

# Royal County of Berkshire Pension Fund

## *Annual Report and Accounts*



2019/2020



THE ROYAL COUNTY OF  
**BERKSHIRE**  
PENSION FUND



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## **PENSION FUND PANEL AND ADVISORY PANEL MEMBERS AND SCHEME ADVISORS**

### **PENSION FUND PANEL**

|               |  |
|---------------|--|
| Chairman      | Councillor Julian Sharpe   |
| Vice Chairman | Councillor David Hilton  |
| Other members | Councillor Simon Bond<br>Councillor Wisdom Da Costa<br>Councillor John Story |

### **PENSION FUND ADVISORY PANEL**

In addition to the 5 Pension Fund Panel members, the Advisory Panel consisted of:

Councillor Ian Leake (Bracknell Forest Borough Council)  
Councillor Jo Lovelock (Reading Borough Council)  
Councillor Safdar Ali (Slough Borough Council)  
Councillor Alan Law (West Berkshire Council)  
Councillor John Kaiser (Wokingham Borough Council)  
Mr Keiron Finlay (University of West London)  
UNISON - vacant  
Asia Allison (GMB)  
2 other employer vacancies  
2 scheme member vacancies

### **ADVISERS**

|  |  |
|--|--|
| Actuary  | Barnett Waddingham LLP   |
| Independent Investment Adviser                                     | The Law Debenture Pension Trustee Corporation (Mr Andrew Harrison) |
| Independent Strategy Advisers<br>(to the Investment Working Group) | Ms Aoifinn Devitt<br>Mr Rohan Worrall                              |

### **Global Custodian**

JP Morgan Worldwide Securities Services

### **Additional Voluntary Contribution Provider**

Prudential Assurance Company

### **Royal Borough of Windsor & Maidenhead Pension Fund Officers**

|  |                 |
|--|-----------------|
| Director of Resources and s151 Officer | Adele Taylor    |
| Head of Finance                        | Andrew Vallance |
| Pension Services Manager               | Kevin Taylor    |
| Pension Administration Manager         | Philip Boyton   |

## **PENSION BOARD**

In accordance with the provisions of the Public Service Pensions Act 2013 a Pension Board was constituted on 22 July 2015.

### Chairman

Mr Alan Cross

### Vice-Chairman

Mr Barry Stratfull

### Employer Representatives

Mrs Nikki Craig (RBWM)  
Mr Arthur Parker (Bracknell Forest Council)  
Mr Barry Stratfull (Slough Borough Council)

### Scheme Member Representatives

Mr Alan Cross (Deferred Scheme Member)  
Mr Jeff Ford (Active Scheme member)  
Mr Tony Pettitt (Retired Scheme member)

## CHAIRMAN'S INTRODUCTION

It gives me great pleasure as Chairman of the Pension Fund Panel to present the Annual Report and Accounts for the financial year ended 31 March 2020 for the Royal County of Berkshire Pension Fund (the "Fund").

The Royal Borough of Windsor & Maidenhead (RBWM) administers the Fund on behalf of the 6 Berkshire Unitary Authorities and around 250 other public and private sector employers. I am grateful to the administration team for the highly professional and efficient service they have provided to all our employers, and their continued professionalism in maintaining the highest standards of service to our Scheme members, especially during these very troubling times for many people.

The Berkshire Pension Fund Panel has powers delegated to it under the Constitution of the Royal Borough of Windsor & Maidenhead and comprises of five RBWM Councillors. The Pension Panel also receives invaluable support from the Pension Fund Advisory Panel, which consists of representatives from the other 5 Berkshire Unitary Authorities, three other Scheme employer representatives, 2 Scheme member representatives and the trades unions. The Panels are additionally assisted by an independent advisor.

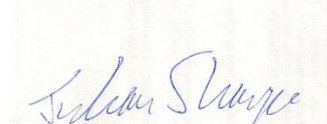
In practice decisions are taken at joint meetings of the two Panels although only members of the Pension Fund Panel have voting rights. Investment strategy decisions taken by the Pension Fund Panel are made after considering recommendations from the Investment Group (IG). The IG includes members nominated from both Panels together with our external Investment Strategy Advisers.

As outlined last year, the Royal County of Berkshire Pension Fund has an Advisory Management Agreement with Local Pensions Partnership Investments Limited (LPPI) which is now a successful partnership, with them managing an increasing range of our funds. The Pension Fund Panel remains responsible for setting the investment strategy and strategic allocation of its assets and for monitoring investment performance.

In addition to taking decisions that relate to Fund investments, the Pension Fund Panel has a statutory duty to ensure that the Local Government Pension Scheme (LGPS) is governed and administered in line with the LGPS Regulations and other associated legislation. I am grateful to members of our local Pension Board for their input in these areas and their assistance in ensuring that RBWM as the 'Scheme Manager' fulfils its statutory responsibilities.

This has been an interesting year for our funds, with some market fluctuations earlier in the year, but with global markets now recovering, we appear to be in a good position at the moment.

I have great confidence that the Pension team will continue to provide a high quality service to everyone connected with the Pension Fund.



**Councillor Julian Sharpe**  
**Chairman**  
**Berkshire Pension Fund Panel**  
**Berkshire Pension Fund Advisory Panel**





## **PENSION BOARD STATEMENT: APRIL 2019 – MARCH 2020**

The Pension Board has been established to meet the requirements defined in the Public Services Pensions Act 2013. The Board's statutory duties are to:

- Ensure the Fund's compliance with legislation, regulation and guidance, along with the Pension Regulator's (TPR) requirements;
- Ensure that the Fund's governance and administration is effective and efficient.

The Board focuses mainly on governance and administration issues through the management of a clearly defined work programme of reviews, monitored through an action tracker. In addition, the Board has sought to deliver effective advice and assurance in line with the agreed Terms of Reference and the Administering Authority's Constitution.

The last 18 to 24 months has been a period of transition for all Local Government Pension Funds including the Berkshire Fund. In Berkshire, there is the ongoing asset transfer to LPPI, and nationally, amendments to scheme regulations and over-arching legislation to contend with and numerous and complex consultations by the Government to be considered. This has made for a demanding time for all connected with Local Government Pension Funds. Add to this the ever-increasing scrutiny of the Pensions Regulator and it is clear that the governance and administration of the Scheme is more important than ever and a challenge to which the Berkshire Pension Fund has in the past and will in the future continue to meet. During the year we returned the Board to full strength and established a substitute member. We also moved to meet a few weeks before the Pension Panel so as far as practical we can consider Panel papers ahead of the required decision and provide input.

The Board has continued the process of developing the knowledge and skills of the Board members to enable them to undertake their duties with confidence. It has also given attention to the compliance of the Fund's administration, reviewing statutory documentation as it has been published throughout the year and building on the positive outcome of the internal audit of the Administering Authority's compliance with the TPR Code of Practice 14.

The Board remains apprised of the transfer of assets to the management of the Local Pensions Partnership Investments Limited (LPPI) and receives copies of all papers taken to meetings of the Pension Fund Panels which includes, but is not limited to, the Administering Authority's Investment Strategy and Funding Strategy Statements and all Investment Performance reports produced by LPPI. In addition the Board continues to keep under review the Pension Panels' work-plan offering whatever assistance it can give to the Administering Authority in fulfilling its statutory duties of governance and administration, with the Chair of the Board normally attending the Pension Panel. There will always be room for improvement but the work of the Board helps to establish clear priorities for future activity.

## **PENSION BOARD 2019-20**

Chairman: Alan Cross  
Vice-Chairman: Neil Wilcox (Barry Stratfull from June 2020)

### **Scheme Employer Representatives**

Neil Wilcox (to June 2020, then substitute member)  
Barry Stratfull (Substitute from February 2020 and member from June 2020) (*both Slough Borough Council*)  
Nikki Craig (*RBWM*)  
Arthur Parker (*Bracknell Forest Council*) (Appt. 25 February 2020)

### **Scheme Member Representatives**

Tony Pettitt (*Retired Scheme Member*)  
Alan Cross (*Deferred Scheme Member*)  
Jeff Ford (*Active Scheme Member*)

### **Dates of meetings:**

8 October 2019  
20 November 2019  
25 February 2020

### **Attendance for 2019/20**

| <b>Name</b>           | <b>Number of meeting eligible to attend</b> | <b>Attended</b> |
|-----------------------|---|-----------------|
| Nikki Craig           | 3   | 3               |
| Alan Cross            | 3   | 3               |
| Jeff Ford             | 3   | 3               |
| Arthur Parker         | 1   | 1               |
| Tony Pettitt          | 3   | 3               |
| Neil Wilcox           | 3   | 2               |
| Barry Stratfull (sub) | 1   | 1               |

## **PENSION FUND ADMINISTRATION REPORT**

### **Introduction**

The Royal Borough of Windsor and Maidenhead acts as the administering authority for the Royal County of Berkshire Pension Fund ("Pension Fund") and is the Pension Fund for local government employees across the County of Berkshire. The benefit entitlement for members of the Pension Fund are set out by the Local Government Pension Scheme Regulations 2013 (as amended) and other associated legislation.

While employee pension contributions and benefits payable are set by Regulation, employer pension contributions are actuarially assessed at each valuation of the Pension Fund and areas of discretion are subject to local policies determined by each participating scheme employer.

### **Customer Satisfaction**

The landscape of the Local Government Pension Scheme continues to evolve greatly resulting in the need for our administration team to continue using a variety of methods to understand our members and employers needs. Their needs, experiences of the service we provide and their perception of the Pension Fund help us to continually improve and become more efficient and effective.

The 1 April 2014 saw a significant change to the Local Government Pension Scheme with the introduction of a career average scheme, fundamentally different to the final salary scheme previously in place. This event undoubtedly made the Scheme more complex to administer with increased scrutiny from The Pensions Regulator.

During the last year the team has continued to communicate with members to ensure that they are aware of the impact the changes to the Scheme will make to their pension benefits and to ensure employers are fully educated and understand their responsibilities to provide timely and accurate information together with the consequences of their failure to do so.

There is no doubt we will be pro-active to continue working with our scheme employers and their members over the coming years.

### **Compliance with Communications Policy Statement**

Under Regulation 61 of the Local Government Pension Scheme Regulations 2013 (as amended) The Royal Borough of Windsor & Maidenhead, in its role as administering authority to the Pension Fund, is required to publish a statement of policy concerning communications.

This policy statement can be found at Appendix 1 and deals with the methods of communication between the administering authority, members and employers of the Pension Fund.

The administering authority keeps the policy statement under review. During the year the Fund undertook:

#### **➤ Communication with Employers**

##### Annual Employers Meeting

All employers were invited to attend a meeting on 11 March 2020. They were provided with details of the data they are required to submit to the administration team so that member records are correct and an actuarial update of the Pension Fund was also provided by the Pension Fund's Actuary, Barnett Waddingham.

## Training for Employers

The Pension Team continues to hold ad-hoc training sessions throughout the year on request. These sessions are designed to educate both new and current employers about the important role they play in helping the team administer the Scheme and the importance of holding clean and accurate data to process benefits quickly and efficiently. These sessions were well received with the team immediately seeing a more proactive approach towards the submission and quality of data by employers.

## Regular Updates on the LGPS

*"The Inscribe"* bulletin is distributed to employers on a quarterly and, where necessary, ad-hoc basis along with other global emails distributed to employers when deemed necessary.

## Pension Fund website

The Pension Fund website continues to prove a valuable source of information for our Scheme employers and their members.

The website contains sections dedicated to the following:

- Current members
- Deferred members
- Retired members
- Councillor members
- Employers

The site received 64,557 visits from members and employers during the year, an increase of 3.64% when compared to the previous year, and has been described as easily accessible and having many links making navigation user friendly.

The administration team continue to review and remodel the website to ensure members are aware of the impact any changes to the Scheme will make to their pension benefits but also to ensure a point of reference for employers to help continually educate them and understand their responsibilities.

The website address is [www.berkshirepensions.org.uk](http://www.berkshirepensions.org.uk)

## Employer Self Service (ESS)

The Pension Fund launched ESS on 19 October 2017. ESS is accessible to all registered scheme employers and enables them to view and amend their own scheme members' pension data remotely and securely from the comfort of their workplace.

ESS also enables scheme employers to calculate quickly and efficiently the value of their scheme members benefits any respective strain cost payable thus avoiding the need to contact the administration team.

## i-connect Software

The Pension Fund continues to build on the success it has experienced since February 2016 with data in respect of 82% of the total active scheme membership now submitted to the Pension Fund on a monthly basis. This is an increase of 3% compared to the previous year. We continue to pro-actively work together with our scheme employers yet to on board the service setting out a plan to them to on board by 31 March 2021.

Overall this has saved the team significant administration time by removing the need for manual input, but most importantly helping maintain the accuracy of member data. No doubt employers and the team will continue to benefit from this service throughout the next 12 months.

### General Guidance and Assistance

The pension administration team can be contacted during normal office hours. There is a dedicated help-line 01628 796 668 and a dedicated email help desk ([info@berkshirepensions.org.uk](mailto:info@berkshirepensions.org.uk)).

### Promotional Services

The Pension Fund continues to produce and publish scheme guides and factsheets relating to specific pension topics all of which are available for download from the Pension Fund website. These are constantly reviewed and updated to keep pace with the ever evolving Local Government Pension Scheme.

## ➤ **Communication with All Members**

### Member Self Service - 'my pension ONLINE'

The Pension Fund's 'my pension ONLINE' service enables members to securely access and update your own pension details using not just their desktop PC but now using their laptop, tablet or smartphone.

The service continues to prove popular with over 17,400 members now registered, which represents approximately 28% of the total membership the service is accessible to. Registered members can quickly gain access to their own pension record to check their details are correct and calculate the current and future value of their own benefits and their dependants. This removes the need to contact the Pension Team and wait for an estimate to be sent to them.

### Welcome Pack

With the implementation of 'my pension ONLINE' each new member receives a letter containing an activation code and guidance as to how to access their welcome pack online. If a member chooses not to register for 'my pension ONLINE' a paper version of the welcome pack will be sent to the member's home address upon request.

### Annual Benefit Statements

Each active and deferred member of the pension scheme receives an annual benefit statement. With the availability of 'my pension ONLINE' these statements are available for viewing, downloading or printing on-line and means the Pension Fund only issues a paper statement to approximately 3,350 or 4.88% of the membership by post. These numbers continue to decrease as the membership type move to receiving their benefits and individuals join the Scheme and default to the 'my pension ONLINE' service.

The Annual Benefit Statement provides details of benefits built up to 31<sup>st</sup> March the previous year, benefits projected to Normal Pension Age, death in service benefits and details of the member's nominated beneficiaries.

### Pension Surgeries

During the year two pension surgeries were held at each of the six Unitary Authorities with additional pension surgeries being held at other employer locations upon request. These pension surgeries provide an opportunity for members to discuss any aspect of

their pension benefits. The administration team met with 660 scheme members across the pension surgeries held. To accompany these pension surgeries the administration team provide pre-retirement courses and presentations aimed at those members considering retirement in the near future.

### Newsletters

The Pension Fund produces and distributes bi-annual newsletters. *'The Quill'* is issued to active and deferred members and *'The Scribe'* is issued to pensioner and dependant members. Both continue to be very well received by members. Since the implementation of 'my pension ONLINE' newsletters are available for viewing, downloading or printing on-line.

### Annual Meeting

A meeting took place on 14 November 2019 held at the Town Hall in Maidenhead. At the same time, the pension team invited members to attend an open day at the same location. In attendance were members of the Pension Fund and representatives of the Pension Fund's Actuary, Barnett Waddingham.

## ➤ **Communication with Pensioner and Dependant Members**

The Pension Fund has a dedicated payroll team dealing with former members now receiving payment of their pension benefits. As well as responding to their enquiries the payroll team are responsible for ensuring we meet our regulatory requirements.

### Pension Payslips

The administration team has issued payslips in accordance with its 50 pence variance rule each month and before payment has been made. The Retired Members area of the Pension Fund website provides a detailed explanation of a payslip. Since the implementation of 'my pension ONLINE' payslips are available for viewing, downloading and printing on-line.

### P60s

The administration team issued P60s to all pensioner and dependant members in April 2019 well in advance of the HMRC deadline. The Retirement Members area of the Pension Fund website provides a detailed explanation of a P60, which was also contained in our Spring edition of *'The Scribe'*. Since the implementation of 'my pension ONLINE' P60s are available for viewing, downloading and printing on-line in a format approved by HM Revenue & Customs.

### Annual Pension Increase Notice

Pensions are reviewed annually each April under the Pensions Increase Act as prescribed by Social Security legislation in line with the upgrading of various state benefits and is determined by the percentage increase in the Consumer Price Index (CPI) to the preceding September.

Pensions were increased by 2.4% from 8 April 2019 and represents the increase in the CPI index for the 12 month period to the 30 September 2018. Pensions increase is normally applied to pensioners who are age 55 or over, or have retired at any age on ill-health grounds or those in receipt of a dependant's pension.

A member who retired during the financial year will have a proportionate increase applied. The Pension Fund issued a notification to all pensioner and dependant members in April 2019 providing details of their increase awarded from 8 April 2019.

### Tell Us Once (TUO)

A service designed to provide Funds with details of those members having died and their next of kin via the General Registry Office (GRO), the Fund was one of the first Local Government Pension Funds to on board and up load membership data and since going LIVE in March 2016 has received 1063 notifications with 362 of these received between 1 April 2019 and 31 March 2020 alone.

This helped the Fund make contact with the next of kin more quickly and avoid any potential overpayment of benefits.

### National Fraud Initiative

The Pension Fund continues to participate in the anti-fraud initiative that matches electronic data within and between public and private sector bodies to prevent and detect fraud which helps ensure:

- The best use of public funds;
- No pension is paid to a person who has deceased; and
- Occupational Pension and employment income is declared by Housing Benefit, Universal Credit and Council Tax Reduction Scheme claimants.

## **Management Performance**

### **Key Administration Performance Indicators**

The Pension Fund monitors the time it takes to complete procedures. The key foundation to achieving the performance standards we set to complete procedures is by ensuring we maintain quality data.

Our key procedures reported to the Pension Fund Panel on a quarterly basis are:

- Inputting of new members;
- Processing of early leavers;
- Payment of retirement benefits;
- Payment of Refund of Contributions

Performance for these key procedures over the year was 98.92%, which is an increase of 0.23% on the 2018/19 year. It is important to note there has been a significant increase in the number of cases processed across a team reduced in size, as highlighted over the page. A summary of achievement in each area is shown in the table below:

| <b>Administration Team Performance</b> |                              | <b>2018/19</b>         |                             |                        | <b>2019/2020</b>       |                             |                        |
|--|------------------------------|------------------------|-----------------------------|------------------------|------------------------|-----------------------------|------------------------|
| <b>Case Type</b>                       | <b>Target (working days)</b> | <b>Number received</b> | <b>Number within target</b> | <b>% within target</b> | <b>Number received</b> | <b>Number within target</b> | <b>% within target</b> |
| Inputting of new members               | 20                           | 6538                   | 6489                        | 99.25                  | 8379                   | 8315                        | 99.24                  |
| Processing of early leavers            | 20                           | 6010                   | 5897                        | 98.12                  | 6891                   | 6891                        | 97.63                  |
| Payment of retirement benefits         | 5                            | 1159                   | 1136                        | 98.02                  | 1217                   | 13                          | 98.93                  |
| Payment of Refund of Contributions     | 10                           | 530                    | 528                         | 99.62                  | 856                    | 855                         | 99.88                  |

## Complaints

The administration team monitor the complaints received on a monthly basis and ensure we respond promptly having investigated thoroughly and learn from them to improve the service.

The complaints are monitored in two distinct ways:

- Complaints about our service and the way we apply the regulations; and
- Under the LGPS members can use a three stage Internal Dispute Resolution Procedure (IDRP) to settle any disagreement or complaint that they may have about decisions made under scheme rules.

The table below shows the number of complaints in each category. These represent a minimal percentage when compared to more than 42,800 procedures carried out in 2019/20.

| <b>Administration Team Performance</b> |                              | <b>2018/19</b>         |                             |                        | <b>2019/20</b>         |                             |                        |
|--|------------------------------|------------------------|-----------------------------|------------------------|------------------------|-----------------------------|------------------------|
| <b>Case Type</b>                       | <b>Target (working days)</b> | <b>Number received</b> | <b>Number within target</b> | <b>% within target</b> | <b>Number received</b> | <b>Number within target</b> | <b>% within target</b> |
| Service                                | 10                           | 0                      | n/a                         | n/a                    | 1                      | 1                           | 100                    |
| IDRP                                   | n/a                          | 0                      | n/a                         | n/a                    | 3                      | 3                           | 100                    |

## Key Staffing and Membership Numbers

### Staffing

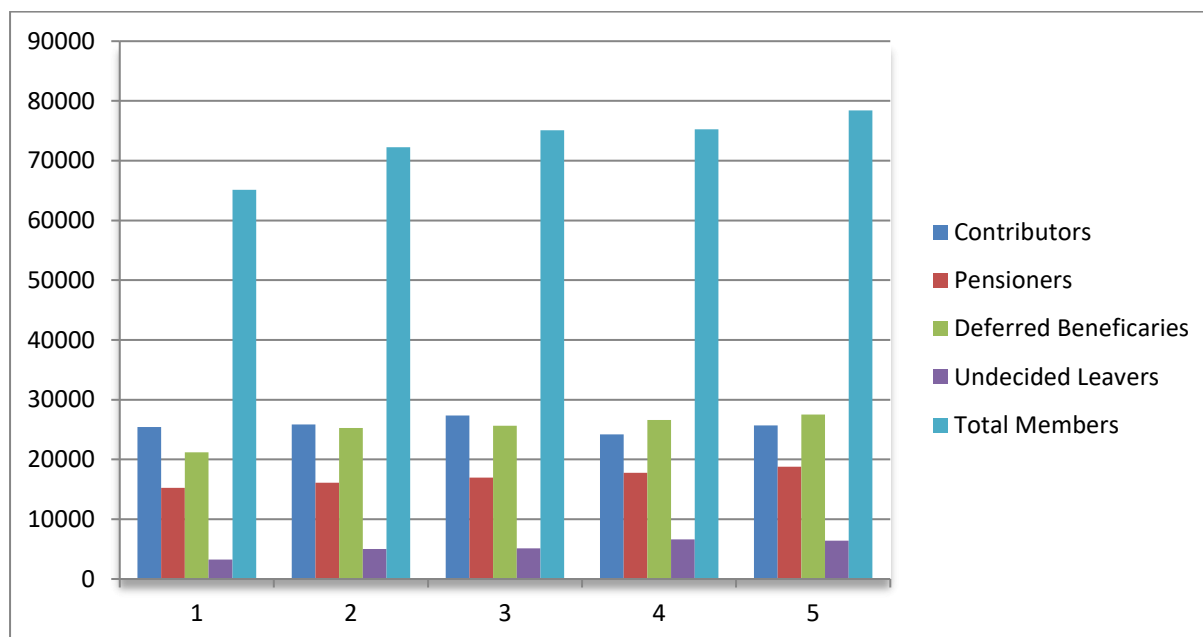
The administration team is made up of the following members:

| <b>Year</b>                                | <b>2018/19</b> | <b>2019/20</b> |
|--|----------------|----------------|
| Pension Services Manager                   | 1.0            | 1.0            |
| Pension Administration Manager             | 1.0            | 1.0            |
| Deputy Pension Administration Manager      | 1.0            | 1.0            |
| Assistant Pension Manager (Communications) | 1.0            | 1.0            |
| Technical Analyst                          | 1.0            | 1.0            |
| Assistant Technical Analyst                | 1.0            | 1.0            |
| Senior Pension Administrators              | 1.0            | 2.0            |
| Pension Administrators                     | 2.5            | 6.5            |
| Trainee Pension Administrators             | 4.0            | 3.0            |
| Payroll Supervisor                         | 0.7            | 0.7            |
| Pension & Payroll Administrator            | 1.0            | 1.0            |
| Pension Fund Finance Officer               | 1.0            | 1.0            |
| Clerical Support                           | 0.6            | 0.6            |
| <b>Total</b>                               | <b>16.8</b>    | <b>20.8</b>    |



## Membership

Membership of the Pension Fund continues to grow. The chart and table overleaf show the number of contributors, deferred beneficiaries and pensioners (including dependants) and Undecided Leaver member records (individuals may have more than one membership record) over the last five years to 31 March 2020.



|                               | 31 March 2016        | 31 March 2017        | 31 March 2018        | 31 March 2019        | 31 March 2020        |
|-------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| <b>Contributors</b>           | 25,434               | 25,845               | 27,369               | 24,203               | 25,695               |
| <b>Pensioners</b>             | 15,243               | 16,126               | 16,955               | 17,763               | 18,785               |
| <b>Deferred Beneficiaries</b> | 21,187               | 25,256               | 25,624               | 26,626               | 27,510               |
| <b>Undecided Leavers</b>      | 3,271                | 5,015                | 5,127                | 6,650                | 6,408                |
| <b>Total Members</b>          | <b><u>65,135</u></b> | <b><u>72,242</u></b> | <b><u>75,075</u></b> | <b><u>75,242</u></b> | <b><u>78,398</u></b> |

### NOTES:

- Contributors are employees currently contributing to the Local Government Pension Scheme and include some employees who have more than one contract of employment, each contract being treated separately for administration purposes.
- Pensioner members are in receipt of a pension and include all dependants of former members.
- Deferred beneficiaries are former contributors who have elected to retain their rights in the Scheme until such time as they become payable.
- Undecided Leavers are former contributors who have an entitlement to receive a return of contributions paid less mandatory deductions.

The result is a large Pension Fund being administered by a small team. The administrator to scheme member ratio remains consistent with the previous year at 1:4478 with the administration team continuing to provide a highly regarded and professional service across the entire membership.

## **Benchmarking**

The Pension Fund has not taken part in any formal benchmarking exercise since 2006 but is always prepared to take the opportunity to compare ourselves against other Pension Funds of a comparable size in terms of membership.

## **Gathering Assurance and Data Quality**

The Pension Fund recognises the importance of gathering assurance over the effective and efficient operation of the pension and payroll administration software used, *altair*. Provided by *heywood* Limited, both our teams utilise the workflow functionality afforded to us ensuring thorough checks are performed by senior members of the team in all areas of administration.

In addition it is fundamentally important to measure the presence and accuracy of both Common and Scheme Specific data held to administer benefits on behalf of scheme members and their beneficiaries and to have plans in place to resolve discrepancies where they are found. In consideration of the Pension Regulators (tPR) requirements in this area the Pension Fund entered into a three year agreement with *heywood* Limited during August 2018 with feedback received during November 2019 that our results continue to be well above average.

The exercise of monitoring the accuracy of data will be performed annually and will demonstrate how serious the Pension Fund is with regard to holding accurate data on behalf of scheme members and their beneficiaries.

| <b>Data Type</b>     | <b>2018 Results</b> | <b>2019 Results</b> |
|----------------------|---------------------|---------------------|
| Common Data          | 91.30               | 92.40               |
| Scheme Specific Data | 86.10               | 91.30               |

The Pension Fund is also proactive in responding to enquiries received from both internal and external auditors, the Royal Borough of Windsor and Maidenhead and Deloitte UK respectively.

## **The Future**

The Pension Team anticipated another busy year even before the outbreak of the Coronavirus pandemic towards the end of the 2019/2020 scheme year. The Pension Fund takes the threat posed by the Coronavirus extremely seriously with the health, safety and well-being of our team members, scheme employers, scheme members and all other parties we are associated with being one of our main priorities.

Together with the Royal Borough of Windsor & Maidenhead, as administering authority to the Pension Fund, comprehensive Business Continuity Plans are in place which include detailed Disaster Recovery processes. These plans include the ability for the Pension Team to work remotely allowing us to remain completely committed and to focus our efforts on communicating with both our scheme employers and their members in the quick and efficient way they have come to expect.

Therefore in addition to the Pension Team's day to day activities including the training and development needs of the team we will aspire to:

- Increase the number of registered users of 'my pension ONLINE' by conducting further promotional events with each employing authority to actively encourage scheme member take up by increasing the number of desktop visits.
- Respond to consultations on scheme arrangements and implement changed structures as a result of amending legislation.
- Continue to liaise with all scheme employers to ensure that clean and accurate data is consistently provided and appropriate processes and procedures are in place in order to comply with scheme regulations.
- Continue to undertake data validation and integrity checks for data which is issued by HMRC in respect of the GMP Reconciliation exercise in order that the correct state benefits are recorded and paid.
- Undertake an annual data quality exercise in accordance with The Pensions Regulator's (tPR) Code of Practice 14 requirements and report findings to both the Pension Fund Panel and tPR. Update and endeavour to correct discrepancies identified.
- Implement i-connect Software by 31 March 2021 across scheme employers yet to on board which facilitates the direct transfer of member data from employer payroll systems directly into the Pensions Team.

Customer service will continue to be a priority as the next few years will be challenging for both members and employers. We will continue to endeavour to introduce further efficiencies and better ways of working to further improve on the systems that are currently in place. These improvements will be delivered to not only ensure the quality of our members data is maintained to the standard required by tPR but is also protected as required by Government Data Protection Regulation (GDPR).

I would like to take the opportunity to record my sincere thanks to all team members involved in the administration of the Scheme, not only for the work done over the last scheme year but also for their enthusiasm to embrace change and meet ever changing regulatory and stakeholder requirements.



# INVESTMENT REPORT

## Background:

In continuing with the UK Government's initiative for Local Government Pension Funds to take advantage of pooling their investments, the management of the Royal County of Berkshire Pension Fund's ("the Fund") assets has transferred to the Local Pensions Partnership Investments (LPPI). The assets remain the legal property of the Fund.

LPPI has set up and oversees the investment of eight pooled fund vehicles – the most recent addition being the Real Estate Fund (REF) in late 2019. As at 31 March 2020, the Fund's real estate assets currently reside out of the LPPI REF, with plans to pool a significant portion over the coming year.

Similarly, there are plans to divest fully from the Fund's externally managed Emerging Market Equity managers with the proceeds transferring into LPPI's Global Equity Fund. Prior to 2020, there was a sizeable proportion of the Fund's assets managed outside of LPPI but pooling efforts, and the advantages obtained from pooling, continue to progress with the Fund's membership benefiting.

## Asset allocation:

The Fund's asset allocation can be seen in the following table:

|                         | 31-Mar-20        |                  |  | 31-Mar-19        |                  |
|-------------------------|------------------|------------------|--|------------------|------------------|
| Asset Class             | Actual weighting | Target Weighting |  | Actual Weighting | Target Weighting |
| Credit                  | 10.4%            | 10.0%            |  | 12.5%            | 10.0%            |
| Diversifying Strategies | 3.2%             | 4.0%             |  | 3.6%             | 4.0%             |
| Fixed Income            | 2.9%             | 3.0%             |  | 2.9%             | 3.0%             |
| Infrastructure          | 7.2%             | 12.5%            |  | 9.0%             | 12.5%            |
| Private Equity          | 14.1%            | 13.0%            |  | 12.9%            | 13.0%            |
| Public Equity           | 38.2%            | 40.0%            |  | 38.3%            | 40.0%            |
| Real Estate             | 14.7%            | 16.5%            |  | 13.3%            | 16.5%            |
| Cash                    | 9.3%             | 1.0%             |  | 7.5%             | 1.0%             |
|                         | 100.0%           | 100.0%           |  | 100.0%           | 100.0%           |

**N.B.** "Target Weighting" shown above represents the agreed Strategic Asset Allocation ('SSA').

Over the reporting period the Strategic Asset Allocation weightings / Target Weightings remained unaltered. The results of the triennial actuarial valuation as at 31<sup>st</sup> March 2019 were issued before 31<sup>st</sup> March 2020 and the appropriateness of the current SAA will be reviewed as part of establishing longer term ambitions. More recently, the Fund has agreed to increase its SAA weight to Credit with corresponding reductions to Real Estate and Private Equity.

The Fund's exposure to Private Equity increased by 1.2% over the reporting period whilst the cash weighting rose by 1.8%. The latter is due to be drawn down as opportunities arise. The Fund remains underweight to Infrastructure at the end of the reporting period.

## \*Performance:

Over the twelve-month period to the end of March 2020 the Fund returned -2.6%. This represents an underperformance of 8.2% against the Fund's Actuarial Target of 5.6%. During this period, Public Equities, Credit and Fixed Income investments were impacted by the COVID 19 crisis and detracted from returns although the former outperformed its benchmark over the period. The Fund's

Credit portfolio was hindered by a significant write-down in one on-balance sheet investment whilst the Fixed Income allocation only marginally benefited from the fall in government bond yields.

Conversely, the Fund's Infrastructure and Private Equity investments delivered positive absolute and relative returns over the year. However, the lagged reporting of these investments, which is typical for illiquid asset classes, equates to Q1 2020 valuation and performance figures not fully capturing the impact of COVID-19.

Over a three-year horizon to the end of Q1 2020, the Fund delivered a 2.7% annualised return underperforming its Actuarial Target by 3.6%. Infrastructure was the stellar performer over this period with an annualised return of 16.6%.

*\*Fund performance over the 12 months to March 2020 disclosed in this section was calculated using valuations obtainable at March 2020. Due to the quarterly-lagged valuations of private market assets, the relevant pricing information for this tranche was not available at the time of writing this report. In the months following 31 March 2020 asset valuations have been undertaken and this accounts for any difference between the performance shown in this investment performance report and any subsequent accounting positions at that date. This is highlighted within the private market allocation (Infrastructure, Private Equity and Credit) whereby, due to the adverse impact of Covid-19, the value of these investments was adjusted downwards by £31.5m (following the completion of their valuations).*

### **Economic Update:**

Between April and December 2019, the global deceleration in GDP growth was not as uniform as was seen in 2018. The U.S. and China fared better among major economies, whilst countries including the U.K., Germany, France, Italy, Japan and India were key contributors to the drag on global activity. Amid this macroeconomic backdrop, price pressures (i.e. inflation) held mostly stable from a global standpoint, as decreasing growth was balanced by tighter labour markets (i.e. increasing employment), higher wage growth and ongoing accommodative policies. This benign market environment provided

However, the COVID-19 outbreak swiftly changed all of this during the first quarter of 2020. In mid-February as the virus continued to spread within China and make its first appearances internationally no one could foresee the full toll it would have on the global economy. At that time the IMF was still forecasting growth to rebound to 3.3% globally in 2020 from 2.9% the prior year. As COVID-19 transformed into a pandemic and governments started to impose lockdowns and unprecedented restrictions on social life, work and travel, the dreadful impact became clearer by the day.

The Fund entered this crisis positioned conservatively without significant overweight positions (versus target strategic weighting) in risk assets, including public equities, which saw the most pronounced drawdowns. Overweight positioning in cash proved helpful, as flat returns over this period was markedly better in relative terms than equities. As bearish sentiment transformed into significant declines for public equities, LPPI transitioned a moderate allocation from the client's excess cash balance back into equities, which have since risen strongly.

Although there is still uncertainty around the pace of economic recovery, COVID-19 itself and other medium-term risks, the Fund's portfolio continues to be well diversified across different asset classes, regions and sectors. LPPI will continue to invest in line with the Fund's long-term investment horizon and objectives of balancing capital growth with capital preservation, whilst maintaining adequate liquidity to cover all liabilities as they fall due.

## FINANCIAL PERFORMANCE REPORT

### Movement in Net assets of the scheme

During the financial year, the value of the net assets of the scheme decreased by £76.9 million.

### Timeliness of Receipt of Contributions

|  | 2019/20 | 2018/19 | 2017/18 |
|--|---------|---------|---------|
| Percentage of contributions received on or before the due date | 98.16%  | 98.75%  | 97.65%  |

The option to levy interest on overdue contributions has not been exercised.

### Administrative Costs Actual compared to Budget

|                       | 2019/20 Actual £000's | 2019/20 Budget £000's |
|-----------------------|-----------------------|-----------------------|
| Staff                 | 689                   | 1,000                 |
| Supplies and Services | 500                   | 171                   |
| Unit Recharges        | 183                   | 130                   |
| <b>TOTAL</b>          | <b>1,372</b>          | <b>1,300</b>          |

### Income and Expenditure

|  | 2019/20 Actual £000's | 2019/20 Forecast £'000's |
|--|-----------------------|--------------------------|
| Employee/Employer Contributions                              | 125,557               | 130,877                  |
| Transfer Values Received                                     | 14,448                | 6,600                    |
| Employer additional contributions for early retirements      | 1,555                 | 1,800                    |
| Investment income via Custodian                              | -40,367               | 32,500                   |
| Pensions Payable   | -90,704               | -87,800                  |
| Retirement Lump Sums and Death Grants                        | -22,657               | -21,200                  |
| Transfer Values Paid and Refund of Contributions             | -20,532               | -6,500                   |
| Investment Management Expenses                               | -23,392               | -7,484                   |
| Employee & Other costs                                       | -1,372                | -1,300                   |
| <b>Net additions/(withdrawals) from dealing with members</b> | <b>-57,464</b>        | <b>47,493</b>            |





## RISK MANAGEMENT

The Royal Borough of Windsor and Maidenhead as the administering authority for The Royal County of Berkshire Pension Fund (“the Fund”) places great emphasis on risk management. The Fund differentiates between operational and strategic risks in order to secure the effective governance and administration of the Local Government Pension Scheme (LGPS). The main internal controls for the Fund set out the arrangements and procedures to be followed in administration, governance and management of the Scheme and the systems required for ensuring those arrangements are met.

### Operational risk

Operational risk covers such areas as administration of members’ records and payment of benefits, receipt of contributions as well as such things as business continuity, disaster recovery and having staff with the appropriate skill sets.

The Fund participates in the National Fraud Initiative where National Insurance numbers of members receiving pensions and other benefits are matched against a national database of reported deaths. Any matches are thoroughly investigated.

A number of key operational risks and the action taken to mitigate them are detailed below:

| Risk  | Mitigating Action   |
|---|---|
| Failure to comply with Scheme regulations and associated pension law. | Staff training, employer training and external guidance provided. Desk top procedures in place and systems software provider competent.   |
| Payments of incorrect benefits.                                       | Annually each active member’s contributions and pay details are confirmed with their employer.<br><br>On leaving employment an individual’s scheme membership history and pay details will be confirmed with their employer.<br><br>Pension Fund is moving toward an automated and secure method of data transfer between employers and the Fund. |
| Pension benefits not paid on time.                                    | A schedule of payment dates is maintained and written procedures adopted.<br><br>Sufficient cover is provided to ensure payments are made at the correct time.  |

|  |  |
|--|--|
| Ongoing pension benefits paid to a deceased member.        | The Fund undertakes a monthly mortality screening exercise and takes part in the biennial National Fraud Initiative (NFI)  |
| Failure to maintain a high quality database.               | <p>The Fund's preferred method of receiving data from scheme employers is through a secure electronic data transfer system called i-connect thereby maintaining member records in real-time.</p> <p>Pro-active data checks are undertaken before benefits are paid.</p> <p>Both members and employers have access to self-service systems enabling them to check data.</p> |
| Failure to hold data securely.                             | <p>Database is hosted off-site and backed-up in 2 separate locations.</p> <p>Access to systems is via dual-password and username.</p> <p>Data transferred between systems is encrypted.</p> <p>Compliant with General Data Protection Regulations (GDPR) and IT policies.</p>  |
| Contribution payments received late from scheme employers. | <p>Receipt of contributions is monitored robustly with employers being reminded of their statutory duty if payments are received late.</p> <p>Procedures in place to issue notices of unsatisfactory performance to employers who fail to make payments on time and to report them to the Pensions Regulator where deemed materially significant.</p>                      |
| Failure to communicate properly with stakeholders.         | <p>The Fund has a Communication Policy and a Communications Manager.</p> <p>The website is maintained to a high standard at all times.</p> <p>Newsletters and factsheets are issued to both scheme members and scheme employers.</p>   |

|                              |   |
|------------------------------|---|
|                              | Training is provided to scheme employers.   |
| Loss of office premises      | A comprehensive business continuity plan is in place.<br><br>Systems are hosted and so can be accessed remotely from home or from an alternative office space.          |
| Loss of funds through fraud. | The Fund is externally and internally audited annually to test that controls are adequate.<br><br>The Fund participates on the biennial National Fraud Initiative (NFI) |

### Strategic risks

Strategic risks are those which whilst not affecting day to day operations of the Fund could, nevertheless, in the medium and/or long-term have significant impact. A number of key strategic risks and the action taken to mitigate them are detailed in the table below:

| <b>Risk</b>                            | <b>Mitigating Action</b>   |
|--|--|
| Funding level below 100%.              | The Fund has issued a Funding Strategy Statement and Investment Strategy Statement.<br><br>Deficit recovery plan is in place.  |
| Unstable employer contributions.       | The Fund aims to keep employer contribution rates stable by agreeing with scheme employers and the Actuary an appropriate deficit recovery plan.   |
| Unsatisfactory investment performance. | The Fund has issued an Investment Strategy Statement and monitors closely the performance of its Investment Manager.<br><br>At the time of publishing this report a governance review is underway to ensure the administering authority is robust in all areas relating to investment management and asset allocation. |
| Inappropriate funding targets.         | The Fund has a broadly diversified portfolio with no one asset class dominating.<br><br>Targets are reviewed quarterly with the Pension Panel.   |

|                            |  |
|----------------------------|--|
| Scheme employer covenants. | <p>The Fund monitors closely the ability of scheme employers to meet their obligations.</p> <p>A cessation valuation is undertaken by the Actuary when a scheme employer exits the Scheme.</p> <p>A funding report and covenant assessment is provided by the Actuary when an employer becomes a new admission body to the Fund.</p>                             |
| Governance of the Fund     | <p>The Pension Fund is governed by the Pension Fund Panel and Pension Fund Advisory Panel.</p> <p>The Pension Board assists the Panels in fulfilling their statutory duties.</p> <p>Law Debenture have been appointed as an independent Governance Advisor to both Panels.</p> <p>Officers arrange training on specific matters as required during the year.</p> |

# Royal County of Berkshire Pension Fund

Actuary's Statement as at 31 March 2020

**Barnett Waddingham LLP**

6 August 2020

## Introduction

The last full triennial valuation of the Royal County of Berkshire Pension Fund was carried out as at 31 March 2019 as required under Regulation 62 of the Local Government Pension Scheme Regulations 2013 (the Regulations) and in accordance with the Funding Strategy Statement of the Fund. The results were published in the triennial valuation report dated 31 March 2020.

## 2019 valuation results

### Asset value and funding level

The results for the Fund at 31 March 2019 were as follows:

- The Fund as a whole had a funding level of 78% i.e. the assets were 78% of the value that they would have needed to be to pay for the benefits accrued to that date, based on the assumptions used. This corresponded to a deficit of £597m.
- To cover the cost of new benefits and to also pay off the deficit over a period of 21 years, an average total employer contribution rate of 23.5% of pensionable salaries would be needed.
- The contribution rate for each employer was set based on the annual cost of new benefits being earned plus any adjustment required to pay for their individual deficit.

## Assumptions

The key assumptions used to value the benefits at 31 March 2019 are summarised below:

| Assumption               | 31 March 2019   |
|--------------------------|---|
| Discount rate            | 5.3% p.a.   |
| Pension increases (CPI)  | 2.6% p.a.   |
| Salary increases         | 3.6% p.a.   |
| Pension increases on GMP | Funds will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, we have assumed that Funds will be required to pay the entire inflationary increases.   |
| Mortality                | The post retirement mortality assumptions adopted are the S3PA series with a multiplier of 115% for males and 110% for females, whilst making allowance for CMI 2018 projected improvements with a long term rate of improvement of 1.25% p.a., a smoothing parameter of 7.5 and an additional initial rate of improvement of 0.5% p.a. |
| Retirement               | Each member retires at a single age, weighted based on when each part of their pension is payable unreduced   |
| Commutation              | Members will convert 50% of the maximum possible amount of pension into cash  |

## Updated position since the 2019 valuation

Since 31 March 2019, investment returns have been lower than assumed at the 2019 triennial valuation and the market value of the assets held by the Fund has fallen by around 1%. The value placed on the liabilities will have increased due to the accrual of new benefits and interest but will have decreased as a result of paying benefits and an increase in the real discount rate due to a fall in CPI inflation over the period.

Overall, we expect that the funding position will have improved slightly when compared on a consistent basis to 31 March 2019 as some of the effects of short-term volatility from market conditions is mitigated by our smoothed funding model.

The next formal valuation will be carried out as at 31 March 2022 with new contribution rates set from 1 April 2023.



**Barry McKay FFA**  
**Partner**



## **INDEPENDENT AUDITOR'S STATEMENT TO THE MEMBERS OF THE ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD ON THE PENSION FUND FINANCIAL STATEMENTS**

We have examined the pension fund financial statements for the year ended 31 March 2020, which comprise the Fund Account, the Net Assets Statement and the related notes 1 to 26.

### **Respective responsibilities of the Chief Financial Officer and the auditor**

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Financial Officer is responsible for the preparation of the pension fund's financial statements in accordance with applicable United Kingdom law.

Our responsibility is to report to you my opinion on the consistency of the pension fund financial statements within the pension fund annual report with the pension fund financial statements in the statement of accounts of The Royal Borough of Windsor and Maidenhead, and its compliance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

We also read the other information contained in the pension fund annual report and consider the implications for my report if we become aware of any apparent misstatements or material inconsistencies with the pension fund financial statements. The other information consists only the information included in the pension fund's Annual Report, other than the financial statements and our auditor's report thereon.

We conducted my work in accordance with Auditor Guidance Note 07 – Auditor Reporting, issued by the National Audit Office. Our report on the administering authority's full annual statement of accounts describes the basis of our opinions on those financial statements.

### **Opinion**

In our opinion, the pension fund financial statements are consistent with the full annual statement of accounts of The Royal Borough of Windsor and Maidenhead for the year ended 31 March 2020 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Jonathan Gooding, FCA (Appointed auditor)  
For and on behalf of Deloitte LLP  
St. Alban, UK



## **STATEMENT OF RESPONSIBILITIES FOR THE ROYAL COUNTY OF BERKSHIRE PENSION FUND ACCOUNTS**

### **The Royal Borough of Windsor and Maidenhead's Responsibilities**

The Royal Borough is required:

- To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. The Pension Fund Manager is the officer fulfilling that responsibility;
- To manage its affairs so as to secure economic, efficient and effective use of resources and safeguard its assets;
- To approve the Fund's statement of accounts;

### **The Head of Finance's Responsibilities**

The Head of Finance is responsible for the preparation of the Fund's statement of accounts in accordance with proper practices set out in the CIPFA Code of Practice on Local Authority Accounting.

In preparing this statement of accounts, the Head of Finance has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code of Practice on Local Authority Accounting;
- Kept proper accounting records which were up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

**Adele Taylor**  
**Director of Resources**



## PENSION FUND ACCOUNTS

### The Royal County of Berkshire Pension Fund fund account

| 2018/19<br>£'000 |  | Notes | 2019/20<br>£'000 |
|------------------|--|-------|------------------|
|                  | <b>Dealings with members, employers and others directly involved in the Fund</b>               |       |                  |
| (116,990)        | Contributions  | 7     | (127,113)        |
| (8,130)          | Transfers in from other pension funds  | 8     | (14,448)         |
| (125,120)        |  |       | (141,561)        |
| 102,835          | Benefits   | 9     | 113,361          |
| 10,526           | Payments to and on account of leavers  | 10    | 20,532           |
| 113,361          |  |       | 133,893          |
| (11,759)         | <b>Net additions from dealings with members</b>  |       | (7,668)          |
| 11,093           | Management expenses  | 11    | 24,765           |
| (666)            | <b>Net (additions)/withdrawals including fund management expenses</b>                          |       | 17,097           |
|                  | <b>Returns on investments</b>  |       |                  |
| (43,766)         | Investment income  | 12    | (40,415)         |
| 4,734            | Taxes on income  | 13    | (47)             |
| (29,982)         | (Profits) and losses on disposal of investments and changes in the market value of investments | 14    | 100,361          |
| (69,014)         | <b>Net return on investments</b>   |       | 59,899           |
| (69,680)         | <b>Net (increase)/decrease in the net assets available for benefits during the year</b>        |       | 76,996           |
| (2,012,263)      | <b>Opening net assets of the scheme</b>  |       | (2,081,943)      |
| (2,081,943)      | <b>Closing net assets of the scheme</b>  |       | (2,004,947)      |

### The Royal County of Berkshire Pension Fund net assets statement

| 2018/19<br>£'000 |   | Notes | 2019/20<br>£'000 |
|------------------|---|-------|------------------|
| 2,185,058        | Investment assets   | 14    | 2,149,373        |
| (108,271)        | Investment liabilities  | 14    | (154,074)        |
| 2,076,787        | <b>Total net investments</b>  |       | 1,995,299        |
| 14,814           | Current assets  | 21    | 12,258           |
| 14,814           |   |       | 12,258           |
| (9,658)          | Current liabilities   | 22    | (2,610)          |
| 2,081,943        | <b>Net assets of the fund available to fund benefits at the end of the reporting period</b> |       | 2,004,947        |

The fund's financial statements do not take account of liabilities to pay pensions and others benefits after the period end. The actuarial present value of promised retirement benefits is disclosed at Note 20.

## NOTES TO THE PENSION FUND

### Notes to the Royal County of Berkshire Pension Fund Accounts for the year ended 31 March 2020

#### 1 Description of Fund

The Royal County of Berkshire Pension Fund (the 'fund') is part of the Local Government Pension Scheme and is administered by the Royal Borough of Windsor and Maidenhead.

##### a) General

The fund is governed by the Public Service Pensions Act 2013. The fund is administered in accordance with the following secondary legislation:

- The Local Government Pension Scheme Regulations 2013 (as amended);
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended);
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

It is a contributory defined benefit pension scheme administered by the Royal Borough of Windsor and Maidenhead to provide pensions and other benefits for pensionable employees of the 6 unitary local authorities in the geographical region of Berkshire, and a range of other scheduled and admitted bodies. Teachers, police officers and firefighters are not included as they come within other national pension schemes.

The fund is overseen by the Pension Fund Panel, which is a committee of the Royal Borough of Windsor and Maidenhead.

##### b) Membership

Membership of the LGPS is voluntary. Employees are automatically enrolled into the fund and are free to choose whether to remain in the fund, opt-out of the fund, or make their own personal arrangements outside the fund.

Organisations participating in the Royal County of Berkshire Pension Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the fund.
- Admitted bodies, which are other organisations that participate in the fund under an admission agreement between the fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

Membership details are set out below:

| The Royal County of Berkshire Pension Fund       | 31 March<br>2019 | 31 March<br>2020 |
|--|------------------|------------------|
| Number of employers with active members          | 204              | 205              |
| <b>Number of employees in scheme</b>             |                  |                  |
| Administering authority                          | 1,594            | 1,584            |
| Unitary authorities                              | 13,297           | 14,840           |
| Other employers                                  | 11,008           | 9,271            |
| <b>Total</b>                                     | <b>25,899</b>    | <b>25,695</b>    |
| <b>Number of pensioners</b>                      |                  |                  |
| Administering authority                          | 1,878            | 1,991            |
| Unitary authorities                              | 9,354            | 10,201           |
| Other employers                                  | 6,618            | 6,593            |
| <b>Total</b>                                     | <b>17,850</b>    | <b>18,785</b>    |
| <b>Deferred pensioners</b>                       |                  |                  |
| Administering authority                          | 3,564            | 3,559            |
| Unitary authorities                              | 15,601           | 17,076           |
| Other employers                                  | 7,403            | 6,875            |
| <b>Total</b>                                     | <b>26,568</b>    | <b>27,510</b>    |
| <b>Total number of members in pension scheme</b> | <b>70,317</b>    | <b>71,990</b>    |

##### c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the LGPS Scheme Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ended 31 March 2020. Employers' contributions are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2019. During 2019/20, employer contribution rates ranged from 10.1% to 31.3% of pensionable pay.

## NOTES TO THE PENSION FUND

### 1 Description of Fund (continued)

#### d) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service, summarised below.

|                 | Service pre 1 April 2008  | Service post 1 April 2008   |
|-----------------|---|---|
| <b>Pension</b>  | Each year worked is worth 1/80 x final pensionable salary.  | Each year worked is worth 1/60 x final pensionable salary.  |
| <b>Lump Sum</b> | Automatic lump sum of 3 x salary.<br><br>In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up. | No automatic lump sum.<br>Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up. |

From 1 April 2014, the fund became a career average revalued earnings (CARE) scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is updated annually in line with the Consumer Prices Index.

There are a range of other benefits provided under the fund including early retirement, disability pensions and death benefits. For more details, please refer to the Royal County of Berkshire Pension Fund website.

### 2 Basis of preparation

The Statement of Accounts summarises the fund's transactions for the 2019/20 financial year and its position at year-end as at 31 March 2020. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 ('the code') which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

Paragraph 3.3.1.2 of the Code requires disclosure of any accounting standards issued but not yet adopted. No such accounting standards have been identified for 2019/20.

The accounts summarise the transactions of the fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year.

### 3 Summary of significant accounting policies

#### Fund account - revenue recognition

##### a) Contribution income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis. Employee's contribution rates are set in accordance with LGPS regulations. Employer's contributions are set at the percentage rate recommended by the fund actuary.

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the rates and adjustments certificate set by the fund actuary.

Additional employers' contributions in respect of ill-health and early retirements are accounted for in the period in which they are due. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

##### b) Transfers to and from other schemes

Transfers in and out relate to members who have either joined or left the fund.

Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see note 3m) to purchase fund benefits are accounted for on a receipts basis and are included in transfers in (see Note 8).

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

## NOTES TO THE PENSION FUND

### Fund account - revenue recognition (continued)

#### c) Investment income

##### i) Interest income

Interest income is recognised in the fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition.

##### ii) Dividend income

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

##### iii) Distributions from pooled funds

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

##### iv) Movement in the net market value of investments

Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year.

### Fund Account - expense items

#### d) Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be payable during the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

#### e) Taxation

The fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

#### f) Management expenses

The fund discloses its pension fund management expenses in accordance with the CIPFA guidance *Accounting for LGPS Management Expenses (2016)*. All items of expenditure are charged to the fund on an accruals basis as follows:

##### Administrative expenses

All staff costs of the pensions administration team are charged direct to the fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the fund.

##### Oversight and governance costs

All staff costs associated with governance and oversight are charged direct to the fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the fund.

##### Investment management expenses

Fees of the external investment manager and custodian are agreed in the respective mandates governing their appointments. Most are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change, but there are a number of fixed price contracts with annual inflation related increases.



### Net Assets Statement

#### g) Financial assets

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the fund becomes party to the contractual acquisition of the asset. From this date, any gains or losses arising from changes in the fair value of the asset are recognised in the fund account.

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see note 16). For the purposes of disclosing levels of fair value hierarchy, the fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

#### h) Foreign currency transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

#### i) Derivatives

The fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The fund does not hold derivatives for speculative purposes.

Longevity swaps are valued on a fair value basis based on the expected future cash flows arising under the swap, discounted using market interest rates and taking into account the risk premium inherent in the contract.

#### j) Cash and cash equivalents

Cash comprises cash in hand and demand deposits and includes amounts held by the fund's external managers.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

#### k) Financial liabilities

The fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the net assets statement on the date the fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the fund.

#### l) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the fund actuary in accordance with the requirements of International Accounting Standards (IAS19) and relevant actuarial standards.

As permitted under the code, the fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (Note 20).

#### m) Additional voluntary contributions

The Royal County of Berkshire Pension Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the pension fund.

AVCs are not included in the accounts in accordance with section 4(1)(b) of the LGPS (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (Note 23).

#### n) Contingent assets and contingent liabilities

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of future events.

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

Contingent assets and liabilities are not recognised in the net assets statement but are disclosed by way of narrative in the notes.

## NOTES TO THE PENSION FUND

### 4 Critical judgements in applying accounting policies

In applying the Fund's accounting policies, which are described in note 3, the Fund is required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. There were no critical judgements made, apart from those involving estimations (which are presented separately below).

### 5 Assumptions made about the future and other major sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

The items in the financial statements and notes at 31 March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

| Item   | Uncertainties   | Effect if actual results differ from assumptions   |
|--|---|--|
| <b>Actuarial present value of promised retirement benefits</b> | Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied. Further information on the carrying amounts of the Fund's defined benefit obligation and the setting of the assumptions are provided in notes 19 and 20. | The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of approximately £84.7 million. A 0.1% increase in pension increases and deferred revaluation assumption would increase the value of liabilities by approximately £80.7 million, and a one-year increase in assumed life expectancy would increase the liability by approximately £165.6 million. |
| <b>Longevity Insurance Policy</b>                              | The longevity insurance policy is valued by a firm of consulting actuaries. This valuation is the difference between the discounted cash flows relating to the amounts expected to be reimbursed to the fund and the inflation linked premiums expected to be paid by the fund. The carrying amount as at 31 March 2020 is (£121.8m). This valuation depends on a number of complex judgements including the discount and mortality rates.  | Changes in the discount rate and mortality rate assumptions would result in a material change to the carrying value in a similar way to the value of the pension fund liability disclosed above.   |
| <b>Private equity investments</b>                              | Private equity investments are valued at fair value in accordance with the International Private Equity and Venture Capital Board guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.  | The valuations of private equity investments are particularly sensitive to changes in one or more unobservable inputs which are considered reasonably possible within the next financial year. Changes to the inputs could result in a material change to the carrying value. Further information on the carrying amounts of the private equity and the estimated sensitivity are shown in note 16.  |

#### Covid-19 impact

The ongoing impact of the Covid-19 pandemic has created uncertainty surrounding global financial and property markets. As such, the Pension Fund's pooled property allocations as at 31 March 2020 is difficult to value according to preferred accounting policy. The valuation for these assets may be inaccurate to the true 31 March position.

### 6 Events after the balance sheet date

#### Impact of the McCloud judgement

The McCloud court case relates to possible age discrimination within the New Judicial Pension Scheme. At this point in time, it is unclear as to how this judgement, or any future judgement, may affect LGPS members' past or future service benefits, and the actuary is awaiting guidance from the governing bodies of the LGPS. The actuary has therefore estimated the impact using analysis from the Government Actuary's Department as a starting point. The estimated impact would be an increase of 0.7% of liabilities on total liabilities at 31 March 2020 (which equates to £29.3m).

## NOTES TO THE PENSION FUND

### 7 Contributions receivable

#### By category

| 2018/19<br>£'000 |                                       | 2019/20<br>£'000 |
|------------------|---------------------------------------|------------------|
| 27,654           | Members' contributions                | 28,635           |
|                  | <b>Employers' contributions</b>       |                  |
| 64,323           | Normal contributions                  | 69,417           |
| 22,604           | Deficit recovery contributions        | 27,506           |
| 2,409            | Augmentation contributions            | 1,555            |
| <b>89,336</b>    | <b>Total employer's contributions</b> | <b>98,478</b>    |
| <b>116,990</b>   |                                       | <b>127,113</b>   |

#### By type of employer

| 2018/19<br>£'000 |                           | 2019/20<br>£'000 |
|------------------|---------------------------|------------------|
| 10,680           | Administering authority   | 11,709           |
| 94,499           | Scheduled bodies          | 101,630          |
| 5,761            | Admitted bodies           | 6,248            |
| 6,049            | Transferee admission body | 7,525            |
| <b>116,989</b>   |                           | <b>127,112</b>   |

### 8 Transfers in from other pension funds

| 2018/19<br>£'000 |   | 2019/20<br>£'000 |
|------------------|---|------------------|
| 8,055            | Individual transfers from other pension funds | 14,133           |
| 75               | AVC to purchase scheme benefits               | 315              |
| <b>8,130</b>     |   | <b>14,448</b>    |

### 9 Benefits payable

#### By category

| 2018/19<br>£'000 |  | 2019/20<br>£'000 |
|------------------|--|------------------|
| 85,105           | Pensions                                     | 90,704           |
| 15,674           | Commutation and lump sum retirement benefits | 19,557           |
| 2,056            | Lump sum death benefits                      | 3,100            |
| <b>102,835</b>   |  | <b>113,361</b>   |

#### By type of employer

| 2018/19<br>£'000 |                           | 2019/20<br>£'000 |
|------------------|---------------------------|------------------|
| 11,122           | Administering authority   | 12,722           |
| 82,004           | Scheduled bodies          | 89,402           |
| 6,987            | Admitted bodies           | 8,295            |
| 2,722            | Transferee admission body | 2,942            |
| <b>102,835</b>   |                           | <b>113,361</b>   |

### 10 Payments to and on account of leavers

| 2018/19<br>£'000 |   | 2019/20<br>£'000 |
|------------------|---|------------------|
| 485              | Refunds to members leaving service          | 639              |
| 0                | Group transfers to other pension funds      | 9,000            |
| 10,041           | Individual transfers to other pension funds | 10,893           |
| <b>10,526</b>    |   | <b>20,532</b>    |

## NOTES TO THE PENSION FUND

### 11 Management expenses

| 2018/19<br>£'000 |                                | 2019/20<br>£'000 |
|------------------|--------------------------------|------------------|
| 1,349            | Administrative costs           | 1,754            |
| 9,698            | Investment management expenses | 22,954           |
| 46               | Oversight and governance costs | 57               |
| <b>11,093</b>    |                                | <b>24,765</b>    |

#### a) Investment management expenses

| 2018/19<br>£'000 |                 | 2019/20<br>£'000 |
|------------------|-----------------|------------------|
| 9,414            | Management Fees | 22,756           |
| 284              | Custody Fees    | 198              |
| <b>9,698</b>     |                 | <b>22,954</b>    |

### 12 Investment income

| 2018/19<br>£'000 |  | 2019/20<br>£'000 |
|------------------|--|------------------|
| 14,080           | Income from equities                                   | 12,206           |
| 2,874            | Income from bonds                                      | 4,054            |
| 15,151           | Private equity income                                  | 11,712           |
| 9,153            | Pooled property investments                            | 10,272           |
| 733              | Pooled investments - unit trusts & other managed funds | 435              |
| 1,775            | Interest on cash deposits                              | 1,736            |
| <b>43,766</b>    | <b>Total before taxes</b>                              | <b>40,415</b>    |

### 13 Other fund account disclosures

#### a) Taxes on income

| 2018/19<br>£'000 |   | 2019/20<br>£'000 |
|------------------|---|------------------|
| 583              | Withholding tax - equities                    | (280)            |
| 175              | Withholding tax - pooled property investments | 233              |
| 3,976            | Withholding tax - pooled investments          | 0                |
| <b>4,734</b>     |   | <b>(47)</b>      |

#### b) External audit costs

| 2018/19<br>£'000 |                                      | 2019/20<br>£'000 |
|------------------|--------------------------------------|------------------|
| 21               | Payable in respect of external audit | 55               |
| <b>21</b>        |                                      | <b>55</b>        |

### 14 Investments

| Market value<br>31 March 2019<br>£'000 |                                     | Market value<br>31 March 2020<br>£'000 |
|--|-------------------------------------|--|
|  | <b>Investment assets</b>            |  |
| 2,226                                  | Bonds                               | 2,339                                  |
| 23,588                                 | Equities                            | 25,217                                 |
| 997,973                                | Pooled investments                  | 995,687                                |
| 137,972                                | Pooled liquidity funds              | 189,099                                |
| 294,011                                | Pooled property investments         | 292,107                                |
| 696,663                                | Private equity                      | 605,868                                |
|  | Derivative contracts:               |  |
| 413                                    | - Forward currency contracts        | 1,281                                  |
| 29,819                                 | Cash deposits                       | 35,724                                 |
| 2,393                                  | Investment income due               | 2,051                                  |
| <b>2,185,058</b>                       | <b>Total investment assets</b>      | <b>2,149,373</b>                       |
|  | <b>Investment liabilities</b>       |  |
|  | Derivative contracts:               |  |
| (4,471)                                | - Forward currency contracts        | (32,245)                               |
| (103,800)                              | - Longevity Insurance Policy        | (121,829)                              |
| <b>(108,271)</b>                       | <b>Total investment liabilities</b> | <b>(154,074)</b>                       |
| <b>2,076,787</b>                       | <b>Net investment assets</b>        | <b>1,995,299</b>                       |

## NOTES TO THE PENSION FUND

### 14 Investments (continued)

#### a) Reconciliation of movements in investments and derivatives

|                              | Market value<br>1 April 2019 | Purchases during the<br>year and derivative<br>payments | Sales during the year &<br>derivative receipts | Change in<br>market value<br>during the<br>year | Market value<br>31 March 2020 |
|------------------------------|------------------------------|---|--|---|-------------------------------|
|                              | £'000                        | £'000   | £'000  | £'000   | £'000                         |
| Bonds                        | 2,226                        | 0   | 0  | 113   | 2,339                         |
| Equities                     | 23,588                       | 1,245   | 0  | 384   | 25,217                        |
| Pooled investments           | 997,973                      | 79,074  | (19,886)                                       | (61,474)  | 995,687                       |
| Pooled liquidity funds       | 137,972                      | 309,180   | (260,461)                                      | 2,408   | 189,099                       |
| Pooled property investments  | 294,011                      | 0   | 0  | (1,904)   | 292,107                       |
| Private equity               | 696,663                      | 129,504   | (241,482)                                      | 21,183  | 605,868                       |
|                              | 2,152,433                    | 519,003   | (521,829)                                      | (39,290)  | 2,110,317                     |
| Derivative contracts:        |                              |   |  |   |                               |
| - Forward currency contracts | (4,058)                      | 149,235   | (140,145)                                      | (35,996)  | (30,964)                      |
| - Longevity insurance policy | (103,800)                    | 8,463   | 0  | (26,492)  | (121,829)                     |
|                              | 2,044,575                    | 676,701   | (661,974)                                      | (101,778)                                       | 1,957,524                     |
| Other investment balances:   |                              |   |  |   |                               |
| - Cash deposits              | 29,819                       |   |  | 1,417   | 35,724                        |
| - Investment income due      | 2,393                        |   |  |   | 2,051                         |
| <b>Net investment assets</b> | <b>2,076,787</b>             |   |  | <b>(100,361)</b>                                | <b>1,995,299</b>              |

#### Note on property funds

Due to the unprecedented market conditions as a result of COVID-19, valuation of the property funds (included in the financial statements at £292 million) is subject to significant uncertainty at the year end date. Consequently, a higher degree of caution should be attached to the valuation of those assets than would normally be the case.

#### a) Reconciliation of movements in investments and derivatives (continued)

|  | Market value<br>1 April 2018 | Purchases during the<br>year and derivative<br>payments | Sales during the year &<br>derivative receipts | Change in<br>market value<br>during the<br>year | Market value<br>31 March 2019 |
|--|------------------------------|---|--|---|-------------------------------|
|  | £'000                        | £'000   | £'000  | £'000   | £'000                         |
| Bonds  | 100,456                      | 363   | (65,709)                                       | (32,884)  | 2,226                         |
| Equities                                     | 458,806                      | 75,282  | (500,474)                                      | (10,026)  | 23,588                        |
| Pooled investments                           | 332,724                      | 646,906   | (24,147)                                       | 42,490  | 997,973                       |
| Pooled liquidity funds                       | 295,208                      | 323,728   | (482,068)                                      | 1,104   | 137,972                       |
| Pooled property investments                  | 271,613                      | 27,442  | (20,338)                                       | 15,294  | 294,011                       |
| Private equity                               | 583,269                      | 138,288   | (125,532)                                      | 100,638   | 696,663                       |
|  | 2,042,076                    | 1,212,009   | (1,218,268)                                    | 116,616   | 2,152,433                     |
| Derivative contracts:                        |                              |   |  |   |                               |
| - Forward currency contracts                 | 3,640                        | 82,870  | (49,600)                                       | (40,968)  | (4,058)                       |
| - Longevity insurance policy                 | (63,113)                     | 6,760   | -  | (47,447)  | (103,800)                     |
|  | 1,982,603                    | 1,301,639   | (1,267,868)                                    | 28,201  | 2,044,575                     |
| Other investment balances:                   |                              |   |  |   |                               |
| - Cash deposits                              | 32,836                       |   |  | 1,781   | 29,819                        |
| - Amount receivable for sales of investments | -                            |   |  |   | -                             |
| - Investment income due                      | 3,503                        |   |  |   | 2,393                         |
| <b>Net investment assets</b>                 | <b>2,018,942</b>             |   |  | <b>29,982</b>                                   | <b>2,076,787</b>              |

Purchases and sales of derivatives are recognised in note 14a above as follows:

Forward currency contracts - forward foreign exchange contracts settled during the period are reported on a gross basis as gross receipts and payments.

Longevity insurance policy - the net payments or receipts under the contract are reported in the above reconciliation table.

# NOTES TO THE PENSION FUND

## 14 Investments (continued)

### b) Analysis of investments

| 31 March 2019<br>£'000                          |   | 31 March 2020<br>£'000 |  |
|---|---|------------------------|--|
| <b>Investment assets</b>                        |   |                        |  |
| <b>Bonds</b>                                    |   |                        |  |
| <b>Overseas</b>                                 |   |                        |  |
| 2,226   | Corporate unquoted                                | 2,339                  |  |
| <b>2,226</b>                                    |   | <b>2,339</b>           |  |
| <b>Equities</b>                                 |   |                        |  |
| <b>UK</b>                                       |   |                        |  |
| 23,588  | Quoted  | 25,217                 |  |
| <b>23,588</b>                                   |   | <b>25,217</b>          |  |
| <b>Pooled investments - additional analysis</b> |   |                        |  |
| <b>UK</b>                                       |   |                        |  |
| 935,447   | Unit Trusts                                       | 933,161                |  |
| <b>Overseas</b>                                 |   |                        |  |
| 62,526  | Unit Trusts                                       | 62,526                 |  |
| <b>997,973</b>                                  |   | <b>995,687</b>         |  |
| <b>Other investment assets</b>                  |   |                        |  |
| 137,972   | Pooled liquidity funds                            | 189,099                |  |
| 294,011   | Pooled property funds                             | 292,107                |  |
| 696,663   | Private Equity                                    | 605,868                |  |
| 413   | Derivative contracts - Forward Currency Contracts | 1,281                  |  |
| 29,819  | Cash deposits                                     | 35,724                 |  |
| 2,393   | Investment income due                             | 2,051                  |  |
| <b>1,161,271</b>                                |   | <b>1,126,130</b>       |  |
| <b>2,185,058</b>                                | <b>Total investment assets</b>                    | <b>2,149,373</b>       |  |
| <b>Investment liabilities</b>                   |   |                        |  |
| (4,471)   | Derivative contracts - Forward Currency Contracts | (32,245)               |  |
| (103,800)                                       | Derivative contracts - Longevity insurance policy | (121,829)              |  |
| <b>(108,271)</b>                                | <b>Total investment liabilities</b>               | <b>(154,074)</b>       |  |
| <b>2,076,787</b>                                | <b>Net investment assets</b>                      | <b>1,995,299</b>       |  |

### c) Investments analysed by fund manager

| Market value<br>31 March 2019<br>£'000 |              | Market value<br>31 March 2020<br>£'000 |              |
|--|--------------|--|--------------|
| 2,180,587                              | 105.0        | 2,117,128                              | 106.1        |
| (103,800)                              | -5.0         | (121,829)                              | -6.1         |
| <b>2,076,787</b>                       | <b>100.0</b> | <b>1,995,299</b>                       | <b>100.0</b> |

In June 2018 the fund transferred the management of all investment assets to Local Pensions Partnership (LPP) Investments as part of the government's LGPS pooling initiative.

The above organisation is registered in the United Kingdom.

The following investments represent more than 5% of the net assets of the fund

| Investment                 | Market value<br>31 March 2019<br>£'000 | % of total fund | Market value<br>31 March 2020<br>£'000 | % of total fund |
|----------------------------|--|-----------------|--|-----------------|
| Longevity Insurance Policy | (103,800)                              | 5.0             | (121,829)                              | 6.1             |
| Lasalle Global Real Estate | 167,515                                | 8.0             | 170,681                                | 8.5             |
| LPPI Global Equities Fund  | 624,010                                | 30.0            | 632,076                                | 31.5            |

## NOTES TO THE PENSION FUND

### 15 a) Analysis of derivatives

#### Objectives and policies for holding derivatives

Most of the holding in derivatives is to hedge liabilities or hedge exposures to reduce risk in the fund. Derivatives may be used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives is managed in line with the investment management agreement agreed between the fund and the various investment managers.

#### - Forward foreign currency

To maintain appropriate diversification and to take advantage of overseas investment returns, a significant proportion of the fund's portfolio is in overseas assets. To reduce the volatility associated with fluctuating currency rates, the fund has a passive currency programme in place with an external manager.

#### - Longevity Insurance Policy

In December 2009 the fund entered into an insurance contract with ReAssure Ltd to cover a closed group of pensioner members. The fund pays ReAssure a pre-determined fixed annual premium and ReAssure reimburses the fund for pensions paid to the insured members. The contract is valued by an external firm of actuaries by considering what adjustment to the discount rate assumption (based on the Merrill Lynch LIBOR swap curve) would be required if the contract had a zero value at the date of inception. A similar adjustment is then made to the discount rate assumption at the accounting date to calculate the updated value of the contract.

#### Open forward currency contracts

| Settlement  | Currency bought | Local value<br>'000 | Currency sold | Local value<br>'000 | Asset value<br>£000 | Liability value<br>£000 |
|---|-----------------|---------------------|---------------|---------------------|---------------------|-------------------------|
| One to six months                                       | GBP             | 10,372              | NOK           | (128,579)           | 507                 |                         |
| One to six months                                       | JPY             | 3,854,479           | GBP           | (28,366)            | 483                 |                         |
| One to six months                                       | GBP             | 10,467              | AUD           | (20,813)            | 206                 |                         |
| One to six months                                       | CHF             | 9,707               | GBP           | (8,026)             | 85                  |                         |
| One to six months                                       | GBP             | 10,399              | CAD           | (18,510)            |                     | (82)                    |
| One to six months                                       | CLP             | 4,413,252           | USD           | (5,294)             |                     | (84)                    |
| One to six months                                       | KRW             | 7,187,741           | USD           | (6,028)             |                     | (95)                    |
| One to six months                                       | INR             | 433,346             | USD           | (5,761)             |                     | (97)                    |
| One to six months                                       | SGD             | 8,342               | USD           | (5,997)             |                     | (105)                   |
| One to six months                                       | TRY             | 35,162              | USD           | (5,597)             |                     | (304)                   |
| One to six months                                       | BRL             | 25,035              | USD           | (5,332)             |                     | (426)                   |
| One to six months                                       | MXN             | 119,863             | USD           | (5,727)             |                     | (546)                   |
| One to six months                                       | GBP             | 69,424              | EUR           | (79,444)            |                     | (989)                   |
| One to six months                                       | GBP             | 587,247             | USD           | (765,789)           |                     | (29,517)                |
| <b>Open forward currency contracts at 31 March 2020</b> |                 |                     |               |                     | <b>1,281</b>        | <b>(32,245)</b>         |
| <b>Net forward currency contracts at 31 March 2020</b>  |                 |                     |               |                     |                     | <b>(30,964)</b>         |
| <b>Prior year comparative</b>                           |                 |                     |               |                     |                     |                         |
| <b>Open forward currency contracts at 31 March 2019</b> |                 |                     |               |                     | <b>413</b>          | <b>(4,471)</b>          |
| <b>Net forward currency contracts at 31 March 2019</b>  |                 |                     |               |                     |                     | <b>(4,058)</b>          |

## NOTES TO THE PENSION FUND

### 16 Fair value - Basis of valuation

The basis of the valuation of each class of investment asset is set below. There has been no change in the valuation techniques during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

| Description of asset                 | Valuation hierarchy | Basis of valuation   | Observable and unobservable inputs   | Key sensitivities affecting the valuations provided   |
|--------------------------------------|---------------------|--|--|---|
| Market quoted investments            | Level 1             | Published bid market price ruling on the final day of the accounting period  | Not required   | Not required  |
| Quoted bonds                         | Level 1             | Fixed interest securities are valued at a market value based on current yields   | Not required   | Not required  |
| Exchange traded pooled investments   | Level 1             | Closing bid values on published exchanges  | Not required   | Not required  |
| Forward foreign exchange derivatives | Level 2             | Market forward exchange rates at the year-end  | Exchange rate risk   | Not required  |
| Pooled investments - unit trusts     | Level 2             | Closing bid price where bid and offer prices are published<br>Closing single price where single price published                        | NAV-based pricing set on a forward pricing basis   | Not required  |
| Unquoted bonds                       | Level 3             | Closing bid price where bid and offer prices are published.<br>Closing single price where single price published.                      | NAV-based pricing set on a forward pricing policy.   | Valuations could be affected by material events occurring between the date of the financial statements provided and the pension funds own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts.  |
| Pooled investments - property funds  | Level 3             | Closing bid price where bid and offer prices are published.<br>Closing single price where single price published.                      | NAV-based pricing set on a forward pricing policy.   | Valuations could be affected by material events occurring between the date of the financial statements provided and the pension funds own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts.  |
| Unquoted equity                      | Level 3             | Comparable valuation of similar companies in accordance with <i>International Private Equity and venture Capital Guidelines (2012)</i> | EBITDA multiple<br>Revenue multiple<br>Discount for lack of marketability<br>Control premium | Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cash flows, and by any differences between audited and unaudited accounts |

#### Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, and consulted with investment manager, the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2020.

|                | Assessed valuation range (+/-) | Value at 31 March 2020 | Value on increase | Value on decrease |
|----------------|--------------------------------|------------------------|-------------------|-------------------|
|                |                                | £'000                  | £'000             | £'000             |
| Private equity | 3%                             | 605,868                | 624,044           | 587,692           |
| Property funds | 24.1%                          | 292,107                | 362,505           | 221,709           |
| Unquoted bond  | 13.5%                          | 2,339                  | 2,655             | 2,023             |
| <b>Total</b>   |                                | <b>900,314</b>         | <b>989,204</b>    | <b>811,424</b>    |



## NOTES TO THE PENSION FUND

### 16 Fair value - Basis of valuation (continued)

#### a) Fair value hierarchy

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur.

##### Level 1

Assets and liabilities at level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as Level 1 comprise quoted equities, quoted fixed securities and quoted index linked securities.

##### Level 2

Assets and liabilities at level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value.

##### Level 3

Assets and liabilities at level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into levels 1 to 3, based on the level at which the fair value is observable.

|   | Quoted market price | Using observable inputs | With significant unobservable inputs | Total            |
|---|---------------------|-------------------------|--------------------------------------|------------------|
| Values at 31 March 2020                                     | Level 1<br>£'000    | Level 2<br>£'000        | Level 3<br>£'000                     | £'000            |
| Financial assets at fair value through profit and loss      | 251,907             | 959,377                 | 900,314                              | 2,111,598        |
| Financial liabilities at fair value through profit and loss | 0                   | (32,245)                | (121,829)                            | (154,074)        |
| <b>Net investment assets</b>                                | <b>251,907</b>      | <b>927,132</b>          | <b>778,485</b>                       | <b>1,957,524</b> |

|   | Quoted market price | Using observable inputs | With significant unobservable inputs | Total            |
|---|---------------------|-------------------------|--------------------------------------|------------------|
| Values at 31 March 2019                                     | Level 1<br>£'000    | Level 2<br>£'000        | Level 3<br>£'000                     | £'000            |
| Financial assets at fair value through profit and loss      | 161,561             | 998,385                 | 992,900                              | 2,152,846        |
| Financial liabilities at fair value through profit and loss | 0                   | (4,471)                 | (103,800)                            | (108,271)        |
| <b>Net investment assets</b>                                | <b>161,561</b>      | <b>993,914</b>          | <b>889,100</b>                       | <b>2,044,575</b> |

#### b) Reconciliation of fair value measurements within level 3

|                 | Market value<br>31 March 2019 | Purchases during<br>the year | Sales during<br>the year | Unrealised gains/<br>(losses) | Realised gains/<br>(losses) | Market value<br>31 March 2020 |
|-----------------|-------------------------------|------------------------------|--------------------------|-------------------------------|-----------------------------|-------------------------------|
|                 | £'000                         | £'000                        | £'000                    | £'000                         | £'000                       | £'000                         |
| Unquoted bond   | 2,226                         |                              |                          |                               | 113                         | 2,339                         |
| Private equity  | 696,663                       | 129,504                      | (241,482)                | (59,321)                      | 80,504                      | 605,868                       |
| Pooled property | 294,011                       |                              |                          | (1,904)                       |                             | 292,107                       |
|                 | <b>992,900</b>                | <b>129,504</b>               | <b>(241,482)</b>         | <b>(61,225)</b>               | <b>80,617</b>               | <b>900,314</b>                |

## NOTES TO THE PENSION FUND

### 17 Financial instruments

#### a) Classification of financial instruments

The following table analyses the carrying amounts of financial assets and liabilities by category and net assets statement heading.

| Fair value through profit and loss | Assets at amortised cost | Liabilities at amortised cost | Fair value through profit and loss | Assets at amortised cost | Liabilities at amortised cost |
|------------------------------------|--------------------------|-------------------------------|------------------------------------|--------------------------|-------------------------------|
| 31 March 2019                      |                          |                               | 31 March 2020                      |                          |                               |
| £'000                              | £'000                    | £'000                         | £'000                              | £'000                    | £'000                         |
|                                    |                          | <b>Financial assets</b>       |                                    |                          |                               |
| 2,226                              |                          | Bonds                         | 2,339                              |                          |                               |
| 23,588                             |                          | Equities                      | 25,217                             |                          |                               |
| 997,973                            |                          | Pooled investments            | 995,687                            |                          |                               |
| 137,972                            |                          | Pooled liquidity funds        | 189,099                            |                          |                               |
| 294,011                            |                          | Pooled property investments   | 292,107                            |                          |                               |
| 696,663                            |                          | Private equity                | 605,868                            |                          |                               |
| 413                                |                          | Derivative contracts          | 1,281                              |                          |                               |
| 29,819                             | 9,279                    | Cash                          | 35,724                             | 6,233                    |                               |
|                                    | 2,393                    | Other investment balances     |                                    | 2,051                    |                               |
|                                    | 5,535                    | Debtors                       |                                    | 6,025                    |                               |
| <b>2,182,665</b>                   | <b>17,207</b>            | <b>-</b>                      | <b>2,147,322</b>                   | <b>14,309</b>            | <b>-</b>                      |
|                                    |                          | <b>Financial liabilities</b>  |                                    |                          |                               |
| (108,271)                          |                          | Derivative contracts          | (154,074)                          |                          |                               |
|                                    |                          | Creditors                     |                                    |                          | (2,610)                       |
| <b>(108,271)</b>                   | <b>-</b>                 | <b>(9,658)</b>                | <b>(154,074)</b>                   | <b>-</b>                 | <b>(2,610)</b>                |
| <b>2,074,394</b>                   | <b>17,207</b>            | <b>(9,658)</b>                | <b>1,993,248</b>                   | <b>14,309</b>            | <b>(2,610)</b>                |

#### b) Net gains and losses on financial instruments

| 31 March 2019   |                                    | 31 March 2020    |
|-----------------|------------------------------------|------------------|
| £'000           |                                    | £'000            |
|                 | Financial Assets                   |                  |
| 116,616         | Fair value through profit and loss | (39,290)         |
| 1,781           | Assets at amortised cost           | 1,417            |
| <u>118,397</u>  |                                    | <u>(37,873)</u>  |
|                 | Financial Liabilities              |                  |
| (88,415)        | Fair value through profit and loss | (62,487)         |
| <u>(88,415)</u> |                                    | <u>(62,487)</u>  |
| <b>29,982</b>   | <b>Total</b>                       | <b>(100,361)</b> |

The authority has not entered into any financial guarantees that are required to be accounted for as financial instruments.

### 18 Nature and extent of risks arising from financial instruments

#### Risk and risk management

The fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the fund and to maximise the opportunity for gains across the whole fund portfolio. The fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk, and interest rate risk) and credit risk to an acceptable level. In addition, the fund manages its liquidity risk to ensure there is sufficient liquidity to meet the fund's forecast cash flows. The fund manages these investment risks as part of its overall pension fund risk management programme.

Responsibility for the fund's risk management strategy rests with the pension fund panel. Risk management policies are established to identify and analyse the risks faced by the pension fund's operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

#### a) Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising investment return.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the pension fund and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

The fund manages these risks in two ways:

- the exposure of the fund to market risk is monitored through a factor risk analysis, to ensure that risk remains within tolerable levels;
- specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments.

Equity futures contracts and exchange traded option contracts on individual securities may also be used to manage market risk on equity investments. It is possible for over-the-counter equity derivative contracts to be used in exceptional circumstances to manage specific aspects of market risk.

## NOTES TO THE PENSION FUND

### 18 Nature and extent of risks arising from financial instruments (continued)

#### Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The fund is exposed to share and derivative price risk. This arises from investments held by the fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

The fund mitigates this price risk through diversification and the selection of securities and other financial instruments is monitored to ensure it is within limits specified in the fund investment strategy.

#### Other price risk - sensitivity analysis

Following analysis of historical data and expected investment return during the financial year the council has determined that the following movements in market price risk are reasonably possible for the 2020/21 reporting period:

| Asset type                                   | Potential market movements (+/-) |
|--|----------------------------------|
| Bonds  | 13.5%                            |
| Equities - listed                            | 21.8%                            |
| Equities - unlisted                          | 32.7%                            |
| Private Equity                               | 32.7%                            |
| Private Equity - Credit                      | 13.5%                            |
| Private Equity - Infrastructure              | 18.9%                            |
| Pooled investments - Equity                  | 21.8%                            |
| Pooled investments - Bonds                   | 8.3%                             |
| Pooled investments - Credit                  | 13.5%                            |
| Pooled investments - Diversifying strategies | 10.4%                            |
| Pooled Property Funds                        | 24.1%                            |

The potential price changes disclosed above are broadly consistent with a one-standard deviation movement in the value of the assets. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Had the market price of the fund investments increased/decreased in line with the above, the change in the net assets available to pay benefits in the market price would have been as follows (with prior year comparator):

| Asset type                           | Value as at 31<br>March 2020 | Potential market<br>movement | Value on<br>increase | Value on<br>decrease |
|--------------------------------------|------------------------------|------------------------------|----------------------|----------------------|
|                                      | £'000                        | £'000                        | £'000                | £'000                |
| <b>Investment portfolio assets:</b>  |                              |                              |                      |                      |
| Bonds                                | 2,339                        | 316                          | 2,655                | 2,023                |
| Equities - listed                    | -                            | -                            | -                    | -                    |
| Equities - unlisted                  | 25,217                       | 8,233                        | 33,450               | 16,984               |
| Pooled investments - Equity          | 861,025                      | 187,703                      | 1,048,728            | 673,322              |
| Pooled investments - Bonds           | 62,166                       | 5,172                        | 67,338               | 56,994               |
| Pooled investments - Credit          | 4,586                        | 619                          | 5,205                | 3,967                |
| Pooled investments - Div. strategies | 67,910                       | 7,083                        | 74,993               | 60,827               |
| Pooled liquidity funds               | 189,099                      | -                            | 189,099              | 189,099              |
| Pooled Property Funds                | 292,107                      | 70,485                       | 362,592              | 221,622              |
| Private Equity                       | 262,331                      | 85,651                       | 347,982              | 176,680              |
| Private Equity - Credit              | 165,566                      | 22,335                       | 187,901              | 143,231              |
| Private Equity - Infrastructure      | 177,972                      | 33,637                       | 211,609              | 144,335              |
| Net derivative liabilities           | (152,794)                    | -                            | (152,794)            | (152,794)            |
| Cash deposits                        | 35,724                       | -                            | 35,724               | 35,724               |
| Investment income due                | 2,051                        | -                            | 2,051                | 2,051                |
| <b>Current assets:</b>               |                              |                              |                      |                      |
| Debtors                              | 6,025                        | -                            | 6,025                | 6,025                |
| Cash balances                        | 6,233                        | -                            | 6,233                | 6,233                |
| <b>Current liabilities</b>           | (2,610)                      | -                            | (2,610)              | (2,610)              |
| <b>Total</b>                         | <b>2,004,947</b>             |                              | <b>2,426,181</b>     | <b>1,583,713</b>     |

## NOTES TO THE PENSION FUND

### 18 Nature and extent of risks arising from financial instruments (continued)

#### Other price risk - sensitivity analysis (continued)

| Asset type                           | Value as at 31<br>March 2019 | Potential market<br>movement | Value on<br>increase | Value on<br>decrease |
|--------------------------------------|------------------------------|------------------------------|----------------------|----------------------|
|                                      | £'000                        | £'000                        | £'000                | £'000                |
| <b>Investment portfolio assets:</b>  |                              |                              |                      |                      |
| Bonds                                | 2,226                        | 165                          | 2,390                | 2,061                |
| Equities - listed                    | -                            | -                            | -                    | -                    |
| Equities - unlisted                  | 23,588                       | 5,874                        | 29,462               | 17,715               |
| Pooled investments - Equity          | 847,473                      | 145,765                      | 993,238              | 701,708              |
| Pooled investments - Bonds           | 64,597                       | 4,070                        | 68,667               | 60,527               |
| Pooled investments - Credit          | 6,979                        | 516                          | 7,495                | 6,463                |
| Pooled investments - Div. strategies | 78,924                       | 6,866                        | 85,790               | 72,057               |
| Pooled liquidity funds               | 137,972                      | -                            | 137,972              | 137,972              |
| Pooled Property Funds                | 294,011                      | 55,274                       | 349,285              | 238,737              |
| Private Equity                       | 263,253                      | 65,550                       | 328,803              | 197,703              |
| Private Equity - Credit              | 234,361                      | 17,343                       | 251,703              | 217,018              |
| Private Equity - Infrastructure      | 199,049                      | 35,033                       | 234,081              | 164,016              |
| Net derivative liabilities           | (107,858)                    | -                            | (107,858)            | (107,858)            |
| Cash deposits                        | 29,819                       | -                            | 29,819               | 29,819               |
| Investment income due                | 2,393                        | -                            | 2,393                | 2,393                |
| <b>Current assets:</b>               |                              |                              |                      |                      |
| Debtors                              | 5,535                        | -                            | 5,535                | 5,535                |
| Cash balances                        | 9,279                        | -                            | 9,279                | 9,279                |
| <b>Current liabilities</b>           | <b>(9,658)</b>               | <b>-</b>                     | <b>(9,658)</b>       | <b>(9,658)</b>       |
| <b>Total</b>                         | <b>2,081,943</b>             |                              | <b>2,418,396</b>     | <b>1,745,487</b>     |

#### Interest rate risk

The fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The fund's interest rate risk is routinely monitored by the council and its investment advisors in accordance with the fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks.

The fund's direct exposure to interest rate movements as at 31 March 2020 and 31 March 2019 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

#### Interest rate risk sensitivity analysis

The fund recognises that interest rates can vary and can affect both income to the fund and the value of the net assets available to pay benefits. A 100 basis point (BPS) movement in interest rates is consistent with the level of sensitivity applied as part of the fund's risk management strategy.

1 BPS is the movement of 0.01% between two percentages, for example from 0.50% to 0.51%. Therefore 100BPS is the movement of 1.00% between two percentages, for example from 0.50% to 1.50%.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a  $\pm$  100 BPS change in interest rates:

| Asset exposed to<br>interest rate risk  | Value as at 31<br>March 2020 | Change in year in the net assets available to pay<br>benefits |                    |
|---|------------------------------|---|--------------------|
|   | £'000                        | + 100 BPS<br>£'000  | - 100 BPS<br>£'000 |
| Investments - Pooled liquidity funds    | 189,099                      | 189,099   | 189,099            |
| Investments - Cash deposits             | 35,724                       | 35,724  | 35,724             |
| Current assets - Cash balances          | 6,233                        | 6,233   | 6,233              |
| Bonds                                   | 2,339                        | (47)  | 47                 |
| <b>Total change in assets available</b> | <b>233,395</b>               | <b>231,009</b>  | <b>231,103</b>     |

| Asset exposed to<br>interest rate risk  | Value as at 31<br>March 2019 | Change in year in the net assets available to pay<br>benefits |                    |
|---|------------------------------|---|--------------------|
|   | £'000                        | + 100 BPS<br>£'000  | - 100 BPS<br>£'000 |
| Investments - Pooled liquidity funds    | 137,972                      | 137,972   | 137,972            |
| Investments - Cash deposits             | 29,819                       | 29,819  | 29,819             |
| Current assets - Cash balances          | 9,279                        | 9,279   | 9,279              |
| Bonds                                   | 2,226                        | (67)  | 67                 |
| <b>Total change in assets available</b> | <b>179,296</b>               | <b>177,003</b>  | <b>177,137</b>     |

## NOTES TO THE PENSION FUND

### 18 Nature and extent of risks arising from financial instruments (continued)

#### Interest rate risk sensitivity analysis (continued)

| Income exposed to interest rate risk     | Amount receivable in year ending 31 March 2020 | Effect on income values |              |
|--|--|-------------------------|--------------|
|  |  | + 100 BPS               | - 100 BPS    |
|  | £'000  | £'000                   | £'000        |
| Cash balances/cash and cash equivalents  | 1,736  | 1,754                   | 1,719        |
| Bonds                                    | 4,054  | 4,054                   | 4,054        |
| <b>Total change in income receivable</b> | <b>5,790</b>                                   | <b>5,808</b>            | <b>5,773</b> |

| Income exposed to interest rate risk     | Amount receivable in year ending 31 March 2019 | Effect on income values |              |
|--|--|-------------------------|--------------|
|  |  | + 100 BPS               | - 100 BPS    |
|  | £'000  | £'000                   | £'000        |
| Cash balances/cash and cash equivalents  | 1,775  | 1,678                   | 1,757        |
| Bonds                                    | 2,874  | 2,874                   | 2,874        |
| <b>Total change in income receivable</b> | <b>4,649</b>                                   | <b>4,552</b>            | <b>4,631</b> |

This analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash/cash equivalent balances but they will affect the interest income received on those balances. Changes to both the fair value of assets and the income received from investments impact on the net assets available to pay benefits.

#### Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the fund GBP. The fund holds both monetary and non-monetary assets denominated in currencies other than GBP.

The fund's currency rate risk is routinely monitored by the council and its investment advisors in accordance with the fund's risk management strategy, including monitoring the range of exposure to currency fluctuations.

#### Currency risk - sensitivity analysis

The table below shows the value of assets held by the fund in foreign currencies and the likely volatility associated with foreign exchange rate movements (as measured by one standard deviation).

This analysis assumes that all other variables, in particular interest rates, remain constant.

| Denominated currency | Value as at 31 March 2020 | Potential volatility (+/-) | Value on increase | Value on decrease |
|----------------------|---------------------------|----------------------------|-------------------|-------------------|
|                      | £'000                     |                            | £'000             | £'000             |
| AUD                  | 15,699                    | 18.4%                      | 18,588            | 12,811            |
| CAD                  | 1                         | 14.6%                      | 1                 | 1                 |
| CHF                  | 428                       | 13.4%                      | 485               | 370               |
| EUR                  | 8,918                     | 12.6%                      | 10,042            | 7,794             |
| JPY                  | 30                        | 16.1%                      | 35                | 25                |
| NOK                  | 196                       | 29.3%                      | 254               | 139               |
| NZD                  | 18,129                    | 9.2%                       | 19,803            | 16,456            |
| USD                  | 519,062                   | 14.4%                      | 593,651           | 444,473           |
| <b>Total</b>         | <b>562,463</b>            |                            | <b>642,859</b>    | <b>482,069</b>    |

| Denominated currency | Value as at 31 March 2019 | Potential volatility (+/-) | Value on increase | Value on decrease |
|----------------------|---------------------------|----------------------------|-------------------|-------------------|
|                      | £'000                     |                            | £'000             | £'000             |
| AUD                  | 16,617                    | 9.2%                       | 18,150            | 15,083            |
| CAD                  | 4                         | 9.0%                       | 4                 | 3                 |
| CHF                  | 395                       | 7.8%                       | 426               | 365               |
| EUR                  | 1,058                     | 6.9%                       | 1,131             | 985               |
| JPY                  | 28                        | 9.1%                       | 31                | 25                |
| NOK                  | 221                       | 8.5%                       | 240               | 202               |
| NZD                  | 19,937                    | 9.2%                       | 21,777            | 18,097            |
| USD                  | 125,407                   | 8.4%                       | 135,979           | 114,835           |
| <b>Total</b>         | <b>163,667</b>            |                            | <b>177,738</b>    | <b>149,595</b>    |

## NOTES TO THE PENSION FUND

### 18 Nature and extent of risks arising from financial instruments (continued)

#### b) Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the fund's financial assets and liabilities.

The selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Deposits are not made with banks and financial institutions unless they are rated independently and meet the fund's credit criteria. The fund has also set limits as to the maximum deposit placed with any one class of financial institution. In addition, the fund invests an agreed amount of its funds in the money markets to provide diversification.

The fund believes it has managed its exposure to credit risk, and has had no experience of default or uncollectable deposits over the past five financial years. The fund's cash holding under its treasury management arrangements at 31 March 2020 was £165m (31 March 2019: £177.1m). This was held with the following institutions:

|                              | Rating | Balances as at 31<br>March 2019 | Balances as at 31 March<br>2020 |
|------------------------------|--------|---------------------------------|---------------------------------|
|                              |        | £'000                           | £'000                           |
| <b>Money Market funds</b>    |        |                                 |                                 |
| Aviva                        | AAA    | 17,286                          | 17,374                          |
| JP Morgan                    | AAA    | 77,334                          | 64,736                          |
| Legal & General              | AAA    | 26,207                          | 16,316                          |
| Northern Trust               | AAA    | 17,146                          | 17,221                          |
| <b>Bank deposit accounts</b> |        |                                 |                                 |
| JP Morgan                    | AA-    | 29,819                          | 39,823                          |
| <b>Bank current accounts</b> |        |                                 |                                 |
| Lloyds                       | A+     | 9,279                           | 9,571                           |
| <b>Total</b>                 |        | <b>177,071</b>                  | <b>165,041</b>                  |

#### c) Liquidity risk

Liquidity risk represents the risk that the fund will not be able to meet its financial obligations as they fall due. The fund therefore takes steps to ensure that it has adequate cash resources to meet its commitments.

The fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those which will take longer than three months to convert to cash. As at 31 March 2020 the value of illiquid assets was £898m, which represented 44.1% of the total fund net assets (31 March 2019: £990.6m, which represented 47.6% of the total fund net assets).

#### Refinancing risk

The key risk is that the fund will be bound to replenish a significant proportion of its pension fund financial instruments at a time of unfavourable interest rates. The fund does not have any financial instruments that have a refinancing risk as part of its treasury management and investment strategies.

#### Longevity risk

This is the risk of higher than expected life expectancy trends amongst the Fund's pensioners. A longevity swap has been entered into with ReAssure to protect the Fund against costs associated with potential increases in life expectancy of the Fund's pensioners. This arrangement covers all pensions in payment as at the end of July 2009.

## NOTES TO THE PENSION FUND

### 19 Funding arrangements

In line with the Local Government Pension Scheme Regulations 2013, the fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2019. The next valuation will take place as at 31 March 2022.

The key elements of the funding policy are:

- to ensure the long-term solvency of the fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment;
- to ensure that employer contribution rates are as stable as possible;
- to minimise the long-term cost of the fund by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return;
- to reflect the different characteristics of employing bodies in determining contribution rates where the administering authority considers it reasonable to do so;
- to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations.

The aim is to achieve 100% solvency over a period of 21 years from the valuation date and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. Solvency is achieved when the funds held, plus future expected investment returns and future contributions, are sufficient to meet expected future pension benefits payable.

At the 2019 actuarial valuation, the fund was assessed as 78% funded (73% at the March 2016 valuation). This corresponded to a deficit of £597 million (2016 valuation: £597 million) at that time.

At the 2019 actuarial valuation the average required employer contribution to restore the funding position to 100% over the next 21 years was 22.0% of pensionable pay.

The valuation of the fund has been undertaken using the projected unit method under which the salary increase for each member is assumed to increase until they leave active service by death, retirement or withdrawal from service. The principal assumptions were:

#### Financial assumptions

|  |   |
|--|---|
| Discount Rate                          | 5.3% per annum for both unitary authorities and other employers |
| Pension and Deferred Pension Increases | 2.6% per annum  |
| Short term pay increases               | not applicable  |
| Long term pay increases                | 3.6% per annum  |

#### Mortality assumptions

|                      |  |
|----------------------|--|
| Current mortality    | 115% (Male) / 110% (Female) of the S3PA tables                   |
| Mortality Projection | 2018 CMI Model with a long-term rate of improvement of 1.25% p.a |

#### Commutation assumption

It is assumed that members at retirement will commute pension to provide a lump sum of 50% of the maximum allowed under HMRC rules and this will be at a rate of £12 lump sum of £1 of pension.

### 20 Actuarial present value of promised retirement benefits

In addition to the triennial funding valuation, the fund's actuary also undertakes a valuation of the pension fund liabilities, on an IAS 19 basis, using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year. This valuation is not carried out on the same basis as that used for setting fund contribution rates and the fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

In order to assess the value of the benefits on this basis, the actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see Note 19). The actuary has also used valued ill health and death benefits in line with IAS 19.

Calculated on an IAS19 basis, the actuarial present value of promised retirement benefits at 31 March 2020 was £4,158 million (31 March 2019: £4,413 million). The net assets available to pay benefits as at 31 March 2020 was £2,032 million (31 March 2019: £2,082 million). The implied fund deficit as at March 2020 was therefore £2,126 million (31 March 2019: £2,331 million).

As noted above, the liabilities above are calculated on an IAS 19 basis and therefore differ from the results of the 2019 triennial funding valuation (see Note 19) because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

#### IAS19 assumptions used

|  |       |
|--|-------|
| Inflation/pension increase rate assumption | 1.90% |
| Salary increase rate                       | 2.90% |
| Discount rate                              | 2.35% |

#### Guaranteed Minimum Pension (GMP) Equalisation

In valuing the present value of promised retirement benefits the fund's actuary has assumed that for GMP the fund will pay limited increases for members that have reached statutory pension age (SPA) by 6 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, the fund actuary has assumed that the fund will be required to pay the entire inflationary increase. Therefore the fund actuary does not believe that any adjustments are needed to the value placed on the liabilities as a result of the High Court's recent ruling on the equalisation of GMP.

## NOTES TO THE PENSION FUND

### 21 Current assets

| 31 March 2019 |                   | 31 March 2020 |
|---------------|-------------------|---------------|
| £'000         |                   | £'000         |
| 4,750         | Contributions due | 5,142         |
| 785           | Sundry debtors    | 883           |
| 5,535         | Debtors           | 6,025         |
| 9,279         | Cash balances     | 6,233         |
| <b>14,814</b> |                   | <b>12,258</b> |

#### Analysis of debtors

| 31 March 2019 |                              | 31 March 2020 |
|---------------|------------------------------|---------------|
| £'000         |                              | £'000         |
| 2,138         | Other local authorities      | 2,083         |
| 3,397         | Other entities & individuals | 3,942         |
| <b>5,535</b>  |                              | <b>6,025</b>  |

### 22 Current liabilities

| 31 March 2019  |                  | 31 March 2020  |
|----------------|------------------|----------------|
| £'000          |                  | £'000          |
| (9,658)        | Sundry creditors | (2,609)        |
| 0              | Benefits payable | (1)            |
| <b>(9,658)</b> |                  | <b>(2,610)</b> |

#### Analysis of creditors

| 31 March 2019  |                              | 31 March 2020  |
|----------------|------------------------------|----------------|
| £'000          |                              | £'000          |
| (968)          | Central government bodies    | (963)          |
| (5,051)        | Other local authorities      | 1,274          |
| (3,639)        | Other entities & individuals | (2,921)        |
| <b>(9,658)</b> |                              | <b>(2,610)</b> |

### 23 Additional voluntary contributions

| Market value  |                  | Market value  |
|---------------|------------------|---------------|
| 31 March 2019 |                  | 31 March 2020 |
| £'000         |                  | £'000         |
| 13,861        | Prudential       | 12,766        |
| 4             | Equitable Life   | 5             |
| 18            | Clerical Medical | 18            |
| <b>13,883</b> | <b>Total</b>     | <b>12,789</b> |

AVC Contributions of £1.730 million were paid directly to Prudential during the year (2018/19: £1.914 million).

### 24 Related party transactions

#### The Royal Borough of Windsor and Maidenhead

The Royal County of Berkshire Pension Fund is administered by The Royal Borough of Windsor and Maidenhead. During the reporting period, The Royal Borough of Windsor and Maidenhead incurred costs of £1.754m (2018/19: £1.349m) in relation to the administration of the fund and was subsequently reimbursed by the fund for these expenses. The council is also the 6th largest employer in the pension fund (by contributions paid) and contributed £11.7m (2018/19: £10.9m).

On 27 June 2019, the pension fund made a short-term loan of £1.2m to The Royal Borough of Windsor and Maidenhead (RBWM). The amount was settled by RBWM in full with interest the next day.

#### Governance

No members of the pension fund panel are in receipt of pension benefits from The Royal County of Berkshire Pension Fund.

Each member of the pension fund panel is required to declare their interests at each meeting.

#### Key management personnel

The disclosures required by Regulation 7(2)-(4) of the Accounts and Audit (England) Regulations can be found in the main accounts of The Royal Borough of Windsor and Maidenhead.



**25 Contingent liabilities and contractual commitments**

Outstanding capital commitments (investments) at 31 March 2020 totalled £315.655m (31 March 2019: £314.621m).

These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the private equity and infrastructure parts of the portfolio. The amounts "called" by these funds are irregular in both size and timing.

**26 Contingent assets**

Several admitted body employers in the Royal County of Berkshire Pension Fund hold insurance bonds to guard against the possibility of being unable to meet their pension obligations. These funds are drawn in favour of the pension fund and payment will only be triggered in the event of employer default.



# Royal County of Berkshire Pension Fund

Pension accounting disclosure as at 31 March 2020  
Prepared in accordance with IAS26

**Barnett Waddingham LLP**

29 July 2020

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## Introduction

We have been instructed by the Royal Borough of Windsor and Maidenhead, the administering authority to the Royal County of Berkshire Pension Fund (the Fund), to undertake pension expense calculations in respect of pension benefits provided by the Local Government Pension Scheme (the LGPS) to members of the Fund as at 31 March 2020. We have taken account of current LGPS Regulations, as amended, as at the date of this report.

This report is addressed to the administering authority and its advisers; in particular, this report is likely to be of relevance to the Fund's auditor.

This report acts as a revision to the initial report dated 2 July 2020. As requested, we have revised the value of the longevity insurance contract since the initial report was issued, as we were provided with an updated premium schedule from ReAssure.

These figures are prepared in accordance with our understanding of IAS26. In calculating the disclosed numbers we have adopted methods and assumptions that are consistent with IAS19.

This advice complies with Technical Actuarial Standard 100: Principles for Technical Actuarial Work (TAS 100).

The LGPS is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 and currently provides benefits based on career average revalued earnings.

An allowance has been made for the recent Court of Appeal judgement in relation to the McCloud & Sargeant cases which relate to age discrimination within the Judicial & Fire Pension schemes respectively. On 27 June 2019 the Supreme Court denied the Government's request for an appeal, and on 15 July 2019 the Government released a statement to confirm that it expects to have to amend all public service schemes, including the LGPS.

The estimated impact on the total liabilities at 31 March 2020 has been allowed for as a past service cost and has resulted in a slight increase in the defined benefit obligation as at 31 March 2020. Please see the impact of the McCloud/Sargeant judgement section below and in the 31 March 2020 employer briefing note post-accounting date for further information.

It should be noted that this adjustment is an estimate of the potential impact on the Fund's defined benefit obligation based on analysis carried out by the Government Actuary's Department (GAD) and the Fund's liability profile. It is not yet clear how this judgement may affect LGPS members' past or future service benefits.

## Valuation data

### Data sources

In completing our calculations for pension accounting purposes we have used the following items of data, which we received from the Royal Borough of Windsor and Maidenhead:

- The results of the valuation as at 31 March 2019 which was carried out for funding purposes and the results of the 31 March 2019 IAS26 report which was prepared for accounting purposes (version 4 dated 27 November 2019);
- Estimated whole Fund income and expenditure items for the period to 31 March 2020;
- Estimated Fund returns based on Fund asset statements provided (or estimated where necessary) as at 31 March 2019 and 31 March 2020; and
- Details of any new early retirements for the period to 31 March 2020 that have been paid out on an unreduced basis, which are not anticipated in the normal service cost.

Although some of these data items have been estimated, we do not believe that they are likely to have a material effect on the results of this report. Further, we are not aware of any material changes or events since we received the data. The data has been checked for reasonableness and we are happy that the data is sufficient for the purposes of this advice.

### Fund membership statistics

The table below summarises the membership data, as at 31 March 2019.

| Member data summary | Number | Salaries/Pensions | Average age |
|---------------------|--------|-------------------|-------------|
|                     |        | £000s             |             |
| Actives             | 24,507 | 414,555           | 46          |
| Deferred pensioners | 37,148 | 46,009            | 46          |
| Pensioners          | 17,915 | 85,625            | 71          |

### Early retirements

We requested data on any early retirements in respect of the Fund from the administering authority for the year ending 31 March 2020.

We have been notified of 42 new early retirements during the year which were not allowed for at the previous accounting date. The total annual pension that came into payment was £479,800.

The capitalised cost of the additional benefits on IAS19 compliant assumptions is calculated at £2,420,000. This figure has been included within the service cost in the statement of profit and loss.

## Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2020 is estimated to be -3%. The actual return on Fund assets over the year may be different.

The estimated asset allocation for Royal County of Berkshire Pension Fund as at 31 March 2020 is as follows:

| Asset breakdown         | 31 Mar 2020      |             | 31 Mar 2019      |             |
|-------------------------|------------------|-------------|------------------|-------------|
|                         | £000s            | %           | £000s            | %           |
| Equities                | 1,112,866        | 55%         | 1,118,136        | 54%         |
| Other Bonds             | 263,207          | 13%         | 287,263          | 14%         |
| Property                | 292,131          | 14%         | 294,011          | 14%         |
| Cash                    | 202,143          | 10%         | 175,341          | 8%          |
| Target Return Portfolio | 90,130           | 4%          | 99,823           | 5%          |
| Commodities             | 13,488           | 1%          | 12,121           | 1%          |
| Infrastructure          | 181,815          | 9%          | 199,049          | 10%         |
| Longevity Insurance     | -121,829         | -6%         | -103,800         | -5%         |
| <b>Total</b>            | <b>2,033,951</b> | <b>100%</b> | <b>2,081,944</b> | <b>100%</b> |

We have estimated the bid values where necessary. The final asset allocation of the Fund assets as at 31 March 2020 may be different from that shown due to estimation techniques.

## Unfunded benefits

We have excluded any unfunded benefits as these are liabilities of employers rather than the Fund.

## Actuarial methods and assumptions

### Valuation approach

To assess the value of the Fund's liabilities at 31 March 2020, we have rolled forward the value of Fund's liabilities calculated for the funding valuation as at 31 March 2019, using financial assumptions that comply with IAS19.

The full actuarial valuation involved projecting future cashflows to be paid from the Fund and placing a value on them. These cashflows include pensions currently being paid to members of the Fund as well as pensions (and lump sums) that may be payable in future to members of the Fund or their dependants. These pensions are linked to inflation and will normally be payable on retirement for the life of the member or a dependant following a member's death.

It is not possible to assess the accuracy of the estimated liability as at 31 March 2020 without completing a full valuation. However, we are satisfied that the approach of rolling forward the previous valuation data to 31 March 2020 should not introduce any material distortions in the results provided that the actual experience of the Fund has been broadly in line with the underlying assumptions, and that the structure of the liabilities is substantially the same as at the latest formal valuation. From the information we have received there appears to be no evidence that this approach is inappropriate.

This has been updated since the last accounting date when the results were based on a continuation of the roll forward from the 31 March 2016 funding valuation.

The Fund entered into a longevity insurance contract in 2009 and this has been included in the assets. To value the longevity insurance contract we have considered what adjustment to the discount rate assumption (based on the Merrill Lynch LIBOR swap curve) would be required if the contract had a zero value at the date of inception. This is consistent with the approach taken last year. A similar adjustment is then made to the discount rate assumption at the accounting date to calculate the updated value of the contract. Further details on this can be provided on request.

### Experience items allowed for since the previous accounting date

Results are based on a roll forward of a full valuation of funded membership data at 31 March 2019. As a result of allowing for actual experience, which may be different from that assumed previously, an experience item may be observed in the reconciliation of liabilities to 31 March 2020. The effect of allowing for the actual experience is shown in Appendix 2.



## Guaranteed Minimum Pension (GMP) Equalisation

As a result of the High Court's recent Lloyds ruling on the equalisation of GMPs between genders, a number of pension schemes have made adjustments to accounting disclosures to reflect the effect this ruling has on the value of pension liabilities. It is our understanding that HM Treasury have confirmed that the judgement "does not impact on the current method used to achieve equalisation and indexation in public service pension schemes". More information on the current method of equalisation of public service pension schemes can be found [here](#).

On 22 January 2018, the Government published the outcome to its *Indexation and equalisation of GMP in public service pension schemes* consultation, concluding that the requirement for public service pension schemes to fully price protect the GMP element of individuals' public service pension would be extended to those individuals reaching State Pension Age (SPA) before 6 April 2021. HM Treasury published a Ministerial Direction on 4 December 2018 to implement this outcome, with effect from 6 April 2016. Details of this outcome and the Ministerial Direction can be found [here](#).

Our valuation assumption for GMP is that the Fund will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, we have assumed that the Fund will be required to pay the entire inflationary increase. Therefore we do not believe we need to make any adjustments to the value placed on the liabilities as a result of the above outcome.

## Impact of McCloud/Sargeant judgement

The Scheme Advisory Board, with consent of the Ministry of Housing, Communities and Local Government (MHCLG), commissioned GAD to report on the possible impact of the McCloud/Sargeant judgement on LGPS liabilities, and in particular, those liabilities to be included in local authorities' accounts as at 31 March 2019. This followed an April 2019 CIPFA briefing note which said that local authorities should consider the materiality of the impact. This analysis was to be carried out on a "worst-case" basis, (i.e. what potential remedy would incur the highest increase in costs/liabilities). The results of this analysis are set out in GAD's report dated 10 June 2019.

We have used this analysis provided by GAD to estimate the possible impact of the McCloud/Sargeant judgement for the Fund. The key assumption is the assumed rate of future salary increases which is set out in the Financial assumptions section of this disclosure. The average age of the Fund's membership can be found in the table on page 9.

We have included a summary of our impact assessment below.

GAD estimated the impact on past service liabilities to be 3.2% of active liabilities based on a salary increase assumption of CPI plus 1.5% p.a.

➡ Adjusting this to reflect the Fund's own salary increase assumption (which is that salaries will increase at 1.0% p.a. above CPI), gives an estimated impact of 2.1% of active liabilities.

➡ Adjusting this to allow for the additional accrual of liabilities since 31 March 2019 and an approximate adjustment to strip out members who joined the Scheme who are unlikely to be affected by the outcome of the judgement gives an estimated impact of 2.0% of active liabilities.

➡ **This is equivalent to 0.7% of the Fund's total liabilities at the accounting date** (i.e. active liabilities are estimated to be 33% of the Fund's total liabilities at the accounting date).

## Demographic/Statistical assumptions

We have adopted a set of demographic assumptions that are consistent with those used for the most recent Fund valuation, which was carried out as at 31 March 2019. The post retirement mortality tables adopted are the S3PA tables with a multiplier of 115% for males and 110% for females. These base tables are then projected using the CMI\_2018 Model, allowing for a long-term rate of improvement of 1.25% p.a., smoothing parameter of 7.5 and an initial addition to improvements of 0.5% p.a. This has been updated since the last accounting date; details of the assumption adopted last year can be found in last year's report.

The assumed life expectations from age 65 are:

| Life expectancy from age 65 (years) |         | 31 Mar 2020 | 31 Mar 2019 |
|-------------------------------------|---------|-------------|-------------|
| Retiring today                      |         |             |             |
|                                     | Males   | 21.5        | 22.0        |
|                                     | Females | 24.1        | 24.0        |
| Retiring in 20 years                |         |             |             |
|                                     | Males   | 22.9        | 23.7        |
|                                     | Females | 25.5        | 25.8        |

We have also assumed that:

- Members will exchange half of their commutable pension for cash at retirement;
- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age; and
- The proportion of the membership that had taken up the 50:50 option at the previous valuation date will remain the same.

## Financial assumptions

The financial assumptions used to calculate the results in the Appendices are as follows:

| Assumptions as at | 31 Mar 2020 | 31 Mar 2019 | 31 Mar 2018 |
|-------------------|-------------|-------------|-------------|
|                   | % p.a.      | % p.a.      | % p.a.      |
| Discount rate     | 2.35%       | 2.40%       | 2.55%       |
| Pension increases | 1.90%       | 2.40%       | 2.30%       |
| Salary increases  | 2.90%       | 3.90%       | 3.80%       |

These assumptions are set with reference to market conditions at 31 March 2020.

Our estimate of the Fund's past service liability duration is 21 years. This has been calculated based on membership data provided for the most recent full valuation of the Fund's liabilities at 31 March 2019. This may differ slightly from the estimated duration at the previous accounting date as a result of using updated data.

An estimate of the Fund's future cashflows is made using notional cashflows based on the estimated duration above. These estimated cashflows are then used to derive a Single Equivalent Discount Rate (SEDR). The discount rate derived is such that the net present value of the notional cashflows, discounted at this single rate, equates

to the net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve (where the spot curve is assumed to be flat beyond the 30 year point). This is consistent with the approach used at the previous accounting date.

Similar to the approach used to derive the discount rate, the Retail Prices Index (RPI) increase assumption is set using a Single Equivalent Inflation Rate (SEIR) approach, using the notional cashflows described above. The single inflation rate derived is that which gives the same net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve, as applying the BoE implied inflation curve. As above, the Merrill Lynch AA rated corporate bond yield spot curve is assumed to be flat beyond the 30 year point and the BoE implied inflation spot curve is assumed to be flat beyond the 40 year point. This is consistent with the approach used at the previous accounting date.

As future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI, we have made a further assumption about CPI which is that it will be 0.8% p.a. below RPI i.e. 1.9% p.a. We believe that this is a reasonable estimate for the future differences in the indices, based on the different calculation methods, recent independent forecasts and the duration of the Fund's liabilities. The difference between RPI and CPI is less than assumed at the previous accounting date. This reflects the movement in market implied RPI inflation that occurred following the UK Statistics Authority's proposal to change how RPI is calculated and subsequent announcements from the Chancellor on the issue.

Salaries are assumed to increase at 1.0% p.a. above CPI. This differs from the salary increase assumption at the previous accounting date and has been updated in line with the most recent funding valuation.

## Results and disclosures

We estimate that the net liability as at 31 March 2020 is a liability of £2,124,372,000.

The results of our calculations for the year ended 31 March 2020 are set out in the appendices below:

- Appendix 1 sets out the Statement of financial position as at 31 March 2020;
- Appendix 2 details a reconciliation of assets and liabilities during the year; and
- Appendix 3 shows a sensitivity analysis on the major assumptions.

The figures presented in this report are prepared only for the purposes of IAS19. In particular, they are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pensions legislation.

We would be pleased to answer any questions arising from this report.



**Barry McKay FFA**  
**Partner**

## Appendix 1 Statement of financial position as at 31 March 2020

| Net pension asset as at                         | 31 Mar 2020      | 31 Mar 2019      | 31 Mar 2018      |
|---|------------------|------------------|------------------|
|   | £000s            | £000s            | £000s            |
| Present value of the defined benefit obligation | 4,158,323        | 4,412,936        | 4,263,622        |
| Fair value of Fund assets (bid value)           | 2,033,951        | 2,081,944        | 2,010,297        |
| <b>Net liability in balance sheet</b>           | <b>2,124,372</b> | <b>2,330,992</b> | <b>2,253,325</b> |

\*Present value of funded obligation consists of £4,099,678,000 in respect of vested obligation and £58,645,000 in respect of non-vested obligation.

## Appendix 2 Asset and benefit obligation reconciliation for the year to 31 March 2020

| Reconciliation of opening & closing balances of the present value of the defined benefit obligation | Year to          | Year to          |
|---|------------------|------------------|
|   | 31 Mar 2020      | 31 Mar 2019      |
|   | £000s            | £000s            |
| <b>Opening defined benefit obligation</b>   | <b>4,412,936</b> | <b>4,263,622</b> |
| Current service cost  | 148,525          | 155,295          |
| Interest cost   | 105,038          | 107,785          |
| Change in financial assumptions   | (433,919)        | 212,167          |
| Change in demographic assumptions   | (53,062)         | (251,531)        |
| Experience loss/(gain) on defined benefit obligation  | 25,212           | -                |
| Liabilities assumed / (extinguished) on settlements   | -                | -                |
| Estimated benefits paid net of transfers in   | (102,833)        | (105,231)        |
| Past service costs, including curtailments  | 30,395           | 3,175            |
| Contributions by Scheme participants and other employers  | 26,031           | 27,654           |
| Unfunded pension payments   | -                | -                |
| <b>Closing defined benefit obligation</b>   | <b>4,158,323</b> | <b>4,412,936</b> |

We have allowed for the estimated impact of the recent McCloud judgement as a past service cost. We have estimated the impact on the total liabilities as at 31 March 2020 to be £27,975,000 (or 0.7% as a percent of total liabilities).

| Reconciliation of opening & closing balances of<br>the fair value of Fund assets | Year to          | Year to          |
|--|------------------|------------------|
|  | 31 Mar 2020      | 31 Mar 2019      |
|  | £000s            | £000s            |
| <b>Opening fair value of Fund assets</b>   | <b>2,081,944</b> | <b>2,010,297</b> |
| Interest on assets   | 50,137           | 51,412           |
| Return on assets less interest   | (122,115)        | 9,871            |
| Other actuarial gains/(losses)   | 10,966           | -                |
| Administration expenses  | (1,241)          | (1,395)          |
| Contributions by employer including unfunded                                     | 91,062           | 89,336           |
| Contributions by Scheme participants and other employers                         | 26,031           | 27,654           |
| Estimated benefits paid plus unfunded net of transfers in                        | (102,833)        | (105,231)        |
| Settlement prices received / (paid)  | -                | -                |
| <b>Closing Fair value of Fund assets</b>   | <b>2,033,951</b> | <b>2,081,944</b> |

The total return on the Fund's assets for the year to 31 March 2020 is (£71,978,000).



## Appendix 3    Sensitivity analysis

| Sensitivity analysis (£000s)               |              |                |                 |              |
|--|--------------|----------------|-----------------|--------------|
| Present value of total obligation          |              | 4,158,323      |                 |              |
| <b>Sensitivity to</b>                      | <b>+0.5%</b> | <b>+0.1%</b>   | <b>-0.1%</b>    | <b>-0.5%</b> |
| Discount rate                              | 3,752,359    | 4,073,597      | 4,244,897       | 4,610,527    |
| Pension increases and deferred revaluation | 4,579,160    | 4,239,069      | 4,079,223       | 3,778,670    |
| <b>Sensitivity to</b>                      |              | <b>+1 Year</b> | <b>- 1 Year</b> |              |
| Life expectancy assumptions                |              | 4,323,962      | 3,999,445       |              |



## APPENDIX 1



## COMMUNICATIONS STRATEGY





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## 1.0 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 '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 aim of the Strategy is to provide clear and consistent information to all Scheme members and employers and to communicate this information effectively and accurately.

This Strategy will be kept under review and amended following any material change as regards:

- 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.

Following any revision to the policy statement, the Administering Authority will publish the statement as revised.

The communication policy is sub-divided into four main areas:

- 1 - Communication with Scheme employers;
- 2 - Communication with individual Scheme members (or their representatives);
- 3 - Communication with prospective Scheme members; and
- 4 - Communication with prospective Scheme employers.



## 2.0 COMMUNICATION WITH SCHEME EMPLOYERS

The Royal County of Berkshire Pension Fund has many Scheme employers that satisfy the relevant membership conditions set out within the LGPS Regulations. These employers can be broadly split into 2 groups:

- Group 1: Scheduled Bodies (including Borough, District, Town and Parish Councils, Academies, Berkshire Fire & Rescue Service, Colleges and Housing Associations)
- Group 2: Admission Bodies (including employers previously defined as Community Admission Bodies and Transferee Admission Bodies).

### 2.1 Decision Making Process

The Policy Statement on Governance covers the involvement of Scheme employers within the decision making process but should also be seen as an element in the communication process with regard to Scheme employers other than the Royal Borough of Windsor & Maidenhead in its role as the Administering Authority for the Fund.

### 2.2 Scheme Employer Meetings

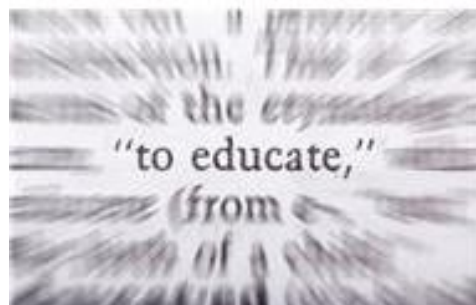
Meetings will be held between representatives of the 6 Berkshire Unitary Authorities and the Fund on a quarterly basis to discuss all current pension-related matters. An open invitation is also provided to other Scheme employers to meet with the Fund and discuss any element of pension procedures they wish.



An annual meeting is held with at least one representative of each Scheme employer being invited to attend. Representatives of various professional bodies employed by the Fund such as the Actuary will be present at the meeting to explain the details of any relevant topic and receive questions. The Chairman of the Berkshire Pension Fund Panel is expected to attend and chair the meeting. If possible the Chairman of the Pension Board will also attend. The date for this meeting may vary so as to take into account the timing of any specific issues that may arise such as the actuarial valuation results.

### 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 of the Scheme employer.



## 2.4 Regular LGPS updates

Regular updates are sent to each Scheme employer by the pension administration 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. Bulletins will be issued three or four times a year and will include details of any legislation changes and how the changes impact on Scheme employers.

The Royal County of Berkshire Pension Fund operates a Pension Fund website with sections specifically dedicated to active Scheme members, deferred beneficiaries, retired members, and Scheme employers.

Other details that can be found include:



**Standard Fund documentation (guides, leaflets and forms)**

**Statement of Accounts for the Pension Fund**

**Investment Strategy Statement**

**Funding Strategy Statement**

**Governance Compliance Statement**

**Copies of Scheme Member newsletters**

**Links to other web sites**

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

## 2.5 General Guidance and Assistance

The pension administration team can be contacted during normal office hours and is always 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 796 668 or by email at [info@berkshirepensions.org.uk](mailto:info@berkshirepensions.org.uk)

## 2.6 Promotional Services

Promotional guides, factsheets and leaflets are produced by the pension administration team and are available from the Pension Fund website. The pension administration team will also commit to attending any events held by the Scheme employer where their input would be seen to be of value.



## 2.7 Scheme Member Data

The Administering Authority's 'Pension Administration Strategy' is to accept data from Scheme employers via i-Connect, a secure electronic data transfer interface between the Scheme employer's payroll system and the Scheme Administrator's pension administration system. The reasons for this are many but in particular because the data transfer is encrypted providing greater data security, pension information is uploaded in real time meaning 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 standards possible.



The Administering Authority will continue to 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 Pension Fund website in both pdf and Word formats.

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 Regulations (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 Berkshire Pension Fund website a Privacy Notice explaining how the Pension 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 Factsheets

A suite of topical factsheets (known as "**Pension Pointers**") is available to assist employers with the administration of the LGPS.

## 2.10 Employer Self-Service (ESS)

The Administering Authority makes available to each Scheme employer the facility to access member data in respect of their own current and former Scheme members through a secure link to the pension administration software.

### 3.0 COMMUNICATION WITH INDIVIDUAL SCHEME MEMBERS

Membership of the Royal County of Berkshire Pension 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 and their dependants.

The preferred method of communication with Scheme members is via *my pension* ONLINE a secure member self-service facility provided as part of the pension administration software. *My pension* ONLINE is available to all member types 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 a member requests that information should be supplied in a paper format the Scheme Administrator will make arrangements for this information to be sent to the member's home address.

#### 3.1 Welcome Letter

Upon receipt of a new starter notification from a Scheme employer, a *my pension* ONLINE activation key is sent, by the pension administration team, to the home address of the new active member. Access to the pension system provides a new Scheme member with:

- A membership certificate of entry into the scheme
- An employee guide to the scheme
- A guide to increasing pension benefits
- A guide to making a transfer of pension rights from a previous pension scheme;
- A guide to protections for the family
- An expression of wish form for payment of a death grant
- A guide to civil partnerships
- A guide to working part-time
- A copy of the Pension Fund's Service Standards
- A guide to keeping records up to date
- A guide to making contributions following a period of absence



If a Scheme member prefers not to use *my pension* ONLINE, they can request a full welcome pack to be sent to their home address.

#### 3.2 Annual Benefit Statements

Each active contributor and deferred beneficiary has an Annual Benefit Statement made available via *my pension* ONLINE which includes details of:

- Accrued benefits within the scheme as at the 31<sup>st</sup> March last
- An estimate of benefits to Normal Pension Age
- The value of the death grant payable from the Scheme
- The member's nominated beneficiaries for receipt of any death grant

If a Scheme member prefers, a paper copy of their annual benefit statement will be sent to their home address upon request.

#### 3.3 Pension Surgeries

One to one meetings are available at the Pension Fund offices for any member of the Fund and formal Pension Surgeries are held twice yearly at the offices of the six Unitary Authorities and on an ad hoc basis at the offices of other Scheme employers as arranged by the employer.

### 3.4 Newsletters



Newsletters are produced bi-annually for active and retired members and annually for deferred members. These newsletters are available via *my pension* ONLINE or the Pension Fund website although they can be sent out to individual addresses if requested.

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 members receive “The Scribe”.

Active members receive “The Quill” as do deferred members although two different versions of the autumn edition are provided to cater for the differences in the specific member types.



### 3.5 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.

### 3.6 Pension Fund Website

Individual 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, online flipbooks and modellers made available. Access to *my pension* ONLINE is gained via the Pension Fund website [www.berkshirerpensions.org.uk](http://www.berkshirerpensions.org.uk)



### 3.7 Pension Payslips

Pension payslips are available via *my pension* ONLINE. If a member requires a pay advice slip to be sent to their home address it is the practice of the administering authority to only send out pay advice slips when there is a variation of 50 pence or more in net pay between consecutive months. A detailed description of a payslip is available on the retired members section of the Pension Fund website.

### 3.8 P60s

P60s are available via *my pension* ONLINE but will be sent out to members' home addresses as a matter of course. Every retired member and/or their dependants will receive a P60 each year before the HMRC deadline of 31<sup>st</sup> May. A detailed description of a P60 is available on the retired members section of the Pension Fund website.

### **3.9 Annual Pension Increase Letter**

Annual Pension Increase letters are available via *my pension* ONLINE but will also be sent out to members' home addresses. Retired members will receive a pension increase booklet every April containing their individual increase on their pension (where an increase is to be applied). This letter will include details of the monetary value of their revised pension and details of the amount to be paid in April.

### **3.10 Annual Meeting**

An Annual Meeting of the Royal County of Berkshire Pension Fund is held with all Scheme members receiving an invite. A restricted number of members will be able to attend on a first come first served basis. The main purpose of the meeting is to communicate details of the Fund's Annual Report & Accounts, Investment Strategy and any other specific matters relating to the LGPS Regulations. The date for this meeting may vary so as to take into account certain regulatory matters that may arise.



### **3.11 Ad Hoc Meetings**

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

## **4.0 COMMUNICATION WITH PROSPECTIVE SCHEME MEMBERS**

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 in both pdf and Word formats and is kept up to date with current regulations at all times.

The Berkshire Pension Fund website has a dedicated area for employees considering opting into the LGPS.

## **5.0 COMMUNICATION WITH PROSPECTIVE SCHEME EMPLOYERS**

A guide for admission bodies is available on the Pension Fund website for all prospective employers considering admission to the Berkshire Pension Fund and is available as a hard copy upon request.

A template admission agreement has been produced and is available either via the Pension Fund website or as a hard copy upon request.

The administering authority has the power to accept various types of Scheme employer 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 has been completed in advance of the agreed admission date.





**GOVERNANCE**

**COMPLIANCE**

**STATEMENT**





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## INTRODUCTION

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

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

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

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

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

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

## STRUCTURE

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

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

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

**Compliant** – The Constitution of the Council defines the responsibilities of 'the Main Panel' to manage the Pension Fund.

ii) Representatives of Scheme employers and Scheme members should sit on 'the Advisory Panel' to underpin the work of 'the Main Panel'.

**Compliant** – Membership of 'the Advisory Panel' includes five Elected Members from RBWM, one Elected Member from each of the other five Berkshire Unitary Authorities, three other Scheme employer representatives, two union representatives, and two members to represent the active, deferred and retired Scheme members.

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

**Compliant** – 'The Advisory Panel' meets concurrently with 'the Main Panel' with both Panels receiving the same information.

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

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

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

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

## REPRESENTATION

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

The key stakeholders are:

i) Scheme employers.

**Compliant** – The six Berkshire Unitary Authorities and up to three of the other Scheme employers are represented on 'the Advisory Panel'. In addition three Scheme employer representatives make up membership of 'the Pension Board'

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

**Compliant** – 'The Advisory Panel' has two representatives from the major trades unions and makes provision to have two representatives from the active, deferred or retired Scheme membership. In addition 3 Scheme member representatives sit on 'the Pension Board'

iii) Independent Professional Observers.

**Compliant** – An Independent Adviser attends each meeting of 'the Main Panel' and 'the Advisory Panel'. Independent Advisers are also required to attend meetings of 'the Pension Board' as may be requested.

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

**Compliant** – Expert advisers are invited to meetings of ‘the Main Panel’ and ‘the Advisory Panel’ as required. Independent Strategy Advisers attend meetings of the Investment Group. In addition expert advisers are required to attend meetings of ‘the Pension Board’ as may be requested.

**v) Where lay members sit on either ‘the Main Panel’ or ‘the Advisory Panel’ they are treated equally in terms of access to papers, meetings and training and are given full opportunity to contribute to the decision making process with or without voting rights. No lay members sit on ‘the Pension Board’.**

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

## **SELECTION AND ROLE OF LAY MEMBERS**

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

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

## **VOTING**

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

**Compliant** – The Constitution of RBWM sets out the terms of reference and voting rights of ‘the Main Panel’, ‘the Advisory Panel’ and ‘the Pension Board’.

## **TRAINING / FACILITY TIME / EXPENSES**

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

**Compliant** – All members of ‘the Main Panel’ and ‘the Advisory Panel’ are entitled to attend or request training. Members of ‘the Pension Board’ are required to have a working knowledge of the LGPS regulations and other associated legislation as it relates to the governance and administration of the Scheme and so must commit to undertaking the relevant training in order to achieve this requirement. All members of ‘the Main Panel’, ‘the Advisory Panel’ and ‘the Board’ are entitled to request the use of facilities belonging to RBWM in

respect of their respective duties and reasonable expenses incurred will be reimbursed upon request.

**ii)** Any policy must apply equally to all members of the Panels/Board.

**Compliant** – No distinction is made between members of ‘the Main Panel’, ‘the Advisory Panel’ or ‘the Board’.

## **MEETINGS (frequency/Quorum)**

**i)** RBWM will hold meetings of ‘the Main Panel’ at least quarterly.

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

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

**Compliant** – Both Panels meet concurrently

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

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

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

**Compliant** – ‘The Advisory Panel’ has four lay members. An annual Scheme employer meeting is held in March/April with an annual Scheme member meeting being held in November. In addition pension surgeries and employer training events are held throughout the year.

## **ACCESS**

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

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

## **SCOPE**

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

**Compliant** – Wider Scheme issues are considered by ‘the Main Panel’, ‘the Advisory

Panel' and 'the Pension Board' on a regular basis.

## **PUBLICITY**

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

**Compliant** – The Governance Policy Statement is published on the Royal County of Berkshire Pension Fund website ([www.berkshirerpensions.org.uk](http://www.berkshirerpensions.org.uk)) and is available on request from the Pension Fund.

Approved by The Berkshire Pension Fund Panel on 14 January 2019





# FUNDING STRATEGY STATEMENT





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## 1 INTRODUCTION

- 1.1 This is the Funding Strategy Statement (“FSS”) for the Royal County of Berkshire Pension Fund (“the Fund”) which is administered by The Royal Borough of Windsor and Maidenhead (“the Administering Authority”). It has been prepared in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013.
- 1.2 This statement should be read in conjunction with the Fund’s Investment Strategy Statement (“ISS”) and has been prepared with regard to the guidance (*Preparing and Maintaining a funding strategy statement in the LGPS 2016 edition*) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

### *Purpose of the Funding Strategy Statement*

- 1.3 The purpose of the FSS is to explain the Fund’s approach to meeting the employer’s pension liabilities and in particular:
- To establish a clear and transparent Fund-specific strategy which will identify how employers’ pension liabilities are best met going forward;
  - To take a prudent longer-term view of funding those liabilities; and
  - To support the regulatory framework to ensure the solvency of the Fund and the long-term cost efficiency of the Scheme, and where possible to maintain as nearly constant Scheme employer contribution rates as possible.
- 1.4 The purpose of the Fund is to:
- Collect monies in respect of employee and employer contributions, transfer values and investment income;
  - Facilitate payment of Local Government Pension Scheme (LGPS) benefits, transfer values, costs, charges and expenses; and
  - Accumulate and invest money received and facilitate the management of this.



### *Funding Objectives*

- 1.5 Contributions are paid to the Fund by Scheme members and Scheme employers to provide for the benefits which will become payable to Scheme members when they fall due.
- 1.6 The funding objectives are to
- Set levels of employer contributions that will build up a fund of assets sufficient to ensure the solvency of the Fund and the payment of all future benefit payments from the Fund;

- Set contributions which maximise the long-term cost efficiency. Broadly, this means that paying contributions as soon as possible so that any deficit is addressed quickly is preferable;
- Build up the required assets in such a way that produces levels of employer contributions that are as stable as possible;
- Minimise the risk of employers exiting the Fund with unpaid deficits, which then fall to the other employers;
- Ensure effective and efficient management of employer liabilities; and
- Allow the return from investments to be maximised within reasonable risk parameters.

## 2 KEY PARTIES

- 2.1 The parties directly concerned with the funding aspect of the Pension Fund are contained in this section of the FSS. A number of other key parties, including investment managers and external auditors also have responsibilities to the Fund but are not key parties in determining funding strategy.

### *The Administering Authority*



2.2 The Administering Authority for the Royal County Berkshire Pension Fund is the Royal Borough of Windsor & Maidenhead. The main responsibilities of the Administering Authority are as follows:

- Operate the Fund in accordance with the LGPS Regulations
- Collect and account for employee and employer contributions;
- Pay the benefits to Scheme members and their dependants as they fall due;
- Invest the Fund's assets ensuring sufficient cash is available to meet the liabilities as and when they become due;
- Take measures as set out in the regulations to safeguard the Fund against the consequences of employer default;
- Manage the Actuarial valuation process in conjunction with the Fund Actuary;
- Prepare and maintain the FSS and also the ISS (Investment Strategy Statement) and after consultation with other interested parties;
- Monitor all aspects of the Fund's performance and funding to ensure that the FSS and the ISS are updated as necessary; and
- Effectively manage any potential conflicts of interest arising from its dual role as both Fund administrator and Scheme employer.

## *Scheme employers*

2.3 The responsibilities of each individual Scheme employer which participates in the Fund, including the Administering Authority in its capacity as a Scheme employer, are as follows:

- Collect employee contributions and pay these together with their own employer contributions as certified by the Fund Actuary within the statutory timescales;
- Promptly notify the Administering Authority of any new Scheme members and any other membership changes in accordance with the pension administration service level agreement;
- Promptly notify the Administering Authority of any Scheme member who leaves or retires from their employment in accordance with the pension administration service level agreement;
- Promptly notify the Administering Authority of all Scheme member data and information required by the Administering Authority in accordance with the pension administration service level agreement so that the Administering Authority is able to accurately calculate the value of benefits payable to each Scheme member;
- Exercise any discretions permitted under the Scheme Regulations and to produce, maintain and publish a policy statement with regard to the exercise of those discretions;
- Meet the costs of any augmentations or other additional costs such as Pension Fund strain costs resulting from decisions to release early Scheme members' retirement benefits in accordance with Scheme regulations and agreed policies and procedures;
- Pay any exit payments due on ceasing participation in the Fund;
- Provide any information as requested to facilitate the Actuarial valuation process.



## *Fund Actuary*

2.4 The Fund Actuary for the Royal County of Berkshire Pension Fund is Barnett Waddingham LLP. The main responsibilities of the Fund Actuary are to:

- Prepare the Actuarial Valuation having regard to the FSS and the Scheme Regulations;
- Prepare annual FRS102/IAS19 (accounting standards) reports for all Scheme employers requiring such a report for their annual report and accounts;
- Advise interested parties on funding strategy and completion of Actuarial valuations in accordance with the FSS and the Scheme Regulations;



- Prepare advice and calculations in connection with bulk transfers and the funding aspects of individual benefit-related matters such as pension strain costs, ill-health retirement costs, compensatory added years costs, etc.;
- Provide advice and valuations on the exiting of employers from the Fund;
- Provide advice and valuations relating to new employers, including recommending the level of bonds or other forms of security required to protect the Fund against the financial effect of employer default;
- Assist the administering authority in assessing whether employer contributions need to be revised between valuations as permitted or required by the Regulations;
- Advise on other actuarial matters affecting the financial position of the Fund.

### 3 FUNDING STRATEGY

- 3.1 The funding strategy seeks to achieve (via employee and employer contributions and investment returns) two key objectives:
- A funding level of 100% as assessed by the Fund's appointed Actuary, triennially, in accordance with the Scheme Regulations;
  - As stable an employer contribution rate as is practical.
- 3.2 The funding strategy recognises that the funding level will fluctuate with changing levels of employment, retirements, actuarial assumptions and investment returns and that the employer contribution has to be adjusted to a level sufficient to maintain the Pension Fund's solvency and to achieve a funding level of 100% over the longer term.
- 3.3 The Actuarial valuation process is essentially a projection of future cash-flows to and from the Fund. The main purpose of the triennial valuation is to determine the level of employers' contributions that should be paid over an agreed period to ensure that the existing assets and future contributions will be sufficient to meet all future benefit payments from the Fund.
- 3.4 The last Actuarial valuation was carried out as at 31<sup>st</sup> March 2019 with the assets of the Fund found to be 78% of the accrued liabilities for the Fund.

#### *Funding Method*

- 3.5 The funding target is to have sufficient assets to meet the accrued liabilities for each Scheme employer in the Fund. The funding target may, however, also depend on certain Scheme employer circumstances and will, in particular, have regard to whether a Scheme employer is an "open" employer (which allows new recruits access to the Fund) or a "closed" employer (which no longer permits new employees access to the Fund). The expected period of participation by a Scheme employer in the Fund may also affect the chosen funding target.
- 3.6 For all Scheme employers the Actuarial funding method adopted considers separately the benefits in respect of service completed before the Valuation date ("past service") and benefits in respect of service expected to be completed after the Valuation date ("future service"). This approach focuses on:

- The past service funding level of the Fund. This is the ratio of accumulated assets to liabilities in respect of past service after making allowance for future increases to members' pay and pensions in payment. A funding level in excess of 100% indicates a surplus of assets over liabilities whereas a funding level of less than 100% indicates a deficit.
- The future funding rate i.e. the level of contributions required from the individual Scheme employers which together with employee contributions are expected to support the cost of benefits accruing in the future.

3.7 For "open" Scheme employers, the Projected Unit method is used which, for the future service rate, assesses the cost of one year's benefit accrual.

3.8 For "closed" Scheme employers the funding method adopted is known as the Attained Age Method. This gives the same results for the past service funding level as the Projected Unit Method but for the future cost it assesses the average cost of the benefits that will accrue over the remaining working lifetime of the active Scheme members.

### *Valuation Assumptions and Funding Model*

3.9 In completing the Actuarial valuation it is necessary to formulate assumptions about the factors affecting the Fund's future finances such as inflation, pay increases, investment returns, rates of mortality, early retirement and staff turnover etc.

3.10 The assumptions adopted at the valuation can therefore be considered as:

- The statistical assumptions which generally speaking are estimates of the likelihood of benefits and contributions being paid; and
- The financial assumptions which generally speaking will determine the estimates of the amount of benefits and contributions payable and their current or present value.

### *Future Price Inflation*

3.11 The base assumption in any triennial valuation is the future level of price inflation. This is derived by considering the average difference in yields from conventional and index linked gilts during the 6 months straddling the valuation date using a point from the Bank of England RPI Inflation Curve. This gives an assumption for Retail Prices Index (RPI) inflation, which is then adjusted to get an assumption for Consumer Prices Index (CPI) inflation. At the 2019 valuation, CPI was assumed to be 1.0% per annum lower than RPI, giving a CPI inflation assumption of 2.6% per annum.



### *Future Pay Inflation*

3.12 As benefits accrued before 1<sup>st</sup> April 2014 (and in the case of some protected members after 31<sup>st</sup> March 2014) are linked to pay levels at retirement it is necessary to make an assumption as to future levels of pay inflation. The assumption adopted in the 2019 valuation is that pay increases will, on average over the longer term, exceed CPI by 1.0% per annum.



### *Future Pension Increases*

- 3.13 Pension increases are assumed to be linked to CPI.

### *Future Investment Returns/Discount Rate*

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

- 3.15 For “open” Scheme employers the discount rate applied to all projected liabilities reflects a prudent estimate of the rate of investment return that is expected to be earned from the underlying investment strategy by considering average market yields and indicators in the 6 months straddling the valuation date. This discount rate so determined may be referred to as the “ongoing” discount rate.



The level of prudence at the 2019 valuation was set to be 0.7% p.a. This gave a discount rate of 5.3% per annum for all employers.

- 3.16 For “closed” employers an adjustment may be made to the discount rate in relation to the remaining liabilities once all active members are assumed to have retired if at that time (the projected “termination date”) the Scheme employer either wishes to leave the Fund or the terms of their admission requires it.
- 3.17 The Fund Actuary will incorporate such an adjustment after consultation with the Administering Authority.
- 3.18 The adjustment to the discount rate is essentially to set a higher funding target at the projected termination date so that there are sufficient assets to fund the remaining liabilities on a “minimum risk” rather than on an ongoing basis to minimise the risk of deficits arising after the termination.

### *Asset Valuation*

- 3.19 The asset valuation is a market value of the accumulated Fund at the triennial valuation date adjusted to reflect average market conditions during the 6 months straddling the triennial valuation date.

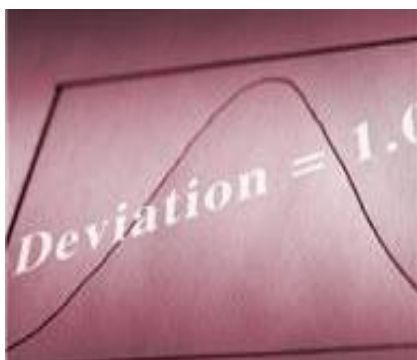
### *Statistical Assumptions*

- 3.20 The statistical assumptions incorporated into the triennial valuation such as future rates of mortality etc are based on national statistics but then adjusted where deemed appropriate to reflect the individual circumstances of the Fund and/or individual Scheme employers. For the 2019 valuation, the Fund received a bespoke analysis of the pensioner mortality and the results of this analysis were used to aid in setting a suitable assumption for the Fund.



## Deficit Recovery/Surplus Amortisation Periods

3.21 Whilst one of the funding objectives is to build up sufficient assets to meet the cost of benefits as they accrue it is recognised that at any particular point in time, the value of the accumulated assets will be different to the value of accrued liabilities depending on how the actual experience of the Fund differs to the actuarial assumptions. Accordingly the Fund will normally either be in surplus or in deficit.



3.23 Where the Actuarial valuation discloses a significant surplus or deficit then the levels of required Scheme employers' contributions will include an adjustment to either amortise the surplus or fund the deficit over a period of years. At the 2019 valuation, a deficit was revealed and contributions were set to recover this deficit over a period no longer than 21 years.

3.22 The period that is adopted for any particular Scheme employer will depend upon:

- The significance of the surplus or deficit relative to that Scheme employer's liabilities;
- The covenant of the individual Scheme employer and any limited period of participation in the Fund; and
- The implications in terms of stability of future levels of Scheme employers' contributions.

3.23 At the 2019 triennial valuation the period adopted to recover the deficit was:

| Type of Scheme Employer                             | Maximum Length of Recovery Period  |
|---|--|
| Unitary Authorities and Associated Employers        | 21 years   |
| Housing Associations                                | 11 years   |
| Colleges (excluding the University of West London)* | 8 years  |
| Academies   | 12 years   |
| Community Admission Bodies                          | 11 years (for the majority of employers, but this may differ for some depending on individual circumstances) |
| Transferee Admission Bodies                         | Future working life of current employees or contract period whichever is the shorter period                  |

3.24 Where a Scheme employer's contribution has to increase significantly then the increase may be phased in over a period not exceeding 3 years although this may only be allowed for some Scheme employer types or if the increase in contributions would increase the risk of an employer insolvency, leaving an unpaid deficit and adversely affecting other employers' contributions and the solvency of the Fund as a whole.

### *Pooling of Individual Scheme employers*

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

- 3.27 Currently, other than Scheme employers that are already legally connected, there are the following pools:

- Colleges (with the exception of the University of West London)\*
- Academies
- 'Community' Admission Bodies



- 3.28 The main purpose of pooling is to produce more stable Scheme employer contribution levels in the longer term whilst recognising that ultimately there will be some level of cross subsidy of pension cost amongst pooled Scheme employers.
- 3.29 Prior to the 2016 valuation the Fund had a pool for the Housing Associations which has been disbanded due to only two employers remaining in the pool following one employer exiting the Fund and another employer leaving the pool.

\*The University of West London is a closed employer whose membership and liability profile no longer makes it a viable employer for inclusion within the college pool.

### *New employers joining the Fund*

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

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

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

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

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

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

### *New Academies*

- 3.31 When a school converts to academy status, the new academy (or the sponsoring multi-academy trust) becomes a Scheme employer in its own right. On conversion to academy status, the new academy will be allocated assets based on the active cover of the relevant local authority at the conversion date. The active cover approach is based on the funding level of the local authority's active liabilities, after fully funding the local authority's deferred and pensioner liabilities. The new academy will join the existing academy pool.

The contribution rate for a new academy will be in line with the rate paid by the other academies in the academy pool, as calculated at the most recent actuarial valuation.

### *Cessation Valuations*

- 3.32 On the cessation of a Scheme employer's participation in the Fund, the Actuary will be asked to make a termination assessment. Any deficit in the Fund in respect of the Scheme employer will be due to the Fund as a termination contribution, unless it is agreed by the Administering Authority and the other parties involved that the assets and liabilities relating to the Scheme employer will transfer within the Fund to another participating Scheme employer.
- 3.33 In assessing the deficit on termination, the Actuary may adopt a discount rate based on gilt yields or other lower risk assets and adopt different assumptions to those used at the previous triennial valuation to protect the other Scheme employers in the Fund from having to fund any future deficits from the liabilities that will remain in the Fund.

### *Exit Credit Policy*

- 3.34 Following the recent Regulations coming into force on 20 March 2020 which are effective from May 2018, the Fund has set out their exit credit policy as follows:

Any employer who cannot demonstrate that they have been exposed to underfunding risk during their participation in the Fund will not be entitled to an exit credit payment. This will include the majority of "pass-through" arrangements and any employer that is participating in the Fund where the ceding employer is the deemed employer. This is on the basis that these employers would not have not been asked to pay an exit payment had a deficit existed at the time of exit.

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

Any exit credit payable will be the lower of the surplus on the minimum risk basis above and the actual employer contributions paid into the Fund. Where risk sharing arrangements are in place, any contributions made or required to be made to meet additional liabilities incurred as a result of redundancies, ill health retirement strains, excessive salary increases or anything else covered in the risk sharing agreement will not be included in the calculation of any exit credit payable.

The administering authority does not need to enquire into the precise risk sharing arrangement adopted by an employer but it must be satisfied that the risk sharing arrangement has been in place before it will pay out an exit credit. The level of risk that an employer has borne will be taken into account when determining the amount of any exit credit. It is the responsibility of the exiting employer to set out why the arrangements make payment of an exit credit appropriate.

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

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

### *Early Retirement Costs*

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



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

### *Triennial Valuation*

- 3.36 The next triennial valuation is due as at 31<sup>st</sup> March 2022.

## 4 LINKS WITH THE INVESTMENT STRATEGY STATEMENT (ISS)

- 4.1 The main link between the FSS and the ISS relates to the discount rate that underlies the funding strategy as set out in the FSS and the expected rate of investment return which is expected to be achieved by the underlying investment strategy as set out in the ISS.
- 4.2 As explained above the ongoing discount rate adopted in the Actuarial valuation is derived by considering the expected return from the underlying investment strategy and so there is consistency between the funding strategy and the investment strategy.

## 5 RISKS AND COUNTER MEASURES

- 5.1 Whilst the funding strategy attempts to satisfy the funding objectives of ensuring sufficient assets to meet pension liabilities and stable levels of Scheme employer contributions, it is recognised that there are a number of risks that may impact on the funding strategy and hence the ability of the strategy to meet the funding objectives.
- 5.2 The major risks for the funding strategy are financial risks although there are external factors including demographic risks, regulatory risks and governance risks.

### *Financial Risks*

- 5.3 The main financial risk is that the actual investment strategy fails to produce the expected rate of investment return (in real terms) that underlies the funding strategy. This could be due to a number of factors including market returns being less than expected and/or chosen fund managers who are employed to implement the chosen investment strategy failing to achieve their performance targets. The triennial valuation results are most sensitive to the real discount rate. Broadly speaking an increase/decrease of 0.1% per annum in the real discount rate will decrease/increase the liabilities by 2% and decrease/increase the required Scheme employer contribution by around 0.5% of payroll.
- 5.4 The Pension Fund Panel regularly monitor the investment returns achieved by the fund managers and seek advice from Officers and independent advisors on investment strategy. In the inter-valuation period 2016 to 2019 such monitoring activity saw investment returns higher than assumed in the 2016 valuation.
- 5.5 In addition the Fund Actuary provides monthly funding updates between triennial valuations to check whether the funding strategy continues to meet the funding objectives.



### *Demographic Risks*

- 5.6 Allowance is made in the funding strategy via the actuarial assumptions of continuing improvement in life expectancy. However, the main risk to the funding strategy is that it might underestimate the continuing improvement in mortality. For example an increase in 1 year to life expectancy of all members in the Fund will reduce the funding level by around 2%.



- 5.7 The actual mortality of retired members in the Fund is, however, monitored by the Fund Actuary at each Actuarial valuation and assumptions kept under review.
- 5.8 The liabilities of the Fund can also increase by more than has been planned as a result of early retirements (including redundancies).
- 5.9 However, the Administering Authority monitors the incidence of early retirements and procedures are in place that require individual Scheme employers to pay additional amounts to the Fund to meet any additional costs arising from early retirements thereby avoiding unnecessary strain on the Fund.

### *Regulatory Risks*

- 5.10 The benefits provided by the Scheme and employee contribution levels are set out in Statutory Regulations as determined by central Government. The tax status of the invested assets is also determined by central Government.
- 5.11 The funding strategy is therefore exposed to the risks of changes in the Statutory Regulations governing the Scheme and changes to the tax regime which increase the cost to individual Scheme employers of participating in the Scheme.
- 5.12 The Administering Authority actively participates in any consultation process of any change in Regulations and seeks advice from the Fund Actuary on the financial implications of any proposed changes
- 5.13 The 2016 national Scheme valuation was used to determine the results of HM Treasury's (HMT) employer cost cap mechanism for the first time. The HMT cost cap mechanism was brought in after Lord Hutton's review of public service pensions with the aim of providing protection to taxpayers and employees against unexpected changes (expected to be increases) in pension costs. The cost control mechanism only considers "member costs". These are the costs relating to changes in assumptions made to carry out valuations relating to the profile of the Scheme members; e.g. costs relating to how long members are expected to live for and draw their pension. Therefore, assumptions such as future expected levels of investment returns and levels of inflation are not included in the calculation, so have no impact on the cost management outcome.

The 2016 HMT cost cap valuation revealed a fall in these costs and therefore a requirement to enhance Scheme benefits from 1 April 2019. However, as a funded Scheme, the LGPS also had a cost cap mechanism controlled by the Scheme Advisory Board (SAB) in place and HMT allowed SAB to put together a package of proposed benefit changes in order for the LGPS to no longer breach the HMT cost cap. These benefit changes were due to be consulted on with all stakeholders and implemented from 1 April 2019.

However, on 20 December 2018 there was a judgement made by the Court of Appeal which resulted in the government announcing their decision to pause the cost cap process across all public service schemes. This was in relation to two employment tribunal cases which were brought against the government in relation to possible discrimination in the implementation of transitional protection following the introduction of the reformed 2015 public service pension schemes from 1 April 2015. Transitional protection enabled some members to remain in their pre-2015 schemes after 1 April 2015 until retirement or the end of a pre-determined tapered protection period. The claimants challenged the transitional protection arrangements on the grounds of direct age discrimination, equal pay and indirect gender and race discrimination.

The first case (McCloud) relating to the Judicial Pension Scheme was ruled in favour of the claimants, while the second case (Sargeant) in relation to the Fire scheme was ruled against the claimants. Both rulings were appealed and as the two cases were closely linked, the Court of Appeal decided to combine the two cases. In December 2018, the Court of Appeal ruled that the transitional protection offered to some members as part of the reforms amounts to unlawful discrimination. On 27 June 2019 the Supreme Court denied the government's request for an appeal in the case. A remedy is still to be either imposed by the Employment Tribunal or negotiated and applied to all public service schemes, so it is not yet clear how this judgement may affect LGPS members' past or future service benefits. It has, however, been noted by government in its 15 July 2019 statement that it expects to have to amend all public service schemes, including the LGPS.

At the time of drafting this FSS, it is not yet known what the effect on the current and future LGPS benefits will be. As the remedy is still to be agreed the cost cannot be calculated with certainty, however, the Fund Actuary has reduced the discount rate assumption by 0.1% to allow for the possible impact.

- 5.14 As part of the restructuring of the state pension provision, the government needs to consider how public service pension payments should be increased in future for members who accrued a Guaranteed Minimum Pension (GMP) from their public service pension scheme and expect to reach State Pension Age (SPA) post-December 2018. In addition, a resulting potential inequality in the payment of public service pensions between men and women needs to be addressed. Information on the current method of indexation and equalisation of public service pension schemes can be found [here](#).

On 22 January 2018, the government published the outcome to its *Indexation and equalisation of GMP in public service pension schemes* consultation, concluding that the requirement for public service pension schemes to fully price protect the GMP element of individuals' public service pension would be extended to those individuals reaching SPA before 6 April 2021. HMT published a Ministerial Direction on 4 December 2018 to implement this outcome, with effect from 6 April 2016. Details of this outcome and the Ministerial Direction can be found [here](#).

The 2019 valuation assumption for GMP is that the Fund will pay limited increases for members that have reached SPA by 6 April 2016, with the government providing the remainder of the inflationary increase. For members that reach SPA after this date, it is assumed that the Fund will be required to pay the entire inflationary increase.

## Governance

- 5.15 Several different Scheme employers participate in the Fund. Accordingly it is recognised that a number of Scheme employer specific events could impact on the funding strategy including:
- Structural changes in an individual Scheme employer's membership;
  - An individual Scheme employer deciding to close the Scheme to new employees;
  - A Scheme employer ceasing to exist without having fully funded their pension liabilities; and
  - New Scheme employers being created out of existing Scheme employers.

- 5.16 The Administering Authority monitors the position of Scheme employers participating in the Fund particularly those that may be susceptible to the aforementioned events and takes advice from the Fund Actuary when required.
- 5.17 In addition the Administering Authority keeps in close touch with all individual Scheme employers participating in the Fund and regularly holds meetings with Scheme employers to ensure that, as Administering Authority, it has the most up to date information available on individual Scheme employer situations and also to keep individual Scheme employers fully briefed on funding and related issues.

## **6 MONITORING AND REVIEW**

- 6.1 This FSS is reviewed formally, in consultation with the key parties, at least every three years to tie in with the triennial valuation process.
- 6.2 The Administering Authority also monitors the financial position of the Fund between triennial valuations and may review this FSS more frequently if deemed necessary.

Approved by the Berkshire Pension Fund Panel:

Next Review date: March 2021



## Appendix 4 Rates and Adjustments Certificate

### Regulatory background

In accordance with Regulation 62 of the Local Government Pension Scheme Regulations we have made an assessment of the contributions that should be paid into the Fund by participating employers for the period 1 April 2020 to 31 March 2023.

The method and assumptions used to calculate the contributions set out in the Rates and Adjustments Certificate are detailed in the Funding Strategy Statement and our report on the actuarial valuation dated 31 March 2020.

The primary rate of contribution as defined by Regulation 62(5) for each employer for the period 1 April 2020 to 31 March 2023 is set out in the table overleaf. The primary rate is the employer's contribution towards the cost of benefits accruing in each of the three years beginning 1 April 2020. In addition each employer pays a secondary contribution as required under Regulation 62(7) that when combined with the primary rate results in the minimum total contributions as set out below. This secondary rate is based on their particular circumstances and so individual adjustments are made for each employer.

### Secondary rate summary

The secondary rates across the entire Fund (as a percentage of projected Pensionable Pay and as a monetary amount) in each of the three years in the period 1 April 2020 to 31 March 2023 is set out in the table below.

| Secondary Contributions                 | 2020/21  | 2021/22  | 2022/23  |
|---|----------|----------|----------|
| Total as a % of payroll                 | 7.9%     | 8.6%     | 9.4%     |
| Equivalent to total monetary amounts of | £33,706k | £38,220k | £42,977k |

The average percentage of Pensionable Pay shown is based on the deficit contributions on a whole Fund level, paid over a 21 year deficit recovery period. The total monetary amounts reflect the individual employers' deficit recovery plans.

## General notes

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

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

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

The notes below detail what the specific notes refer to in the table below:

- A We understand that employers with this note have agreed with the administering authority that they will prepay their secondary contributions by making lump sum payments at the start of each year (i.e. in April 2020, April 2021 and April 2022). If they make these lump sums by the end of April of the respective year, then a discount factor of 0.974 should be applied.
- B We understand that the employer with this note has agreed with the administering authority that they will prepay their primary and secondary contributions, by making lump sum payments at the start of each year (i.e. in April 2020, April 2021 and April 2022).

Their primary contributions for 2020/21 will be estimated by using a payroll of £45.5m. If they make these lump sums by the end of April of the respective year, then a discount factor of 0.974 should be applied to the total contributions payable. They may be required to make an additional payment in respect of the primary contributions if the actual pensionable pay is higher than initially estimated for that year. The estimated payroll figures used for the prepayment in 2021/22 and 2022/23 will be provided by March 2021 and March 2022 respectively.

| Employer code                                | Employer name             | Primary rate | Secondary rate (% pay plus monetary adjustment) |         |         | Total contributions (primary rate plus secondary rate) |                    |                    | Specific notes |
|--|---------------------------|--------------|---|---------|---------|--|--------------------|--------------------|----------------|
|  |                           | (% pay)      | 2020/21   | 2021/22 | 2022/23 | 2020/21  | 2021/22            | 2022/23            |                |
| Unitary Authorities and Associated Employers |                           |              |   |         |         |  |                    |                    |                |
| Bracknell Forest pool                        |                           |              |   |         |         |  |                    |                    |                |
| 2  | Bracknell Forest Council  | 15.5%        | £3,171k   | £3,989k | £4,862k | 15.5% plus £3,171k                                     | 15.5% plus £3,989k | 15.5% plus £4,862k | B              |
| 9  | Bracknell Town Council    | 15.5%        | 7.0%  | 8.5%    | 10.0%   | 22.5%  | 24.0%              | 25.5%              |                |
| 39   | South Hill Park Trust     | 15.5%        | 7.0%  | 8.5%    | 10.0%   | 22.5%  | 24.0%              | 25.5%              |                |
| 42   | Winkfield Parish Council  | 15.5%        | 7.0%  | 8.5%    | 10.0%   | 22.5%  | 24.0%              | 25.5%              |                |
| 49   | Binfield Parish Council   | 15.5%        | 7.0%  | 8.5%    | 10.0%   | 22.5%  | 24.0%              | 25.5%              |                |
| 125  | Crowthorne Parish Council | 15.5%        | 7.0%  | 8.5%    | 10.0%   | 22.5%  | 24.0%              | 25.5%              |                |
| 137  | Sandhurst Town Council    | 15.5%        | 7.0%  | 8.5%    | 10.0%   | 22.5%  | 24.0%              | 25.5%              |                |
| 190  | Warfield Parish Council   | 15.5%        | 7.0%  | 8.5%    | 10.0%   | 22.5%  | 24.0%              | 25.5%              |                |
| RBWM pool                                    |                           |              |   |         |         |  |                    |                    |                |
| 3  | RBWM (non-schools)        | 15.1%        | £4,162k   | £4,311k | £4,467k | 15.1% plus £4,162k                                     | 15.1% plus £4,311k | 15.1% plus £4,467k | A              |
|  | RBWM (schools)            | 15.1%        | 14.5%   | 14.5%   | 14.5%   | 29.6%  | 29.6%              | 29.6%              |                |
| 15   | Cookham Parish Council    | 15.1%        | 14.5%   | 14.5%   | 14.5%   | 29.6%  | 29.6%              | 29.6%              |                |

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| Employer code              | Employer name                      | Primary rate | Secondary rate (% pay plus monetary adjustment) |         |         | Total contributions (primary rate plus secondary rate) |                    |                    | Specific notes |
|----------------------------|------------------------------------|--------------|---|---------|---------|--|--------------------|--------------------|----------------|
|                            |                                    | (% pay)      | 2020/21   | 2021/22 | 2022/23 | 2020/21  | 2021/22            | 2022/23            |                |
| 18                         | Sunningdale Parish Council         | 15.1%        | 14.5%   | 14.5%   | 14.5%   | 29.6%  | 29.6%              | 29.6%              |                |
| 19                         | Sunninghill & Ascot Parish Council | 15.1%        | 14.5%   | 14.5%   | 14.5%   | 29.6%  | 29.6%              | 29.6%              |                |
| 45                         | Eton Town Council                  | 15.1%        | 14.5%   | 14.5%   | 14.5%   | 29.6%  | 29.6%              | 29.6%              |                |
| 51                         | Cox Green Parish Council           | 15.1%        | 14.5%   | 14.5%   | 14.5%   | 29.6%  | 29.6%              | 29.6%              |                |
| 118                        | Bray Parish Council                | 15.1%        | 14.5%   | 14.5%   | 14.5%   | 29.6%  | 29.6%              | 29.6%              |                |
| 127                        | White Waltham Parish Council       | 15.1%        | 14.5%   | 14.5%   | 14.5%   | 29.6%  | 29.6%              | 29.6%              |                |
| 143                        | Hurley Parish Council              | 15.1%        | 14.5%   | 14.5%   | 14.5%   | 29.6%  | 29.6%              | 29.6%              |                |
| 279                        | Wraybury Parish Council            | 15.0%        | 9.0%  | 10.6%   | 12.1%   | 24.0%  | 25.6%              | 27.1%              |                |
| <b>West Berkshire pool</b> |                                    |              |   |         |         |  |                    |                    |                |
| 4                          | West Berkshire Council             | 15.8%        | £4,054k   | £4,829k | £5,655k | 15.8% plus £4,054k                                     | 15.8% plus £4,829k | 15.8% plus £5,655k |                |
| 11                         | Thatcham Town Council              | 15.8%        | 6.7%  | 7.7%    | 8.7%    | 22.5%  | 23.5%              | 24.5%              |                |
| 20                         | Tilehurst Parish Council           | 15.8%        | 6.7%  | 7.7%    | 8.7%    | 22.5%  | 23.5%              | 24.5%              |                |
| 47                         | Theale Parish Council              | 15.8%        | 6.7%  | 7.7%    | 8.7%    | 22.5%  | 23.5%              | 24.5%              |                |
| 75                         | The Downs School                   | 15.8%        | 6.7%  | 7.7%    | 8.7%    | 22.5%  | 23.5%              | 24.5%              |                |
| 88                         | Newbury Town Council               | 15.8%        | 6.7%  | 7.7%    | 8.7%    | 22.5%  | 23.5%              | 24.5%              |                |

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|                     |                                   | (% pay)      | 2020/21   | 2021/22 | 2022/23 | 2020/21  | 2021/22            | 2022/23            |                |
| 136                 | Hungerford Town Council           | 15.8%        | 6.7%  | 7.7%    | 8.7%    | 22.5%  | 23.5%              | 24.5%              |                |
| 147                 | Burghfield Parish Council         | 15.8%        | 6.7%  | 7.7%    | 8.7%    | 22.5%  | 23.5%              | 24.5%              |                |
| 216                 | Chieveley Parish Council          | 15.8%        | 6.7%  | 7.7%    | 8.7%    | 22.5%  | 23.5%              | 24.5%              |                |
| 249                 | Holybrook Parish Council          | 15.8%        | 6.7%  | 7.7%    | 8.7%    | 22.5%  | 23.5%              | 24.5%              |                |
| 250                 | Purley on Thames Parish Council   | 15.8%        | 6.7%  | 7.7%    | 8.7%    | 22.5%  | 23.5%              | 24.5%              |                |
| 288                 | Compton Parish Council            | 15.8%        | 6.7%  | 7.7%    | 8.7%    | 22.5%  | 23.5%              | 24.5%              |                |
| 300                 | Lambourn Parish Council           | 15.8%        | 6.7%  | 7.7%    | 8.7%    | 22.5%  | 23.5%              | 24.5%              |                |
| 313                 | Greenham Parish Council           | 15.8%        | 6.7%  | 7.7%    | 8.7%    | 22.5%  | 23.5%              | 24.5%              |                |
| 314                 | Yattendon Parish Council          | 15.8%        | 6.7%  | 7.7%    | 8.7%    | 22.5%  | 23.5%              | 24.5%              |                |
| 323                 | Hampstead Norreys Parish Council  | 15.8%        | 6.7%  | 7.7%    | 8.7%    | 22.5%  | 23.5%              | 24.5%              |                |
| 364                 | Pangbourne Parish Council         | 15.8%        | 6.7%  | 7.7%    | 8.7%    | 22.5%  | 23.5%              | 24.5%              |                |
| 386                 | Bucklebury Parish Council         | 15.8%        | 6.7%  | 7.7%    | 8.7%    | 22.5%  | 23.5%              | 24.5%              |                |
| <b>Reading pool</b> |                                   |              |   |         |         |  |                    |                    |                |
| 5                   | Reading Borough Council           | 14.8%        | £5,909k   | £6,122k | £6,342k | 14.8% plus £5,909k                                     | 14.8% plus £6,122k | 14.8% plus £6,342k | <b>A</b>       |
| 66                  | The Blessed Hugh Faringdon School | 14.8%        | 10.0%   | 10.0%   | 10.0%   | 24.8%  | 24.8%              | 24.8%              |                |

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|-----------------------|--------------------------------------|--------------|---|---------|---------|--|--------------------|--------------------|----------------|
|                       |                                      | (% pay)      | 2020/21   | 2021/22 | 2022/23 | 2020/21  | 2021/22            | 2022/23            |                |
| 376                   | Brighter Futures for Children        | 14.8%        | -   | -       | -       | 14.8%  | 14.8%              | 14.8%              |                |
| <b>Slough pool</b>    |                                      |              |   |         |         |  |                    |                    |                |
| 6                     | Slough Borough Council               | 15.0%        | £3,495k   | £4,264k | £5,043k | 15.0% plus £3,495k                                     | 15.0% plus £4,264k | 15.0% plus £5,043k | <b>A</b>       |
| 61                    | Holy Family School                   | 15.0%        | 9.0%  | 10.6%   | 12.1%   | 24.0%  | 25.6%              | 27.1%              |                |
| 62                    | Priory School                        | 15.0%        | 9.0%  | 10.6%   | 12.1%   | 24.0%  | 25.6%              | 27.1%              |                |
| 119                   | Pippins School - Slough              | 15.0%        | 9.0%  | 10.6%   | 12.1%   | 24.0%  | 25.6%              | 27.1%              |                |
| 122                   | Wexham Court Parish Council          | 15.0%        | 9.0%  | 10.6%   | 12.1%   | 24.0%  | 25.6%              | 27.1%              |                |
| <b>Wokingham pool</b> |                                      |              |   |         |         |  |                    |                    |                |
| 7                     | Wokingham Borough Council            | 15.5%        | £2,711k   | £3,127k | £3,570k | 15.5% plus £2,711k                                     | 15.5% plus £3,127k | 15.5% plus £3,570k |                |
| 10                    | Earley Town Council                  | 15.5%        | 8.8%  | 9.8%    | 10.8%   | 24.3%  | 25.3%              | 26.3%              |                |
| 12                    | Wokingham Town Council               | 15.5%        | 8.8%  | 9.8%    | 10.8%   | 24.3%  | 25.3%              | 26.3%              |                |
| 21                    | Woodley Town Council                 | 15.5%        | 8.8%  | 9.8%    | 10.8%   | 24.3%  | 25.3%              | 26.3%              |                |
| 52                    | Swallowfield Parish Council          | 15.5%        | 8.8%  | 9.8%    | 10.8%   | 24.3%  | 25.3%              | 26.3%              |                |
| 73                    | All Saints CE (Aided) Primary School | 15.5%        | 8.8%  | 9.8%    | 10.8%   | 24.3%  | 25.3%              | 26.3%              |                |
| 96                    | Shinfield Parish Council             | 15.5%        | 8.8%  | 9.8%    | 10.8%   | 24.3%  | 25.3%              | 26.3%              |                |

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|-----------------------------|--|--------------|---|---------|---------|--|------------------|------------------|----------------|
|                             |  | (% pay)      | 2020/21   | 2021/22 | 2022/23 | 2020/21  | 2021/22          | 2022/23          |                |
| 117                         | Finchampstead Parish Council           | 15.5%        | 8.8%  | 9.8%    | 10.8%   | 24.3%  | 25.3%            | 26.3%            |                |
| 129                         | Winnersh Parish Council                | 15.5%        | 8.8%  | 9.8%    | 10.8%   | 24.3%  | 25.3%            | 26.3%            |                |
| 159                         | Twyford Parish Council                 | 15.5%        | 8.8%  | 9.8%    | 10.8%   | 24.3%  | 25.3%            | 26.3%            |                |
| 227                         | Wokingham Without Parish Council       | 15.5%        | 8.8%  | 9.8%    | 10.8%   | 24.3%  | 25.3%            | 26.3%            |                |
| 251                         | Charvil Parish Council                 | 15.5%        | 8.8%  | 9.8%    | 10.8%   | 24.3%  | 25.3%            | 26.3%            |                |
| 70000                       | Wokingham Borough Council (Schools)    | 15.5%        | 8.8%  | 9.8%    | 10.8%   | 24.3%  | 25.3%            | 26.3%            |                |
| <b>Housing Associations</b> |  |              |   |         |         |  |                  |                  |                |
| 80                          | The Swaythling Housing Society Limited | 21.0%        | £209k   | £216k   | £224k   | 21.0% plus £209k                                       | 21.0% plus £216k | 21.0% plus £224k |                |
| 83                          | Dimensions UK Ltd                      | 14.0%        | £83k  | £86k    | £89k    | 14.0% plus £83k  | 14.0% plus £86k  | 14.0% plus £89k  |                |
| 132                         | Silva Homes                            | 20.8%        | -   | -       | -       | 20.8%  | 20.8%            | 20.8%            |                |
| <b>Colleges</b>             |  |              |   |         |         |  |                  |                  |                |
| <b>Colleges pool</b>        |  |              |   |         |         |  |                  |                  |                |
| 53                          | Newbury College                        | 15.4%        | 11.7%   | 11.7%   | 11.7%   | 27.1%  | 27.1%            | 27.1%            |                |
| 55                          | Activate Learning                      | 17.8%        | 11.7%   | 11.7%   | 11.7%   | 29.5%  | 29.5%            | 29.5%            |                |
| 57                          | The Windsor Forest Colleges Group      | 13.7%        | 11.7%   | 11.7%   | 11.7%   | 25.4%  | 25.4%            | 25.4%            |                |

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|-----------------------|-------------------------------------|--------------|---|---------|---------|--|--------------------|--------------------|----------------|
|                       |                                     | (% pay)      | 2020/21   | 2021/22 | 2022/23 | 2020/21  | 2021/22            | 2022/23            |                |
| 58                    | Berkshire College Of Agriculture    | 14.0%        | 11.7%   | 11.7%   | 11.7%   | 25.7%  | 25.7%              | 25.7%              |                |
| 156                   | University of West London           | 16.2%        | £1,379k   | £1,428k | £1,480k | 16.2% plus £1,379k                                     | 16.2% plus £1,428k | 16.2% plus £1,480k |                |
| <b>Academies</b>      |                                     |              |   |         |         |  |                    |                    |                |
| <b>Academies pool</b> |                                     |              |   |         |         |  |                    |                    |                |
| 144                   | Highdown School and 6th Form Centre | 15.8%        | 3.8%  | 4.8%    | 5.8%    | 19.6%  | 20.6%              | 21.6%              |                |
| 146                   | Churchend Academy                   | 15.8%        | 3.8%  | 4.8%    | 5.8%    | 19.6%  | 20.6%              | 21.6%              |                |
| 152                   | Lowbrook Academy Trust              | 15.8%        | 3.8%  | 4.8%    | 5.8%    | 19.6%  | 20.6%              | 21.6%              |                |
| 158                   | The Piggott C of E Academy          | 15.8%        | 3.8%  | 4.8%    | 5.8%    | 19.6%  | 20.6%              | 21.6%              |                |
| 161                   | The Holt School                     | 15.8%        | 3.8%  | 4.8%    | 5.8%    | 19.6%  | 20.6%              | 21.6%              |                |
| 165                   | The Avenue Academy                  | 15.8%        | 3.8%  | 4.8%    | 5.8%    | 19.6%  | 20.6%              | 21.6%              |                |
| 167                   | Langley Hall Primary Academy        | 15.8%        | 3.8%  | 4.8%    | 5.8%    | 19.6%  | 20.6%              | 21.6%              |                |
| 168                   | Kendrick School                     | 15.8%        | 3.8%  | 4.8%    | 5.8%    | 19.6%  | 20.6%              | 21.6%              |                |
| 169                   | Langley Grammar School              | 15.8%        | 3.8%  | 4.8%    | 5.8%    | 19.6%  | 20.6%              | 21.6%              |                |
| 171                   | Prospect School Reading             | 15.8%        | 3.8%  | 4.8%    | 5.8%    | 19.6%  | 20.6%              | 21.6%              |                |

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|               |   | (% pay)      | 2020/21   | 2021/22 | 2022/23 | 2020/21  | 2021/22 | 2022/23 |                |
| 173           | Reading School                                | 15.8%        | 3.8%  | 4.8%    | 5.8%    | 19.6%  | 20.6%   | 21.6%   |                |
| 174           | St Bartholomew's School                       | 15.8%        | 3.8%  | 4.8%    | 5.8%    | 19.6%  | 20.6%   | 21.6%   |                |
| 175           | Cox Green School                              | 15.8%        | 3.8%  | 4.8%    | 5.8%    | 19.6%  | 20.6%   | 21.6%   |                |
| 176           | Furze Platt Senior School                     | 15.8%        | 3.8%  | 4.8%    | 5.8%    | 19.6%  | 20.6%   | 21.6%   |                |
| 180           | Denefield School                              | 15.8%        | 3.8%  | 4.8%    | 5.8%    | 19.6%  | 20.6%   | 21.6%   |                |
| 183           | Westgate School                               | 15.8%        | 3.8%  | 4.8%    | 5.8%    | 19.6%  | 20.6%   | 21.6%   |                |
| 191           | Altwood School                                | 15.8%        | 3.8%  | 4.8%    | 5.8%    | 19.6%  | 20.6%   | 21.6%   |                |
| 199           | Castleview School                             | 15.8%        | 3.8%  | 4.8%    | 5.8%    | 19.6%  | 20.6%   | 21.6%   |                |
| 200           | Charters School                               | 15.8%        | 3.8%  | 4.8%    | 5.8%    | 19.6%  | 20.6%   | 21.6%   |                |
| 205           | Ryvers School                                 | 15.8%        | 3.8%  | 4.8%    | 5.8%    | 19.6%  | 20.6%   | 21.6%   |                |
| 221           | National Autistic Society (NAS) Academy Trust | 15.8%        | 3.8%  | 4.8%    | 5.8%    | 19.6%  | 20.6%   | 21.6%   |                |
| 229           | Holyport College                              | 15.8%        | 3.8%  | 4.8%    | 5.8%    | 19.6%  | 20.6%   | 21.6%   |                |
| 232           | The Heights Primary School                    | 15.8%        | 3.8%  | 4.8%    | 5.8%    | 19.6%  | 20.6%   | 21.6%   |                |
| 233           | Evendons Primary School                       | 15.8%        | 3.8%  | 4.8%    | 5.8%    | 19.6%  | 20.6%   | 21.6%   |                |
| 259           | Waingels Academy                              | 15.8%        | 3.8%  | 4.8%    | 5.8%    | 19.6%  | 20.6%   | 21.6%   |                |

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|               |                                    | (% pay)      | 2020/21   | 2021/22 | 2022/23 | 2020/21  | 2021/22 | 2022/23 |                |
| 264           | Forest Bridge School (Free School) | 15.8%        | 3.8%  | 4.8%    | 5.8%    | 19.6%  | 20.6%   | 21.6%   |                |
| 269           | Newlands Girls' School             | 15.8%        | 3.8%  | 4.8%    | 5.8%    | 19.6%  | 20.6%   | 21.6%   |                |
| 311           | Northern House Trust               | 15.8%        | 3.8%  | 4.8%    | 5.8%    | 19.6%  | 20.6%   | 21.6%   |                |
| 319           | Bonitas Multi Academy Trust        | 15.8%        | 3.8%  | 4.8%    | 5.8%    | 19.6%  | 20.6%   | 21.6%   |                |
| 320           | The Keys Academy Trust             | 15.8%        | 3.8%  | 4.8%    | 5.8%    | 19.6%  | 20.6%   | 21.6%   |                |
| 324           | Activate Learning Education Trust  | 15.8%        | 3.8%  | 4.8%    | 5.8%    | 19.6%  | 20.6%   | 21.6%   |                |
| 325           | Ashley Hill Schools Trust          | 15.8%        | 3.8%  | 4.8%    | 5.8%    | 19.6%  | 20.6%   | 21.6%   |                |
| 326           | Baylis Court Trust                 | 15.8%        | 3.8%  | 4.8%    | 5.8%    | 19.6%  | 20.6%   | 21.6%   |                |
| 327           | Bellevue Place Education Trust     | 15.8%        | 3.8%  | 4.8%    | 5.8%    | 19.6%  | 20.6%   | 21.6%   |                |
| 328           | Bohunt Education Trust             | 15.8%        | 3.8%  | 4.8%    | 5.8%    | 19.6%  | 20.6%   | 21.6%   |                |
| 329           | Anthem Schools Trust               | 15.8%        | 3.8%  | 4.8%    | 5.8%    | 19.6%  | 20.6%   | 21.6%   |                |
| 330           | Excalibur Academies Trust          | 15.8%        | 3.8%  | 4.8%    | 5.8%    | 19.6%  | 20.6%   | 21.6%   |                |
| 331           | Floreat Montague Park School       | 15.8%        | 3.8%  | 4.8%    | 5.8%    | 19.6%  | 20.6%   | 21.6%   |                |
| 332           | Glyn Learning Foundation           | 15.8%        | 3.8%  | 4.8%    | 5.8%    | 19.6%  | 20.6%   | 21.6%   |                |
| 333           | Greenshaw Learning Trust           | 15.8%        | 3.8%  | 4.8%    | 5.8%    | 19.6%  | 20.6%   | 21.6%   |                |

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|---------------|------------------------------------|--------------|---|---------|---------|--|---------|---------|----------------|
|               |                                    | (% pay)      | 2020/21   | 2021/22 | 2022/23 | 2020/21  | 2021/22 | 2022/23 |                |
| 334           | Haybrook College Trust             | 15.8%        | 3.8%  | 4.8%    | 5.8%    | 19.6%  | 20.6%   | 21.6%   |                |
| 335           | Kennet School Academies Trust      | 15.8%        | 3.8%  | 4.8%    | 5.8%    | 19.6%  | 20.6%   | 21.6%   |                |
| 336           | The Arbib Education Trust          | 15.8%        | 3.8%  | 4.8%    | 5.8%    | 19.6%  | 20.6%   | 21.6%   |                |
| 338           | Maiden Erlegh Schools Trust        | 15.8%        | 3.8%  | 4.8%    | 5.8%    | 19.6%  | 20.6%   | 21.6%   |                |
| 339           | Marish Academy Trust               | 15.8%        | 3.8%  | 4.8%    | 5.8%    | 19.6%  | 20.6%   | 21.6%   |                |
| 340           | NET Academies Trust                | 15.8%        | 3.8%  | 4.8%    | 5.8%    | 19.6%  | 20.6%   | 21.6%   |                |
| 341           | Newbury Academy Trust              | 15.8%        | 3.8%  | 4.8%    | 5.8%    | 19.6%  | 20.6%   | 21.6%   |                |
| 342           | Oxford Diocesan Schools Trust      | 15.8%        | 3.8%  | 4.8%    | 5.8%    | 19.6%  | 20.6%   | 21.6%   |                |
| 343           | Park Federation Academy Trust      | 15.8%        | 3.8%  | 4.8%    | 5.8%    | 19.6%  | 20.6%   | 21.6%   |                |
| 344           | Reach2 Academy Trust               | 15.8%        | 3.8%  | 4.8%    | 5.8%    | 19.6%  | 20.6%   | 21.6%   |                |
| 345           | Berkshire Schools Trust            | 15.8%        | 3.8%  | 4.8%    | 5.8%    | 19.6%  | 20.6%   | 21.6%   |                |
| 346           | SASH Education Trust               | 15.8%        | 3.8%  | 4.8%    | 5.8%    | 19.6%  | 20.6%   | 21.6%   |                |
| 347           | Schelwood Academy Trust            | 15.8%        | 3.8%  | 4.8%    | 5.8%    | 19.6%  | 20.6%   | 21.6%   |                |
| 348           | Specialist Education Trust         | 15.8%        | 3.8%  | 4.8%    | 5.8%    | 19.6%  | 20.6%   | 21.6%   |                |
| 349           | St Thomas Catholic Academies Trust | 15.8%        | 3.8%  | 4.8%    | 5.8%    | 19.6%  | 20.6%   | 21.6%   |                |

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|                                   |                                     | (% pay)      | 2020/21   | 2021/22 | 2022/23 | 2020/21  | 2021/22           | 2022/23           |                |
| 350                               | Frassati Catholic Academy Trust     | 15.8%        | 3.8%  | 4.8%    | 5.8%    | 19.6%  | 20.6%             | 21.6%             |                |
| 351                               | The Gold Rose School Trust          | 15.8%        | 3.8%  | 4.8%    | 5.8%    | 19.6%  | 20.6%             | 21.6%             |                |
| 352                               | Desborough College                  | 15.8%        | 3.8%  | 4.8%    | 5.8%    | 19.6%  | 20.6%             | 21.6%             |                |
| 353                               | The Forest School Academy Trust     | 15.8%        | 3.8%  | 4.8%    | 5.8%    | 19.6%  | 20.6%             | 21.6%             |                |
| 354                               | The Slough and East Berkshire MAT   | 15.8%        | 3.8%  | 4.8%    | 5.8%    | 19.6%  | 20.6%             | 21.6%             |                |
| 355                               | The Pioneer Education Trust         | 15.8%        | 3.8%  | 4.8%    | 5.8%    | 19.6%  | 20.6%             | 21.6%             |                |
| 356                               | Windsor Learning Partnership        | 15.8%        | 3.8%  | 4.8%    | 5.8%    | 19.6%  | 20.6%             | 21.6%             |                |
| 361                               | The Corvus Learning Trust           | 15.8%        | 3.8%  | 4.8%    | 5.8%    | 19.6%  | 20.6%             | 21.6%             |                |
| 362                               | The Circle Trust                    | 15.8%        | 3.8%  | 4.8%    | 5.8%    | 19.6%  | 20.6%             | 21.6%             |                |
| 375                               | Achievement For All Education Trust | 15.8%        | 3.8%  | 4.8%    | 5.8%    | 19.6%  | 20.6%             | 21.6%             |                |
| 377                               | Kings Academy Group                 | 15.8%        | 3.8%  | 4.8%    | 5.8%    | 19.6%  | 20.6%             | 21.6%             |                |
| 378                               | Orchard Hill College Academy Trust  | 15.8%        | 3.8%  | 4.8%    | 5.8%    | 19.6%  | 20.6%             | 21.6%             |                |
| <b>Community Admission Bodies</b> |                                     |              |   |         |         |  |                   |                   |                |
| <b>Admitted Bodies pool</b>       |                                     |              |   |         |         |  |                   |                   |                |
| 26                                | Age Concern Berkshire               | 14.7%        | £2,671  | £2,767  | £2,866  | 14.7% plus £2,671                                      | 14.7% plus £2,767 | 14.7% plus £2,866 |                |

| Employer code | Employer name                        | Primary rate | Secondary rate (% pay plus monetary adjustment) |         |         | Total contributions (primary rate plus secondary rate) |                    |                    | Specific notes |
|---------------|--------------------------------------|--------------|---|---------|---------|--|--------------------|--------------------|----------------|
|               |                                      | (% pay)      | 2020/21   | 2021/22 | 2022/23 | 2020/21  | 2021/22            | 2022/23            |                |
| 30            | Mary Hare Grammar School             | 17.5%        | £206k   | £213k   | £221k   | 17.5% plus £206k                                       | 17.5% plus £213k   | 17.5% plus £221k   |                |
| 35            | School of St Helen & St Katharine    | 20.6%        | £16,800   | £17,400 | £18,030 | 20.6% plus £16,800                                     | 20.6% plus £17,400 | 20.6% plus £18,030 |                |
| 37            | Slough Council For Voluntary Service | 23.6%        | £3,227  | £3,343  | £3,463  | 23.6% plus £3,227                                      | 23.6% plus £3,343  | 23.6% plus £3,463  |                |
| 40            | Reading Voluntary Action             | 23.2%        | £1,830  | £1,896  | £1,964  | 23.2% plus £1,830                                      | 23.2% plus £1,896  | 23.2% plus £1,964  |                |
| 95            | Berkshire Maestros                   | 16.3%        | £25,530   | £26,450 | £27,410 | 16.3% plus £25,530                                     | 16.3% plus £26,450 | 16.3% plus £27,410 |                |
| 105           | PACT                                 | 22.2%        | £16,520   | £17,120 | £17,740 | 22.2% plus £16,520                                     | 22.2% plus £17,120 | 22.2% plus £17,740 |                |
| 121           | SECBE                                | 19.1%        | £6,434  | £6,666  | £6,906  | 19.1% plus £6,434                                      | 19.1% plus £6,666  | 19.1% plus £6,906  |                |
| 28            | Elizabeth Fry Charity                | 14.6%        | £20,000   | £20,700 | £21,500 | 14.6% plus £20,000                                     | 14.6% plus £20,700 | 14.6% plus £21,500 |                |
| 44            | Reading Transport Ltd                | 22.7%        | £602k   | £624k   | £646k   | 22.7% plus £602k                                       | 22.7% plus £624k   | 22.7% plus £646k   |                |
| 48            | Sovereign Housing Association        | 25.4%        | £473k   | £490k   | £507k   | 25.4% plus £473k                                       | 25.4% plus £490k   | 25.4% plus £507k   |                |
| 100           | Corn Exchange Trust                  | 26.6%        | £5,447  | £5,643  | £5,846  | 26.6% plus £5,447                                      | 26.6% plus £5,643  | 26.6% plus £5,846  |                |
| 128           | Greenwich Leisure Ltd                | 21.4%        | £20,010   | £20,730 | £21,480 | 21.4% plus £20,010                                     | 21.4% plus £20,730 | 21.4% plus £21,480 |                |
| 193           | Adviza                               | 16.4%        | 7.3%  | 7.3%    | 7.3%    | 23.7%  | 23.7%              | 23.7%              |                |

| Employer code               | Employer name                        | Primary rate | Secondary rate (% pay plus monetary adjustment) |         |         | Total contributions (primary rate plus secondary rate) |                    |                    | Specific notes |
|-----------------------------|--------------------------------------|--------------|---|---------|---------|--|--------------------|--------------------|----------------|
|                             |                                      | (% pay)      | 2020/21   | 2021/22 | 2022/23 | 2020/21  | 2021/22            | 2022/23            |                |
| Transferee Admission Bodies |                                      |              |   |         |         |  |                    |                    |                |
| 90                          | Berkshire Fire & Rescue Service      | 13.5%        | £341k   | £353k   | £366k   | 13.5% plus £341k                                       | 13.5% plus £353k   | 13.5% plus £366k   |                |
| 113                         | Northgate Ltd                        | 19.2%        | £2,164  | £2,242  | £2,322  | 19.2% plus £2,164                                      | 19.2% plus £2,242  | 19.2% plus £2,322  |                |
| 114                         | Holroyd Howe Ltd                     | 29.6%        | -   | -       | -       | 29.6%  | 29.6%              | 29.6%              |                |
| 115                         | MITIE                                | 19.2%        | £13,380   | £13,860 | £14,360 | 19.2% plus £13,380                                     | 19.2% plus £13,860 | 19.2% plus £14,360 |                |
| 140                         | Care UK                              | 15.2%        | 3.8%  | 1.9%    | 0.0%    | 19.0%  | 17.1%              | 15.2%              |                |
| 150                         | Busy Bee Cleaning Services Ltd       | 36.0%        | -   | -       | -       | 36.0%  | 36.0%              | 36.0%              |                |
| 160                         | Optalis Limited                      | 20.1%        | -   | -       | -       | 20.1%  | 20.1%              | 20.1%              |                |
| 178                         | Northgate Information Solutions      | 21.1%        | 2.3%  | 1.4%    | 0.6%    | 23.4%  | 22.5%              | 21.7%              |                |
| 184                         | Arvato                               | 16.2%        | -   | -       | -       | 16.2%  | 16.2%              | 16.2%              |                |
| 204                         | Elior UK plc                         | 23.6%        | 1.0%  | 1.0%    | 1.0%    | 24.6%  | 24.6%              | 24.6%              |                |
| 211                         | Creative Support Limited             | 19.2%        | 4.4%  | 2.2%    | -       | 23.6%  | 21.4%              | 19.2%              |                |
| 226                         | Berks Bucks & Oxon Wildlife Trust    | 21.9%        | -1.7%   | -0.9%   | 0.0%    | 20.2%  | 21.0%              | 21.9%              |                |
| 237                         | Innovate Services Ltd (Baylis Court) | 21.2%        | -0.5%   | -0.5%   | -0.5%   | 20.7%  | 20.7%              | 20.7%              |                |
| 242                         | Continental Landscapes Ltd           | 16.9%        | 3.2%  | 1.6%    | 0.0%    | 20.1%  | 18.5%              | 16.9%              |                |

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| Employer code | Employer name                              | Primary rate | Secondary rate (% pay plus monetary adjustment) |         |         | Total contributions (primary rate plus secondary rate) |                   |                   | Specific notes |
|---------------|--|--------------|---|---------|---------|--|-------------------|-------------------|----------------|
|               |  | (% pay)      | 2020/21   | 2021/22 | 2022/23 | 2020/21  | 2021/22           | 2022/23           |                |
| 248           | Legacy Leisure Limited                     | 21.8%        | -2.1%   | -1.1%   | 0.0%    | 19.7%  | 20.7%             | 21.8%             |                |
| 252           | The Riverside Day Nursery Ltd              | 10.9%        | 6.7%  | 3.3%    | 0.0%    | 17.6%  | 14.2%             | 10.9%             |                |
| 256           | Ways Into Work                             | 21.9%        | -1.9%   | 0.6%    | 3.1%    | 20.0%  | 22.5%             | 25.0%             |                |
| 260           | Slough Children's Services Trust           | 13.3%        | 2.2%  | 2.2%    | 2.2%    | 15.5%  | 15.5%             | 15.5%             |                |
| 261           | Creative Support (Slough Extra Care)       | 23.5%        | -6.4%   | -3.2%   | -       | 17.1%  | 20.3%             | 23.5%             |                |
| 283           | Rapid Commercial Cleaning Services Ltd     | 21.2%        | £1,638  | £1,697  | £1,758  | 21.2% plus £1,638                                      | 21.2% plus £1,697 | 21.2% plus £1,758 |                |
| 290           | Rapid Clean                                | 18.3%        | 3.7%  | 1.7%    | -0.3%   | 22.0%  | 20.0%             | 18.0%             |                |
| 293           | Innovate                                   | 17.7%        | -1.6%   | -0.8%   | 0.0%    | 16.1%  | 16.9%             | 17.7%             |                |
| 301           | Innovate (Emmbrook)                        | 10.1%        | -   | -       | -       | 10.1%  | 10.1%             | 10.1%             |                |
| 315           | Optalis                                    | 19.6%        | 1.8%  | 0.9%    | 0.0%    | 21.4%  | 20.5%             | 19.6%             |                |
| 316           | VolkerHighways (Highways department staff) | 21.3%        | -   | -       | -       | 21.3%  | 21.3%             | 21.3%             |                |
| 317           | Project Centre 1                           | 19.8%        | -   | -       | -       | 19.8%  | 19.8%             | 19.8%             |                |
| 318           | Project Centre 2                           | 13.5%        | 1.0%  | 0.5%    | 0.0%    | 14.5%  | 14.0%             | 13.5%             |                |
| 321           | Haywards Services                          | 22.0%        | 1.0%  | 1.0%    | 1.0%    | 23.0%  | 23.0%             | 23.0%             |                |
| 322           | Hayward Services Ltd                       | 23.8%        | 1.5%  | 1.5%    | 1.5%    | 25.3%  | 25.3%             | 25.3%             |                |

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| Employer code | Employer name                          | Primary rate | Secondary rate (% pay plus monetary adjustment) |         |         | Total contributions (primary rate plus secondary rate) |                   |                   | Specific notes |
|---------------|--|--------------|---|---------|---------|--|-------------------|-------------------|----------------|
|               |  | (% pay)      | 2020/21   | 2021/22 | 2022/23 | 2020/21  | 2021/22           | 2022/23           |                |
| 358           | RBWM Property Company                  | 14.8%        | -1.3%   | -0.7%   | -       | 13.5%  | 14.1%             | 14.8%             |                |
| 359           | Osbornes (Corporate Cleaning)          | 19.2%        | 1.9%  | 0.9%    | 0.0%    | 21.1%  | 20.1%             | 19.2%             |                |
| 360           | NSL Services Ltd                       | 18.4%        | 2.1%  | 1.6%    | 1.1%    | 20.5%  | 20.0%             | 19.5%             |                |
| 363           | The Beehive                            | 19.5%        | -   | -       | -       | 19.5%  | 19.5%             | 19.5%             |                |
| 365           | Bouyges E&S FM UK Ltd                  | 31.7%        | £1,903  | £1,971  | £2,042  | 31.7% plus £1,903                                      | 31.7% plus £1,971 | 31.7% plus £2,042 |                |
| 366           | Absolutely Leisure Ltd                 | 11.7%        | 4.8%  | 2.3%    | 0.0%    | 16.5%  | 14.0%             | 11.7%             |                |
| 367           | SLM - Everyone Active                  | 22.8%        | 1.4%  | 1.4%    | 1.4%    | 24.2%  | 24.2%             | 24.2%             |                |
| 369           | Readibus (Adult Social Care Transport) | 29.5%        | £2,472  | £2,561  | £2,653  | 29.5% plus £2,472                                      | 29.5% plus £2,561 | 29.5% plus £2,653 |                |
| 371           | SLM (Fitness and Health)               | 16.8%        | 2.4%  | 1.2%    | 0.0%    | 19.2%  | 18.0%             | 16.8%             |                |
| 372           | SLM (Food and Beverage)                | 17.2%        | 0.8%  | 0.3%    | 0.0%    | 18.0%  | 17.5%             | 17.2%             |                |
| 373           | SLM (Community Leisure)                | 17.2%        | -0.4%   | -0.2%   | 0.0%    | 16.8%  | 17.0%             | 17.2%             |                |
| 374           | Accent Catering                        | 27.3%        | £1,762  | £1,826  | £1,891  | 27.3% plus £1,762                                      | 27.3% plus £1,826 | 27.3% plus £1,891 |                |
| 381           | Aspens Services                        | 18.0%        | £1,391  | £1,441  | £1,493  | 18.0% plus £1,391                                      | 18.0% plus £1,441 | 18.0% plus £1,493 |                |
| 382           | Compass                                | 14.8%        | 0.5%  | 0.5%    | 0.5%    | 15.3%  | 15.3%             | 15.3%             |                |
| 383           | KGB Cleaning Services Ltd              | 26.0%        | £144  | £149    | £155    | 26.0% plus £144  | 26.0% plus £149   | 26.0% plus £155   |                |

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## Post valuation employers

Various new employers have joined the Fund on or after 1 April 2019 and their rates were certified at their date of joining and have been reviewed as part of the 2019 valuation process. The table summarises the start date and contributions required from these employers.

| Start date       | Employer name         | Primary rate | Secondary rate (% pay plus monetary adjustment) |         |         | Total contributions (primary rate plus secondary rate) |         |         |
|------------------|-----------------------|--------------|---|---------|---------|--|---------|---------|
|                  |                       | (% pay)      | 2020/21   | 2021/22 | 2022/23 | 2020/21  | 2021/22 | 2022/23 |
| 1 April 2019     | VolkerHighways        | 17.8%        | -   | -       | -       | 17.8%  | 17.8%   | 17.8%   |
| 1 April 2019     | Frays Academy Trust   | 15.8%        | 3.8%  | 4.8%    | 5.8%    | 19.6%  | 20.6%   | 21.6%   |
| 1 August 2019    | Regency Cleaning      | 18.1%        | -   | -       | -       | 18.1%  | 18.1%   | 18.1%   |
| 1 September 2019 | Go Beanies            | 27.2%        | -   | -       | -       | 27.2%  | 27.2%   | 27.2%   |
| 1 January 2020   | Solutions 4 Health    | 28.2%        | -   | -       | -       | 28.2%  | 28.2%   | 28.2%   |
| 1 January 2020   | Horton Parish Council | 15.1%        | 14.5%   | 14.5%   | 14.5%   | 29.6%  | 29.6%   | 29.6%   |
| 1 February 2020  | Tyr Abad              | 15.5%        | -   | -       | -       | 15.5%  | 15.5%   | 15.5%   |

## Payment plan employers

One ceased employer is currently on a payment plan to pay of their existing deficit upon leaving the Fund. Their results have been reviewed as part of the 2019 valuation and the table below summarises their contributions due for the next three years.

| Employer code | Employer name                  | Total contributions |         |         |
|---------------|--------------------------------|---------------------|---------|---------|
|               |                                | 2020/21             | 2021/22 | 2022/23 |
| 23            | Berkshire County Blind Society | £13,984             | £14,348 | £14,721 |
| 103           | Absolutely Leisure Limited     | £40,000             | £40,000 | £40,000 |

## Investment Strategy Statement

The Royal Borough of Windsor & Maidenhead (“RBWM”) acting as the administering authority for The Royal County of Berkshire Pension Fund, a constituent member of The Local Government Pension Scheme in England & Wales, is required by Section 7 of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 to publish an Investment Strategy Statement.

This is the second such statement published by the Royal Borough and in accordance with the Regulations it will be reviewed regularly and at no more than 3 year intervals.

The Regulations require the administering authority to outline how it meets each of 6 objectives:

### **1. A requirement to invest fund money in a wide range of instruments.**

RBWM’s policy is that the Pension Fund (the “Fund”) should have a highly diversified investment portfolio spread across different asset classes and different asset managers using differing approaches as appropriate. This ensures that the fund money is invested in a wide range of instruments.

RBWM’s Pension Fund Panel has established an Investment Group which meets at least quarterly to review the Fund’s performance, asset allocation and ability to meet its target return. In addition the Investment Group reviews potential new investment ideas and products offered by its investment manager, Local Pensions Partnership Investments Limited (the “Investment Manager” (LPPI)) and opines whether such ideas are consistent with the investment strategy of the Fund and a suitable investment.

The Investment Group receives advice from suitably qualified Officers and Independent Advisers. It also makes use of information derived from the Investment Manager. It will commission specialist work from an external adviser when it believes that neither Officers nor the Independent Advisers have sufficient experience or expertise in a particular field.

To achieve sufficient diversification the Fund divides assets across 4 broad categories: equities, bonds, real assets and absolute return strategies. The size of each bucket will vary depending on investment conditions but each bucket will itself be diversified.

Any investment strategy will have associated risks, including primarily that of not meeting the returns required to ensure the long-term ability of the Fund to pay benefits as they fall due. To mitigate these risks the Investment Group regularly reviews both the performance and the expected returns from the portfolio to measure whether it has met and is likely to continue to meet its return objective.

In addition the Investment Group notes that there will be an increasing gap between contributions received and benefits – i.e. that the Fund will become cash-flow negative. The Pension Fund Panel does not wish the Fund to sell assets to pay benefits. Consequently, it has resolved that a secondary objective of the investment strategy of the Fund should be to ensure that there is sufficient investment income generated from the Fund's investments to meet any cash-flow shortfall. This has been formalised as a medium term objective to generate a 2% income return across the investment portfolio (i.e. investment income should be at least equivalent to 2% of the Fund's assets).

## **2. The authority's assessment of the suitability of particular investments and types of investments.**

In assessing the suitability of investments RBWM relies on the Investment Manager to take into account relevant factors including, but not limited to, prospective return, risks, concentration or diversification of risk as well as geographic and currency exposures, as well as possible interactions with other investments in the portfolio.

Performance benchmarks are set for the Fund as a whole (target return UK CPI+4.5%) as well as for individual allocations. The Fund's target return is greater than the actuarial discount rate used to value liabilities and has been set at a level sufficient to assist in meeting the funding gap whilst not taking excessive investment risk. Furthermore the Pension Fund Panel has agreed that the Fund should aim to achieve its target return with a low level of volatility in those returns. Whilst the Fund as a whole has an absolute return target, RBWM recognises that for measuring the performance of individual asset classes relative to specific benchmarks may be more appropriate.

In ensuring the suitability of investments RBWM expects the Investment Manager (LPPI) to pay regard to both the potential returns and risk (including possible interactions with other investments in the portfolio). RBWM will also consider the reputational risk of being connected with or investing in any investment proposal made by the Investment Manager. RBWM expects its managers to take into account Environmental, Social and Governance (ESG) issues when making an investment.

RBWM measures the returns and the volatility of those returns on a quarterly basis and publishes the results relative to a global group of investment funds with a similar diversified approach to investment on the Fund web-site.

### **3. The authority's approach to risk, including the ways in which risks are to be measured and managed**

There are a variety of risks to be addressed when managing a Pension Fund with investment risk being just one of them. In 2016, in accordance with the principles of Pensions Regulator guidance, RBWM commissioned Lincoln Pensions to undertake an Integrated Risk Management ("IRM") study of the Fund. This study looked at the interaction of employer covenant risk – the ability of the employers to meet future contributions, support the investment risk (volatility of returns) and underwrite funding risk (volatility of actuarial deficit). The study concluded that:

- The future contributions estimated by the Fund's Actuary (on the GAD's funding test, i.e. aimed at removing an actuarial deficit over 20 years) are likely to be affordable across the Fund's employers over the next 10 years.
- Some of the Fund's larger employers, notably unitary authorities, do face a number of challenges in the near term which could constrain affordability of future contributions, particularly given their statutory duties to provide adequate services.

In reaching these conclusions, the Fund's assets, liabilities, and its participating employers have been subjected to a number of adverse stress scenarios to assess resilience, which serve to test and constrain affordability. Where employers find themselves under stress, they would be required to identify and utilise financial levers in order to maintain contributions at the level required. Such levers could include support from central Government or other employers, increases in council tax rates, increasing borrowings (subject to restrictions) and pledging assets to the Fund.

Early in 2019 the Pension Fund Panel agreed to enter into a 12-month contract with LPPI to undertake further work concerning employer covenants with a view to identifying those employers most at risk of not being able to underwrite their liabilities in the future. The Panel will consider the findings of this work over the coming months and determine action might be necessary to safeguard the Fund against the risks associated with employers exiting the Pension Scheme.

Looking specifically at investment risk RBWM is of the view that the diversification of the Fund investment portfolio is so broad that investment risk (volatility of returns) is low and will continue to be low. Ex ante volatility estimates require forecasts by asset class of volatility and correlation and whilst historic data can be used to estimate volatility for listed assets, it is much more difficult for unlisted (e.g. private equity, infrastructure, real estate) assets. Furthermore RBWM notes that

correlations continually change and in times of financial stress all risk assets trend to a correlation with each other of 1. This “tail risk” means that most risk models either understate risk in times of stress or conservatively over-estimate volatility in normal markets.

The Fund targets a long-term return of UK CPI+4.5%; this is sufficient for it to meet its long-term liabilities. In setting the investment strategy, the Pension Fund Panel decided that this return should be achieved with a low degree of volatility – currently the Fund targets volatility below 10% per annum over the medium term.

As a patient long-term investor the Fund is prepared to ride-out short term volatility in investment markets and may, if suitable opportunities arise, adapt its investment strategy accordingly. At each review of the Investment Strategy Statement the assumptions on risk and return and their impact on asset allocation will be reviewed.

#### **4. The authority’s approach to pooling investments, including the use of collective investment vehicles.**

RBWM has broad experience of investing in pooled vehicles be they collective investment vehicles or other “collectives” such as multi-partner Limited Partnerships.

When deciding whether to invest in a collective scheme or to seek a segregated account RBWM, will pay close attention to:

- The relative costs between a collective investment scheme and a segregated account with a focus on the Total Cost of Ownership
- The suitability and ability of a collective investment scheme to meet the mandate requirements of RBWM.

In recognition of the government’s requirement for LGPS funds to pool their investments RBWM became an Investment Client of the Local Pensions Partnership Investments Limited with effect from 1 June 2018 and the pooling of assets has commenced.

#### **5. The authority’s policy on how social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments.**

RBWM accepts that stakeholders will have differing views on how social, environmental and corporate governance considerations should be taken into account and believes that no “one-size fits all” policy can possibly be implemented across such a diverse portfolio such as that of the Fund. Nevertheless RBWM seeks to protect its reputation as an institutional investor and ensures that the Investment Manager (LPPI) takes into account these issues when selecting

investments for purchase, retention or sale. RBWM will not place social, environmental or corporate governance restrictions on the Investment Manager but relies on it to adhere to best practices in the jurisdictions in which they are based, operates and invests.

Furthermore RBWM has implemented three investment theses under “ESG” principles: investment in the food chain, housing and infrastructure. Specifically RBWM has made private equity investments in a “food and water” segregated account within its private equity portfolio, two farmland funds in its property portfolio, a number of infrastructure fund investments both globally and in the UK (in particular it was the seed investor in the Gresham House British strategic Investment Fund focussed on small scale infrastructure and Housing projects) as well as investments to support house builders via the purchase of residual shared equity loan books and a fund specialising in acquiring brownfield land for residential developments.

#### **6. The authority’s policy on the exercising of the rights (including voting rights) attaching to investments.**

RBWM expects the Investment Manager to exercise all rights attaching to investments including voting in accordance with recognised responsible investment guidelines. RBWM expects the Investment Manager to comply with the principles of the UK Stewardship Code.

**RBWM confirms that the Berkshire Pension Fund has no investments in entities that are connected with the authority but if in future it does these will be limited to no more than 5% of the Fund’s assets.**

Table one sets out the asset class limits as agreed by the Berkshire Pension Fund Panel on 11 March 2019

**Table one: Asset Class Limits**

| <b>Asset Class</b>  | <b>Policy Portfolio Benchmark</b> | <b>Tolerance Range</b> | <b>Relevant LPPI pool</b>          | <b>Investment Objective</b>   |
|---------------------|-----------------------------------|------------------------|------------------------------------|---|
| Credit              | 10%                               | 5-15%                  | LPP I Credit Investment LP         | GBP LIBOR plus 3-5%   |
| Fixed Income        | 3%                                | 0-6%                   | LPP I Fixed Income Fund            | Barclays Global Aggregate Index GBP Hedged plus 0.5%                  |
| Global Equities (*) | 40%                               | 30-50%                 | LPP I Global Equities Fund         | MSCI All Country World GBP Index (net dividends reinvested) plus 2%   |
| Private Equity      | 13%                               | 8-18%                  | LPP I PE Investments (No. 3) LP    | MSCI All Country World GBP Index (net dividends reinvested) plus 4-6% |
| Total Return        | 4%                                | 0-10%                  | LPP I Total Return                 | 1 month GBP LIBOR plus 2-4%   |
| Infrastructure      | 12.5%                             | 8-16%                  | LPP I Infrastructure Investment LP | UK CPI plus 4-6%  |
| Real Estate         | 16.5%                             | 10-20%                 | LPP I Property Pool                | UK CPI plus 4-6%  |
| Cash                | 1%                                | 0-5%                   |                                    |   |

**Approved by the Berkshire Pension Fund Panel: 11 March 2019**  
**Next review date: March 2020**





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



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## INTRODUCTION

The Royal Borough of Windsor & Maidenhead (RBWM) is the administering authority for the Royal County of Berkshire Pension Fund. As such, RBWM has certain statutory responsibilities for the administration of the Local Government Pension Scheme (LGPS) in Berkshire. This includes the six Unitary Authorities (of which RBWM is one) and around 250 other associated employers who make up the membership of the Pension Fund.

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

| STATUTORY INSTRUMENTS                                |   |
|--|---|
| 2013 No. 2356  |   |
| PUBLIC SERVICE PENSIONS, ENGLAND AND WALES           |   |
| The Local Government Pension Scheme Regulations 2013 |   |
| Sole: The Secretary of State for Work and Pensions   |   |
| Laid before Parliament: 17th September 2013          |   |
| Commencement: 1st October 2013                       |   |
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| Introduction, interpretation and general provisions  |   |
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| 6. General principles of administration              | 1 |
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| 97. General principles of administration             | 1 |
| 98. General principles of administration             | 1 |
| 99. General principles of administration             | 1 |
| 100. General principles of administration            | 1 |

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

### 1.0 ADMINISTRATION OF THE LGPS

The pension administration team will:

- 1.1 Maintain a member database of all current, deferred and retired members (including their dependants) of the scheme along with historical data relating to former scheme members who have a right to claim a refund of contributions but have not elected to do so (frozen refunds), former members who no longer have a liability within the Fund (benefits transferred out of the scheme) and employees who have opted out of the Scheme for whom an opting out form must be retained.
- 1.2 Provide an efficient, effective and courteous administration service.



- 1.3 Calculate member benefits in accordance with Scheme regulations.
- 1.4 Provide a pension payroll service to all retired Scheme members and their dependants.
- 1.5 Ensure that pension payments are made on the correct date and that all lump sum payments are made as soon as possible following the retirement of the Scheme member.
- 1.6 Provide current and deferred members with an annual benefit statement.

- 1.7 Ensure that all new Scheme members receive access key to 'my pension ONLINE' with detail of how to access a formal notification membership and other relevant Scheme information.
- 1.8 Notify all retired scheme members of the annual increase to their pension.
- 1.9 Provide a payslip to retired members of the Scheme ... April every year and any subsequent month where there is 50 pence variance in net pay.
- 1.10 Provide a P60 to every retired Scheme member within HMRC deadlines.
- 1.11 Perform other administrative tasks in line with the service standards laid down in a service level agreement with Scheme employers.



## 2.0 SCHEME COMMUNICATIONS

The pension administration team will:

### The Royal County of Berkshire Pension Fund

The pages of this website contain information about the Local Government Pension Scheme and how it is administered in Berkshire. It sets out details about your membership of the scheme and the benefits of contributing to a highly regarded, final-salary occupational pension scheme.



2.1 Maintain and update a website for all members of the LGPS and provide a dedicated area for Scheme employers to assist them in administering the scheme on behalf of their employees.

2.2 Inform all scheme members of significant changes to the LGPS by way of a bi-annual newsletter.

2.3 Produce, publish and maintain a suite of scheme guides and fact-sheets to assist scheme members in understanding their pension rights and options.

2.4 Offer pension surgeries, presentations and open days to be held across the County of Berkshire.

2.5 Respond to letters and emails within 10 working days.

## 3.0 COMPLAINTS PROCEDURE

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

## **4.0 GENERAL**

The pension administration team will:

- 4.1 Deal with member enquiries in a professional, polite and friendly way and offer guidance to scheme members as appropriate without giving financial advice.
- 4.2 Make available confidential interview facilities as required.
- 4.3 Maintain and report on performance statistics.
- 4.4 Provide information for completion of an administration report to be presented to members of the Pension Fund Panel, Pension Fund Advisory Panel and Pension Board.
- 4.5 Provide information for the Annual Report and Accounts of the Pension Fund.
- 4.6 Maintain the member database in accordance with the General Data Protection Regulations 2018 and issue a Privacy Notice explaining how the Pension Fund collects data, what the data is used for, with whom the data is shared and the rights of individuals with regard to their data.

Approved by the Pension Fund Panel: 16 December 2019

Next review date: December 2020





**Appendix 6 – List of Scheme Employers and Contributions Received 2019/20**

| <b>Employer</b>                           | <b>Employee<br/>£'000</b> | <b>Employer<br/>£'000</b> |
|---|---------------------------|---------------------------|
| Absolutely Leisure Limited                | 29                        | 69                        |
| Accent Catering Services Ltd              | 1                         | 4                         |
| Achievement for All Education Trust       | 42                        | 137                       |
| Activate Learning Education Trust         | 54                        | 211                       |
| Age Concern Berkshire                     | 4                         | 21                        |
| ALET (B&W College)                        | 120                       | 566                       |
| Altwood School (Academy Status)           | 32                        | 94                        |
| Arvato                                    | 108                       | 262                       |
| Ashley Hill Schools Trust                 | 27                        | 90                        |
| Aspens Services Limited                   | 3                         | 8                         |
| Association of SE Colleges                | 0                         | 2                         |
| Baylis Court Trust                        | 102                       | 345                       |
| Bellevue Place Education Trust            | 111                       | 336                       |
| Berks, Bucks & Oxfordshire Wildlife Trust | 7                         | 23                        |
| Berkshire College Of Agriculture          | 231                       | 886                       |
| Berkshire County Blind Society            | 0                         | 14                        |
| Berkshire Fire & Rescue Service           | 389                       | 1,109                     |
| Berkshire Maestros                        | 35                        | 131                       |
| Binfield Parish Council                   | 5                         | 16                        |
| Bohunt Education Trust                    | 31                        | 104                       |
| Bonitas Multi Academy Trust Limited       | 87                        | 214                       |
| Bouygues E&S UK Ltd                       | 4                         | 18                        |
| Bracknell Forest BC                       | 3,180                     | 9,664                     |
| Bracknell Forest Homes                    | 103                       | 1,009                     |
| Bracknell Town Council                    | 44                        | 139                       |
| Bray Parish Council                       | 3                         | 13                        |
| Brighter Futures for Children             | 1,007                     | 1,875                     |
| Bucklebury Parish Council                 | 0                         | 1                         |
| Burghfield Parish Council                 | 5                         | 16                        |
| Busy Bee Cleaning Services Ltd            | 1                         | 3                         |
| Care UK                                   | 5                         | 16                        |
| Castlevew School (Academy Status)         | 52                        | 175                       |
| Caterlink                                 | 2                         | 6                         |
| Cfbt Berks Careers Guidance               | 0                         | 182                       |
| CfBT Schools Trust                        | 73                        | 211                       |
| Charters School (Academy Status)          | 74                        | 230                       |
| Charvil Parish Council                    | 2                         | 7                         |
| Chieveley Parish Council                  | 1                         | 2                         |
| Churchend Academy                         | 30                        | 99                        |
| Compass Contract Services (UK)            | 4                         | 17                        |
| Compton Parish Council                    | 1                         | 2                         |

|  |     |     |
|--|-----|-----|
| Connexions Thames Valley                   | 91  | 303 |
| Continental Landscapes Ltd                 | 11  | 41  |
| Cookham Parish Council                     | 3   | 11  |
| Corn Exchange Trust                        | 2   | 14  |
| Cox Green Parish Council                   | 4   | 18  |
| Cox Green School (Academy Status)          | 59  | 177 |
| Cranstoun                                  | 2   | 6   |
| Creative Support Extra Care                | 15  | 33  |
| Creative Support Ltd (Altair 00211)        | 7   | 27  |
| Crowthorne Parish Council                  | 6   | 19  |
| Denefield School (Academy Status)          | 55  | 163 |
| Desborough School (Academy Status)         | 82  | 128 |
| Dimensions UK Ltd                          | 10  | 46  |
| Earley Town Council                        | 30  | 110 |
| East Berkshire College Ext 3302            | 244 | 925 |
| Elior UK plc                               | 0   | 1   |
| Elizabeth Fry Hostel                       | 12  | 39  |
| Energy Kidz (Katesgrive School)            | 0   | 1   |
| Eton Town Council                          | 1   | 5   |
| Evendons Primary School                    | 17  | 56  |
| Excalibur Academies Trust                  | 73  | 242 |
| Finchampstead Parish Council               | 3   | 11  |
| Floreat Education Academies Trust          | 5   | 22  |
| Forest Bridge School                       | 53  | 174 |
| Frassati Catholic Academy Trust            | 104 | 307 |
| Frays Academy Trust                        | 11  | 45  |
| Furze Platt Senior School (Academy Status) | 85  | 277 |
| Glyn Learning Foundation                   | 26  | 88  |
| Go Beanies Limited                         | 0   | 1   |
| Greenham Parish Council                    | 2   | 6   |
| Greenshaw Learning Trust                   | 98  | 329 |
| Greenwich Leisure Ltd ext 4076             | 7   | 44  |
| Hampstead Norreys Parish Council           | 0   | 1   |
| Haybrook College Trust                     | 70  | 219 |
| Hayward Services (Rdg Girls)               | 0   | 0   |
| Hayward Services Ltd (Cox G)               | 1   | 4   |
| Hayward Services Ltd (Wex)                 | 2   | 7   |
| Highdown School                            | 58  | 181 |
| Holroyd Howe Ltd                           | 1   | 15  |
| Holt School (Academy Status)               | 45  | 143 |
| Holy Family School                         | 31  | 125 |
| Holybrook Parish Council                   | 2   | 8   |
| Holyport College                           | 52  | 161 |
| Horton Parish Council                      | 0   | 1   |
| Housing Solutions Ltd                      | 141 | 777 |
| Hungerford Town Council                    | 4   | 16  |

|  |       |       |
|--|-------|-------|
| Hurley Parish Council                    | 1     | 3     |
| Innovate Services (Emmbrook)             | 1     | 2     |
| Innovate Services (Prospect)             | 5     | 17    |
| Innovate Services Ltd                    | 2     | 7     |
| John Madejski Academy                    | 21    | 52    |
| Kendrick School (Academy Status)         | 31    | 103   |
| Kennet School Academies Trust            | 128   | 408   |
| Keys Multi-Academy Trust                 | 64    | 242   |
| KGB Cleaning Ltd – Denefield             | 1     | 3     |
| King's Academy Binfield                  | 16    | 52    |
| Lambourn Parish Council                  | 3     | 10    |
| Langley Academy                          | 91    | 221   |
| Langley Academy Trust                    | 66    | 229   |
| Langley Grammar School (Academy Status)  | 51    | 127   |
| Langley Hall Primary Academy             | 46    | 151   |
| Legacy Leisure Limited                   | 19    | 59    |
| Lowbrook Academy Trust                   | 14    | 40    |
| Maiden Erlegh Schools Trust              | 206   | 643   |
| Marish Academy Trust                     | 121   | 408   |
| Mary Hare Grammar School                 | 242   | 696   |
| MITIE                                    | 2     | 17    |
| NET Academies Trust                      | 7     | 24    |
| Newbury Academy Trust                    | 116   | 281   |
| Newbury College                          | 117   | 539   |
| Newbury Town Council                     | 22    | 73    |
| Newlands Girls School                    | 52    | 166   |
| Northern House School Wokingham          | 21    | 67    |
| Northgate UK Ltd (Altair Code 00113)     | 4     | 22    |
| Northgate UK Ltd (Altair Code 00178)     | 9     | 32    |
| NSL Ltd                                  | 19    | 64    |
| Optalis Limited                          | 52    | 180   |
| Optalis Limited (RBWM)                   | 218   | 766   |
| Orchard Hill College & Academy Trust     | 147   | 492   |
| Osborne Property Services Limited        | 30    | 105   |
| Oxford Dioscesan Schools Trust           | 68    | 305   |
| Pact                                     | 24    | 87    |
| Pangbourne Parish Council                | 2     | 7     |
| Park Federation Academy Trust            | 181   | 567   |
| Priory School                            | 93    | 369   |
| Project Centre Ltd                       | 15    | 39    |
| Project Centre Ltd 2                     | 13    | 28    |
| Prospect School Reading (Academy Status) | 71    | 221   |
| Purley on Thames Parish Council          | 1     | 6     |
| Rapid Commercial Cleaning Services Ltd   | 0     | 0     |
| Rapid Commercial Cleaning Services Ltd 2 | 1     | 3     |
| RBWM                                     | 1,894 | 9,815 |

|   |       |        |
|---|-------|--------|
| RBWM Property Company Ltd                   | 51    | 70     |
| Reach2 Thames Valley Academy Trust          | 51    | 187    |
| Readibus Limited                            | 1     | 3      |
| Reading Borough Council                     | 3,699 | 14,034 |
| Reading School (Academy Status)             | 48    | 149    |
| Reading Transport Ltd                       | 45    | 738    |
| Reading Voluntary Action                    | 3     | 14     |
| Regency Cleaning                            | 4     | 17     |
| Royal County of Berkshire Schools Trust     | 59    | 203    |
| Ryvers School (Academy Status)              | 43    | 153    |
| S.E.Centre for the Built Environment Ltd    | 13    | 32     |
| Sandhurst Parish Council                    | 4     | 9      |
| SASH Education Trust                        | 73    | 239    |
| Schelwood Academy Trust                     | 80    | 242    |
| School of St Helen & St Katharine           | 17    | 77     |
| Shinfield Parish Council                    | 1     | 2      |
| SLM Charitable Trust 2                      | 63    | 172    |
| SLM Community Leisure                       | 2     | 10     |
| SLM Fitness & Health                        | 3     | 10     |
| SLM Food & Beverage                         | 11    | 35     |
| Slough Borough Council                      | 2,917 | 9,187  |
| Slough Children's Services Trust            | 585   | 1,272  |
| Slough Community & Leisure Ltd              | 0     | 40     |
| Slough Council For Voluntary Service        | 5     | 16     |
| Solutions4Health                            | 0     | 2      |
| South Hill Park Trust                       | 1     | 20     |
| Sovereign Housing Association               | 8     | 489    |
| Specialist Education Trust                  | 36    | 115    |
| St Bartholomew's School (Academy Status)    | 69    | 229    |
| St Peter Catholic Academies Trust           | 109   | 352    |
| Sunningdale Parish Council                  | 2     | 10     |
| Sunninghill & Ascot Parish Council          | 1     | 5      |
| Swallowfield Parish Council                 | 3     | 13     |
| Thatcham Town Council                       | 11    | 40     |
| The Avenue Academy                          | 130   | 436    |
| The Beehive (Wokingham) Limited             | 1     | 2      |
| The Blessed Hugh Farringdon School          | 45    | 173    |
| The Cippenham Schools' Trust                | 61    | 202    |
| The Circle Trust                            | 85    | 253    |
| The Corvus Learning Trust                   | 101   | 336    |
| The Downs School                            | 90    | 308    |
| The Forest School Academy Trust             | 28    | 106    |
| The Heights Free School                     | 16    | 54     |
| The National Autistic Society Academy Trust | 58    | 216    |
| The Piggott C of E Academy                  | 54    | 177    |
| The Slough and East Berkshire MAT           | 183   | 602    |

|                                  |       |        |
|----------------------------------|-------|--------|
| The Windsor Day Club Nursery     | 0     | 0      |
| Theale Parish Council            | 1     | 5      |
| Tilehurst Parish Council         | 6     | 21     |
| Twyford Parish Council           | 2     | 7      |
| Tyr Abad                         | 2     | 3      |
| Unallocated                      | 0     | 0      |
| University of West London        | 59    | 1,060  |
| Upton Court Education Trust      | 98    | 321    |
| Volkerhighways Ltd               | 25    | 90     |
| Volkerhighways Ltd (Wok)         | 5     | 16     |
| Waingels College                 | 57    | 164    |
| Warfield Parish Council          | 3     | 7      |
| Ways Into Work CIC               | 6     | 17     |
| West Berkshire DC                | 3,883 | 12,958 |
| Westgate School (Academy Status) | 67    | 216    |
| Wexham Court Parish Council      | 0     | 0      |
| White Horse Federartion Trust    | 14    | 49     |
| White Waltham Parish Council     | 5     | 20     |
| Whitelocke Infant                | 28    | 117    |
| Windsor Housing                  | 2     | 22     |
| Windsor Learning Partnership     | 119   | 411    |
| Winkfield Parish Council         | 15    | 46     |
| Winnersh Parish Council          | 4     | 12     |
| Wokingham Borough Council        | 3,459 | 10,201 |
| Wokingham Town Council           | 26    | 78     |
| Wokingham Without Parish Council | 7     | 28     |
| Woodley Town Council             | 40    | 155    |
| Wraysbury Parish Council         | 1     | 4      |
| Yattendon Parish Council         | 0     | 0      |



## Appendix 7 - AVC Arrangements

There are a number of investment choices available to members of the Royal County of Berkshire Pension Fund who elect to pay Additional Voluntary Contributions (AVCs). Members can choose to switch AVC Funds at any time subject to the terms and conditions of each vehicle. At retirement, the accumulated value of a member's AVC Fund can be used to provide a tax-free lump sum payment (subject to HMRC limits), to purchase an annuity on the open market or, in certain circumstances, buy additional membership of the Local Government Pension Scheme. The following table sets out the available Funds and the level of investment risk attached to each of those Funds:

| Provider                     | Fund Type             | Level of Risk    |
|------------------------------|-----------------------|------------------|
| Prudential Assurance Company | Deposit               | Minimal          |
|                              | Cash                  | Minimal          |
|                              | Fixed Interest        | Lower            |
|                              | Index Linked Gilts    | Lower            |
|                              | Retirement Protection | Lower            |
|                              | With Profits          | Lower to Medium  |
|                              | Discretionary         | Medium           |
|                              | Property              | Medium           |
|                              | International Equity  | Medium to Higher |
|                              | Global Equity         | Medium to Higher |
|                              | Equity                | Higher           |
|                              | UK Equity Passive     | Higher           |
|                              | Socially Responsible  | Higher           |

Many members choose to invest in the With Profits Fund that is designed to provide smoothed medium to long-term growth by investing in a range of assets including equities and property. The investment returns are distributed by way of reversionary and terminal bonuses.

### Lifestyling

Lifestyling is a convenient way for members of AVC schemes to stay invested in assets with the potential for long-term growth throughout their working lives whilst gaining an element of protection through automatic switching into funds with lower risk as retirement approaches.

