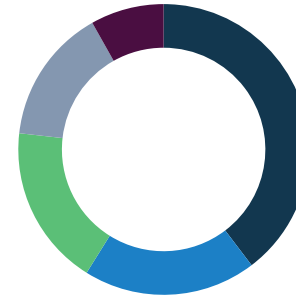


##### Region Breakdown (%)

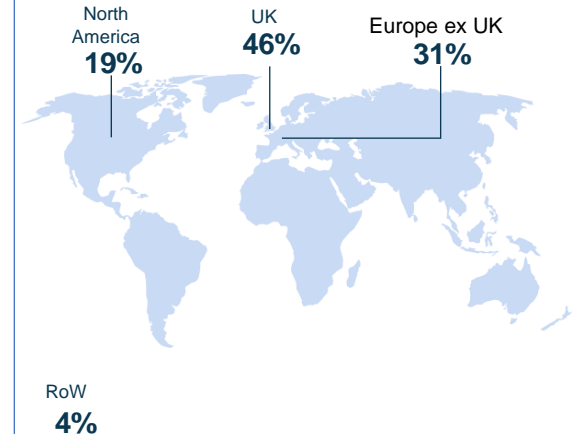


#### Infrastructure (LPPI Global Infrastructure Fund)

##### Industry Breakdown (%)



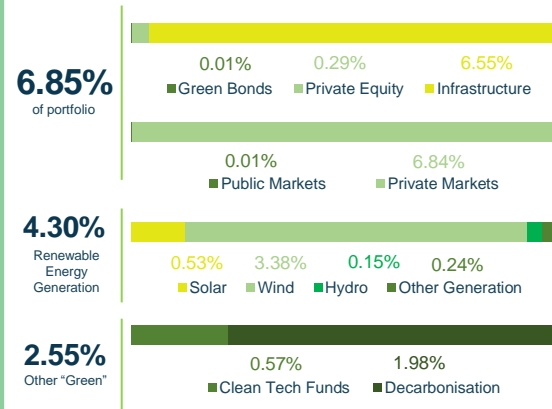
##### Region Breakdown (%)



#### Green & Brown Exposure

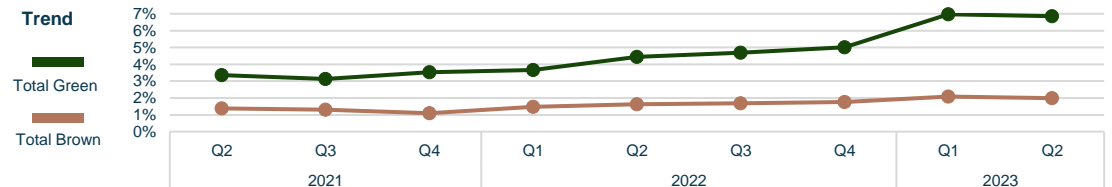
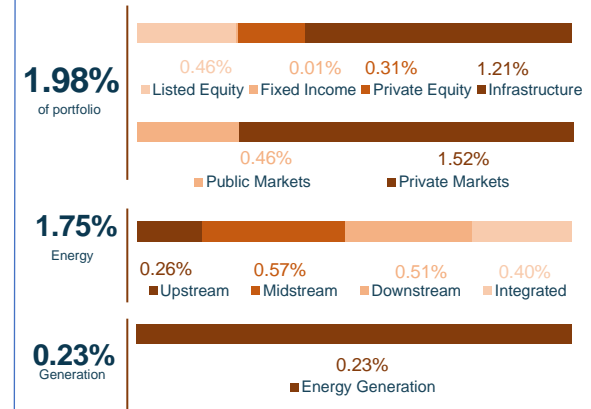
##### Green

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.



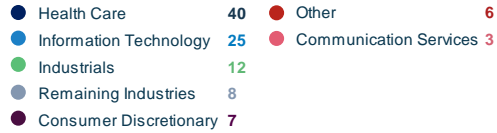
##### Brown

Investments in traditional energy (based on fossil fuels) expressed as a % of the total value of the Pension Fund.

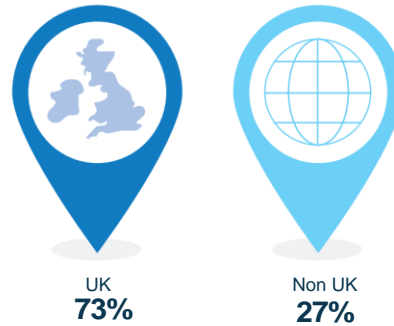


The above Green and Brown metrics apply to parts of the portfolio which have exposure to a specific set of activities as per our definition of Green and Brown, and which are quantifiable at the time of publication (please see appendix). LPPI's Responsible Investment team endeavours to provide clients with the most expansive picture of exposure possible.

##### Industry Breakdown (%)



##### Geographical Exposure (NAV %)



#### Real Estate (LPPI Real Estate Fund)

##### Sector Breakdown (%)

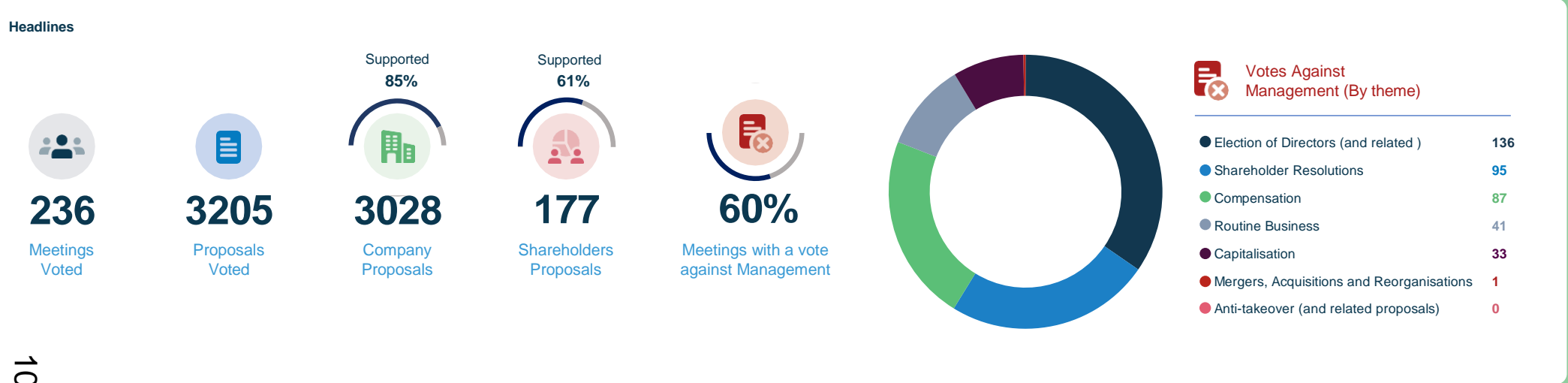




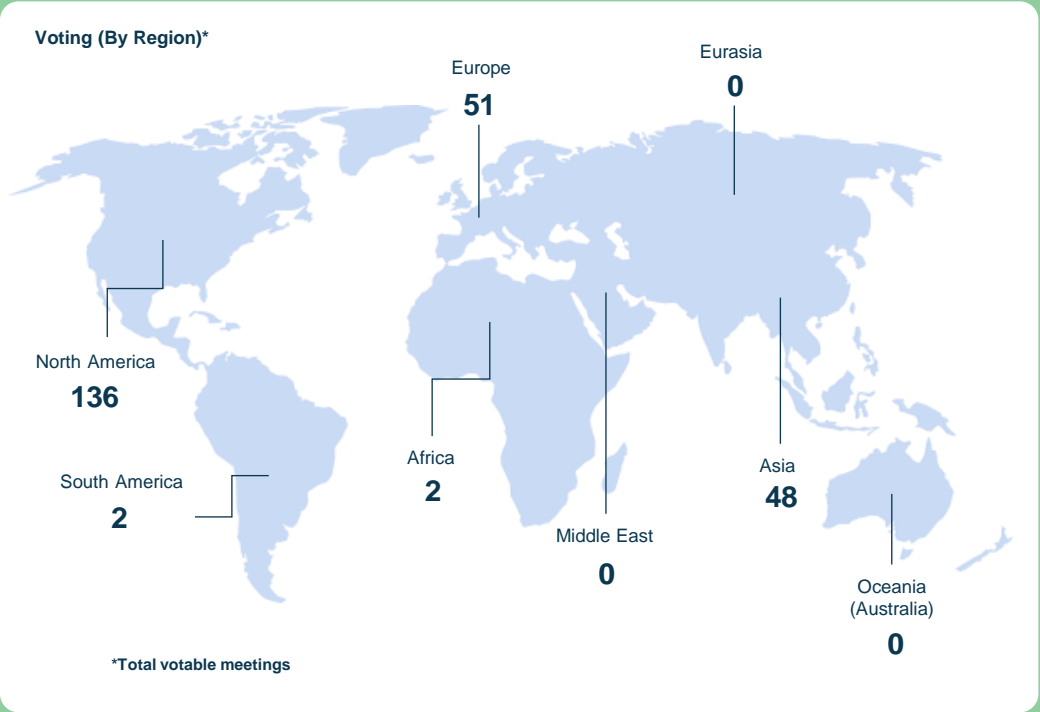
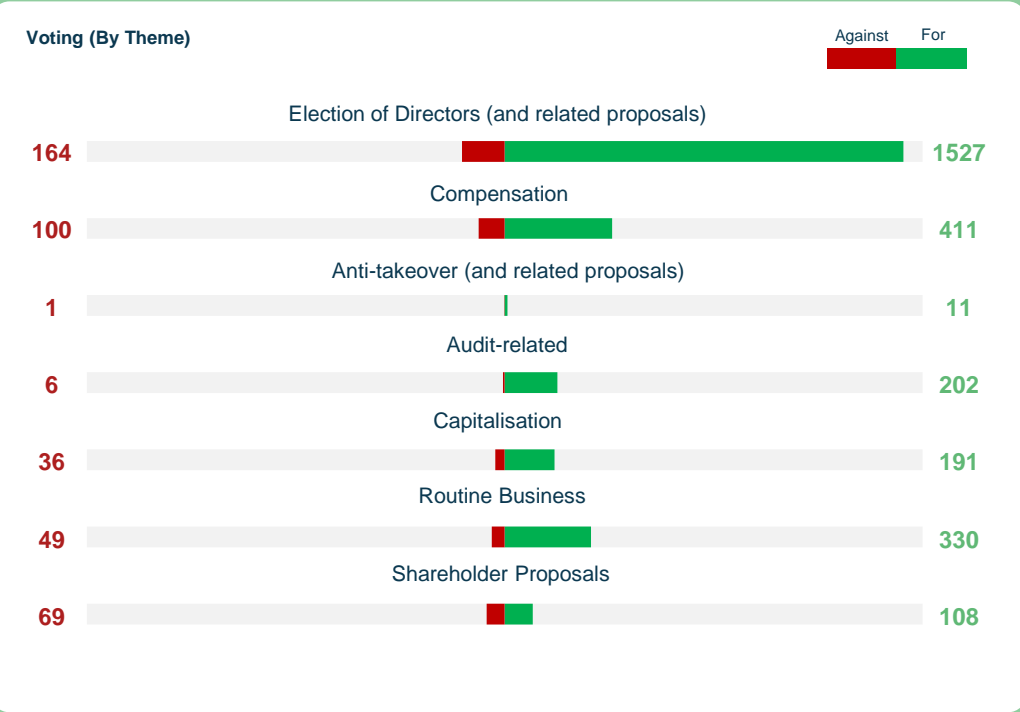
## 2. Stewardship Headlines

### Shareholder Voting

#### Shareholder Voting Statistics (LPPI Global Equities Fund)



105



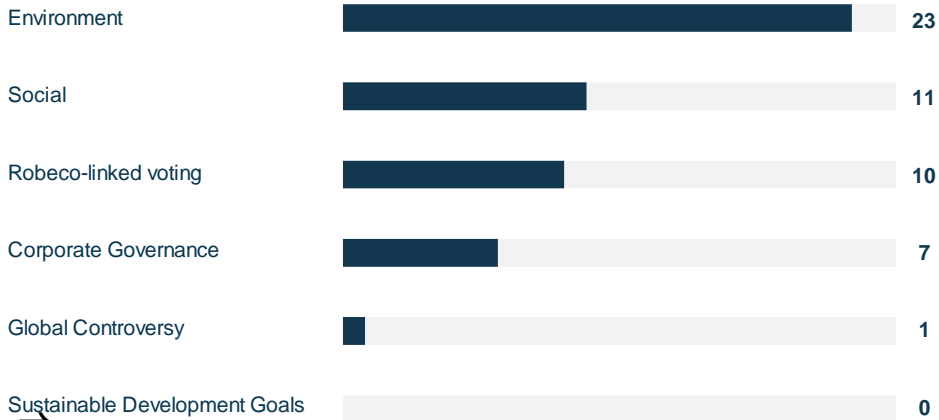
# Responsible Investment Dashboard Q2 2023

## 2. Stewardship Headlines

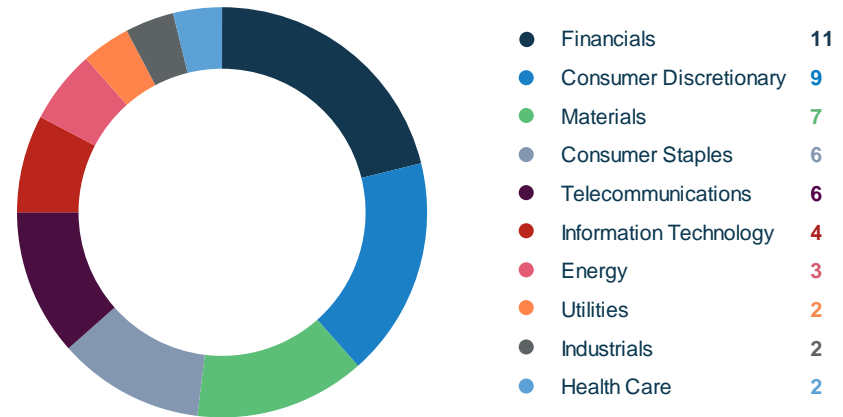
### Engagement (Public Markets): Robeco

The following data is specifically related to the companies in LPPI's portfolio and the engagements Robeco undertake on our behalf.

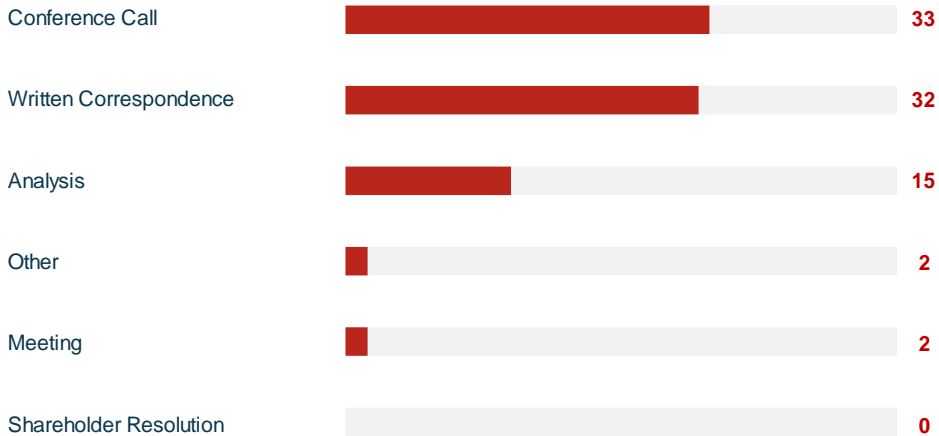
#### Activity (By Topic)



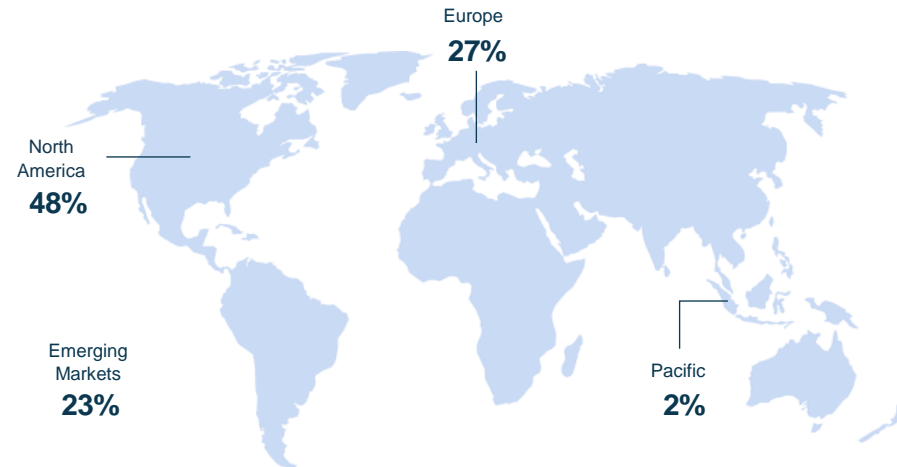
#### Activity (By Sector)



#### Activity (By Method)



#### Activity (By Region) (%)



Source: Robeco Active Ownership Report Q2 2023

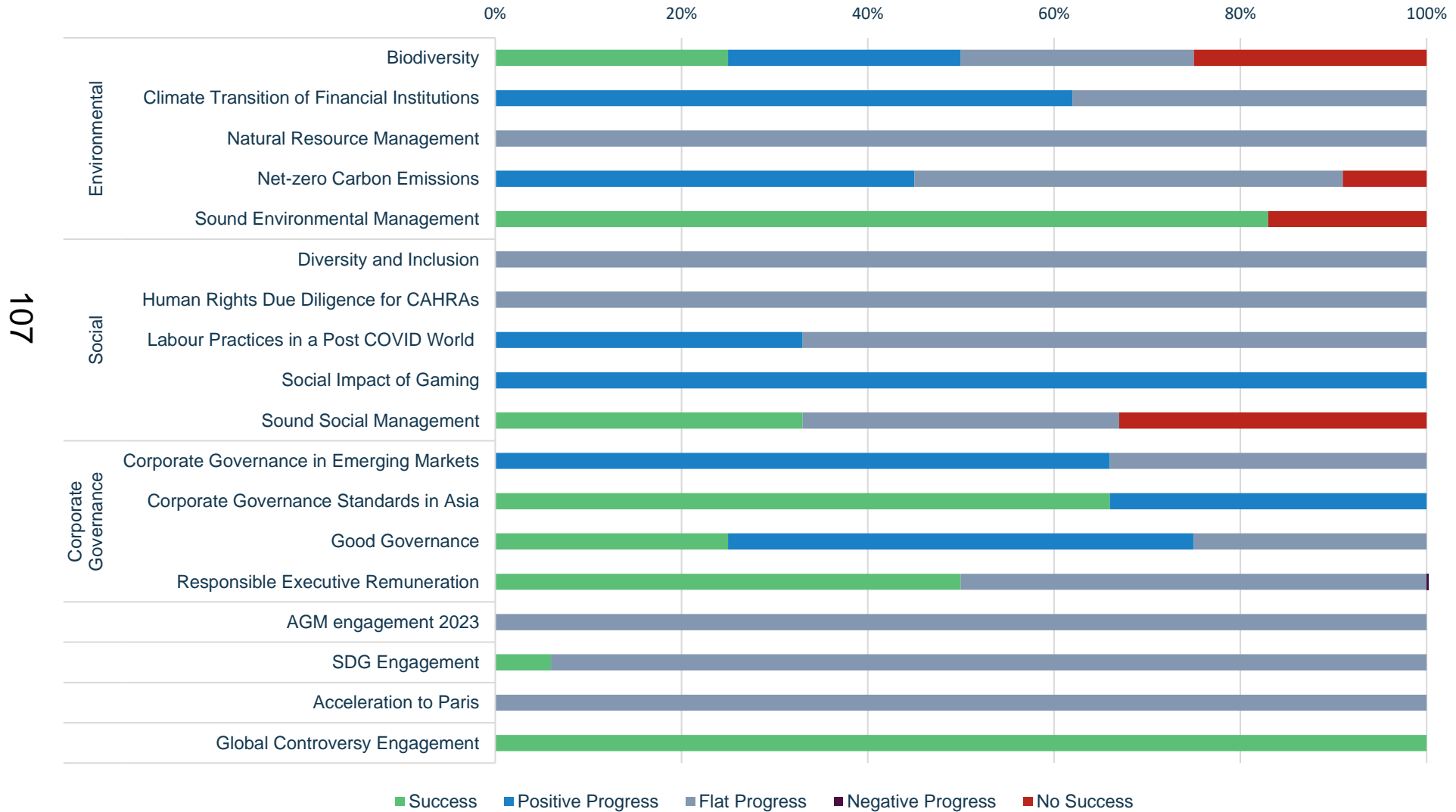
# Responsible Investment Dashboard Q2 2023

## 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 Q2 2023

### Direct investments

Direct Real Estate holdings in the UK

## EDGE / LONDON BRIDGE

### Edge London Bridge - 0.6% of the Real Estate IPV

Edge London Bridge, is a 27 floor, 260,00 sqft best-in-class, mid-rise office tower development designed to be operationally net-zero.



During construction  
54% lower carbon



Adjacent landscaped  
public park



Powered by hydrogenated  
vegetable oil

- The innovative development has been designed with sustainability and will achieve an **EPC 'A'**.
- The construction tried to reduce the lifetime carbon and achieved c. **54% lower embodied carbon** v similar new constructions.
- The development is targeting **BREEAM 'Outstanding'**, the highest possible BREEAM rating, reflecting the exemplary design.
- Further to this it is also targeting 'WELL', 'WiredScore' and 'SMARTscore' scores of **'Platinum'**.
- With a focus on health and wellbeing **a new landscaped public park will be created adjacent to the building**
- **Underfloor air supply** in combination with **natural ventilation** will provide **optimal air quality**, which, together with natural light from the floor-to-ceiling windows and radiant cooling, will provide a **healthy environment for the building's users**.
- The site is **powered by hydrogenated vegetable oil**.
- The project is currently under construction and is aiming to be **complete in early 2026**.

### Examples of investments in Real Estate Funds



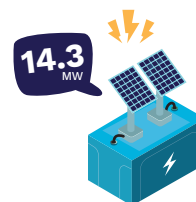
#### Goodman Australia Industrial Partnership – 4.4% of the Real Estate IPV

Goodman Australia Industrial Partnership (GAIP) provides exposure to predominantly industrial assets, in addition to a smaller number of office/business parks across Australia.

109



180,000 kg of green waste has been recycled



14.3MW of photovoltaic power generated



Providing safe places for children and young people at risk

- GAIP achieved a **78 (out of 100)** in their most recent GRESB assessment for standing investments and **86 for their development assets**.
- GAIP have been working with their landscaping contractors to **improve recycling of on-site green waste**, and since the commencement of the program in November 2022 over **180,000 kg of green waste has been recycled** (as at March 2023). **This is equivalent to 293 tonnes CO2**.
- The partnership generates **14.3MW of photovoltaic power**, with a further **3.8MW contracted for installation and delivery** over the coming months.
- Goodman is a long-term partner of Stepping Stone House, an organisation dedicated to providing **safe places for children and young people at risk of, or experiencing, homelessness**.
- 100% of the portfolio has water tanks for **rainwater capture and smart irrigation, saving 53% of water** used for irrigation purposes.



### Examples of investments in Real Estate Funds



TISHMAN SPEYER

#### Tishman Speyer European Core Fund - 1.1% of the Real Estate IPV

Tishman Speyer European Core Fund (TSEC) is a sector agnostic fund, but predominantly invested in office assets in Europe (Inc UK).



110



7 out of the 8 assets hold a sustainability certification



Connecting with community groups and locals



Community-impact linked financial support

- The fund achieved a score of **89 points in their most recent GRESB assessment ranking** in the top 10% of core European open-ended non-listed funds (c. 400), earning them a **5\* rating for the third consecutive year in a row**.
- **7 out of the 8 assets within the TSEC portfolio hold a recognised sustainability certification**, with the 8th and final asset set to achieve a certification of its own once it has been refurbished/ redeveloped.
- One of TSEC's assets based in Paddington, 'The Point', collaborated with the Paddington Partnership, a voluntary group of the main developers and companies in the Paddington area, **working to establish a community engagement program to connect with community groups and address local needs**.
- Delivered **100% supply of renewable energy** for landlord supplied energy.
- Tishman Speyer has provided **community-impact linked financial support at 50% of their properties since 2021**, with donations now totalling **€267,000 since 2021**. The most recent saw a €100,000 donation to 'Give something back to Berlin' an association that connects migrants, refugees, and locals to engage in building an open and inclusive society.
- TSEC has elected to become an **Article 8 fund under the Sustainable Finance Disclosure Regulation (SFDR)** indicating their intent to promote environmental or social characteristics as part of their fund strategy, as well as bolstering their disclosure requirements.

### 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.

#### 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.

#### 112 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
  - Q2 – 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.

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