

Report Title:	<b>Pension Fund Annual Report</b>
Contains Confidential or Exempt Information	No - Part I
Lead Member:	Councillor Julian Sharpe, Chairman Pension Fund Committee and Advisory Panel
Meeting and Date:	Pension Fund Committee and Advisory Panel – 5 December 2022
Responsible Officer(s):	Damien Pantling, Head of Pension Fund
Wards affected:	None

## **REPORT SUMMARY**

LGPS Funds are required to submit an annual report for the year ended 31 March once its financial accounts have been finalised and audited. The Royal County of Berkshire Pension Fund is administered by the Royal Borough of Windsor and Maidenhead and is therefore subject to full audit sign off of the Administering Authority’s annual report and financial statements before the Fund’s annual report can be finalised.

Whilst the Fund’s annual reports are complete for periods 2019/20, 2020/21 and 2021/22, the Administering Authority’s statement of accounts is still awaiting sign off for 2019/20 and this is expected imminently. As a result, the Pension Fund annual reports have not yet been formally signed off for these periods and with accounting periods still open amendments can still be made.

This report intends to seek approval from the Pension Fund Committee to publish the draft Pension Fund’s annual report for 2021/22 along with re-publication of the 2019/20 and 2021/22 annual reports with some amendments since last presented in December 2021.

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

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

- i) Approves the draft 2021/22 Pension Fund Annual Report for publication on the Pension Fund’s website;**
- ii) Approves the draft 2019/20 and 2020/21 Pension Fund Annual Reports for re-publication following amendments since December 2021 approval.**
- iii) Notes that although the accounts will remain as “draft” officially until the Administering Authority’s accounts are formally signed off, the auditors have recommended these have been reviewed and are fit for public disclosure.**

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

- 2.1. The 2019/20 Administering Authority (RBWM) accounts are yet to be signed off and this is expected imminently, this is a prerequisite for the 2020/21 and 2021/22 RBWM sign off and as a result the Pension Fund annual report and financial statements will not be signed off before the date of this meeting.
- 2.2. The reasons for 2019/20 and 2020/21 RBWM audited accounts still awaiting sign off is due to several issues unrelated to the Pension Fund, the Pension Fund's annual report and the Pension Fund's statements of accounts.
- 2.3. The Committee are advised to note that draft RBWM accounts for all three periods are available online with the Pension Fund financial statements forming part of these documents. Thus, approving the Pension Fund annual report for publication does not put any new accounting information into the public domain.
- 2.4. Deloitte are the Pension Fund and RBWM's auditors and have advised that there are no further material changes required to the Pension Fund annual report for 2021/22. The Pension Fund Committee were given the opportunity to ask Deloitte any questions in private relating to the report and audit at the pre-meet on 1 December 2022. This informal consultation process already took place with Deloitte for 2019/20 and 2020/21 in December 2021 in approving these two annual reports previously.
- 2.5. Deloitte attended the Pension Fund Committee pre-meet on 1 December 2021, giving a verbal update on the status of the audit including the various levels of review of the annual report. The intention of this interaction was to give the Committee visibility around the likelihood of future material adjustments prior to signing off the 2021/22 annual report.
- 2.6. In approving the 2019/20 and 2020/21 annual reports last year, it was agreed that if any changes are required before formal RBWM sign off a report would be taken back to the Pension Fund Committee outlining the changes, the following part of this report addresses these changes.
- 2.7. The key change since publication of the 2019/20 and 2020/21 annual reports in December 2021 is the adoption of an improved method of investment management fee reporting, Data is now collected by a third party (Clearglass) as part of the cost transparency initiative (CTI) in relation to investment management, investment performance and transaction fees. The majority of these fees and charges are taken directly from the assets and are not transparently reported through the accounting reports generated by our custodian bank. CIPFA guidance suggests that where CTI data can be obtained, accounts should be "grossed up" to appropriately account for these fees.
- 2.8. Grossing up is technical an accounting process which refers to the manual adjustment (increase) of costs along with an equal and opposite adjustment (decrease) to the fund account, followed by a balancing adjustment to ensure that there is no change to the closing net asset value reported by the investment managers. This technical adjustment does not affect the closing value of investment assets but more appropriately reflects the true costs of investment management, performance and transactions.

- 2.9. This process was adopted in 2019/20 along with a disclosure note for the change in accounting policy, followed by equal application in 2020/21 and 2021/22.
- 2.10. A further minor change was made in 2019/20 and 2020/21 since last approval in December 2021, that was to account for LPPI's credit fund as a "level 3" or less-liquid holding in the fair-value hierarchy due to the nature of our investment through a limited partnership (LP).
- 2.11. Appendix 1 (2021/22 draft annual report) is attached to this report, however, Appendix 2 (2019/20) and Appendix 3 (2020/21) were approved at the December 2021 meeting and now just have minor amendments. Rather than attach an additional 500 pages to this Committee Report for what has already been materially agreed, these two reports are instead uploaded to the reports section of the [Pension Fund website](#). This link is also provided in the appendices section of the report. It is intended that this process will continue, physically appending only the reports not previously seen by the Pension Fund Committee, whilst there are multiple outstanding annual reports not formally signed off by the administering authority.

### **3. KEY IMPLICATIONS**

- 3.1. Draft accounts "approved in principle" shall be published on the Pension Fund's website following Committee Members approving this decision. It shall be made clear in any publication that finalisation is subject to RBWM audit sign off for 2019/20, 2020/21 and 2021/22.

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

- 4.1. The grossing-up adjustment applied from 2019/20 is an accounting adjustment that does not affect the closing asset value or the total portfolio value in any of the aforementioned years. Whilst management fees appear to have increased materially, this is to reflect additional transparency on fees that were already in place as opposed to an actual increase in investment management fees.

### **5. LEGAL IMPLICATIONS**

- 5.1. The Administering Authority's audit committee is legally responsible through delegated authority in the constitution for signing off the Administering Authorities accounts, of which the Pension Fund forms part of. The Pension Fund Committee, therefore, do not legally sign off the accounts, instead formal Committee approval of these reports are given for reasons of transparency and good governance.

### **6. RISK MANAGEMENT**

- 6.1. The Pension Fund Committee review and approve a risk register on a quarterly basis, prepared in line with CIPFA's guidance on "managing risks in the LGPS

– 2018”. The latest risk register (including relevant actions and mitigations) has been prepared alongside this report, with any relevant changes considered and documented as appropriate in the quarterly review of the risk management report

## **7. POTENTIAL IMPACTS**

- 7.1. Failure to comply with pension legislation could result in the Administering Authority being reported to the Pensions Regulator where failure is deemed to be of a material significance.
- 7.2. Equalities: Equality Impact Assessments are published on the council’s website: There are no EQIA impacts as a result of taking this decision. A completed EQIA has been attached at Appendix 4 to this report
- 7.3. Climate change/sustainability: N/A
- 7.4. Data Protection/GDPR. GDPR compliance is included as a specific risk on the register in regard to processing and handling personal data, this is dealt with in the appendix along with the relevant mitigations.

## **8. CONSULTATION**

- 8.1. No official consultation has been undertaken in regard to the review of this report, however, external audit are engaged in the formal review of all annual reports and Committee Members have been given the opportunity to discuss these annual reports outside of the public arena.

## **9. TIMETABLE FOR IMPLEMENTATION**

- 9.1. Dependant on formal sign-off of RBWM’s statement of accounts

## **10. APPENDICES**

- 10.1. This report is supported by 4 Appendices:
  - Appendix 1 – 2021/22 Draft Annual Report
  - Appendix 2\* – 2020/21 Draft Annual Report
  - Appendix 3\* – 2019/20 Draft Annual Report
  - Appendix 4 – EQIA

*\*See report section of the [Pension Fund website](#)*

## **11. BACKGROUND DOCUMENTS**

- 11.1. This report is supported by 0 background documents:

## 12. CONSULTATION (MANDATORY)

Name of consultee	Post held	Date sent	Date returned
<i>Mandatory:</i>		<i>Statutory Officers (or deputy)</i>	
Adele Taylor	Executive Director of Resources/S151 Officer	11/11/2022	
Emma Duncan	Deputy Director of Law and Strategy / Monitoring Officer	11/11/2022	
<i>Deputies:</i>			
Andrew Vallance	Head of Finance (Deputy S151 Officer)	11/11/2022	
Elaine Browne	Head of Law (Deputy Monitoring Officer)	11/11/2022	
Karen Shepherd	Head of Governance (Deputy Monitoring Officer)	11/11/2022	
<i>Other consultees:</i>			
Cllr Julian Sharpe	Chairman – Berkshire Pension Fund Committee	11/11/2022	

## 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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