

# Royal County of Berkshire Pension Fund

*Annual Report and Accounts*

**2023/2024**



Local Government  
Pension Scheme

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## **1) PENSION FUND COMMITTEE CHAIR'S INTRODUCTION**

It gives me great pleasure as Chair of the Pension Fund Committee to present the Annual Report and Accounts for the financial year ended 31 March 2024 for the Royal County of Berkshire Pension Fund (the "Fund").

The Royal Borough of Windsor & Maidenhead (RBWM) is the Administering Authority for the Fund and administers the Local Government Pension Scheme (LGPS) on behalf of all Scheme members employed by the six Berkshire Unitary Authorities and around 250 other public and private sector employers. The administration team have been able to provide a highly professional and efficient service to all members and employers this year. Their continued professionalism in maintaining the highest standards of service to all of our stakeholders has been, I am sure, very welcome to all our members and employers, and we can all thank them for this. These high levels of service will continue this year too.

The Berkshire Pension Fund Committee comprises five RBWM Councillors. The Pension Committee also receives invaluable support from the Pension Fund Advisory Panel, which consists of representatives from the other five Berkshire Unitary Authorities. Additional assistance is provided by the Fund's Independent Financial Advisors, who have provided us with guidance in managing the funds.

In practice decisions are taken at joint meetings of the Pension Fund Committee and Pension Fund Advisory Panel although only members of the Pension Fund Committee have voting rights.

The Royal County of Berkshire Pension Fund continues to operate under an Advisory Management Agreement with Local Pensions Partnership Investments Limited (LPPI), which continues to be a successful partnership, with them pooling an increasing range of our funds. The Pension Fund Committee remains responsible for setting the investment strategy and strategic allocation of its assets. The Committee also monitors the Fund's investment performance and the outlook for financial markets in which the fund invests at each of our quarterly meetings, with the support of the Independent Financial Advisors.

In line with the Fund's Responsible Investment policy, the Pension Fund Committee receives reports at each meeting on LPPI's progress in the important fields of 'Environmental, Social and Governance' factors and on their progress towards a 'net zero' investment portfolio.

In addition to taking decisions that relate to Fund investments, the Pension Fund Committee has a statutory duty to ensure that the LGPS is governed and administered in line with the government regulations and other associated legislation. I am grateful to members of our local Pension Board for their input and assistance in ensuring that RBWM fulfils its statutory responsibilities.

I have great confidence that the Pension team will continue to provide our Scheme members with a high-quality service over the next year.



**Councillor Simon Bond**  
**Chairman**  
**Berkshire Pension Fund Committee**  
**Berkshire Pension Fund Advisory Panel**

## 2) SCHEME MANAGEMENT

### **PENSION FUND COMMITTEE (Voting) (ELECTED MEMBERS OF THE ADMINISTERING AUTHORITY)**

The five elected members, representing the administering authority, the Royal Borough of Windsor & Maidenhead, that make up the Pension Fund Committee were as follows:

<b>Position</b>	<b>Name</b>
Chair	Councillor Simon Bond
Vice Chair	Councillor Wisdom Da Costa
Other Members	Councillor Neil Knowles
	Councillor Asghar Majeed
	Councillor Julian Tisi

### **PENSION FUND ADVISORY PANEL (Non-voting)**

In addition to the five elected Pension Fund Committee Members, the Advisory Panel consisted of the following elected Members from the other five Berkshire Unitary Authorities:

<b>Name</b>	<b>Unitary Authority</b>
Councillor Stephen O'Regan	Bracknell Forest Council
Councillor Glenn Dennis	Reading Borough Council
Councillor Rifaqat Zarait	Slough Borough Council
Councillor Jeremy Cottam	West Berkshire Council
Councillor Stephen Newton	Wokingham Borough Council

### **Dates and attendance of Pension Fund Committee/Advisory Panel meetings**

Meeting Dates:

19 June 2023  
18 September 2023  
18 December 2023  
18 March 2024

Attendance for 2023/24

<b>Name</b>	<b>Number of meetings eligible to attend</b>	<b>Attended</b>
Councillor Simon Bond	4	4
Councillor Wisdom Da Costa	4	4
Councillor Asghar Majeed	4	3
Councillor Neil Knowles	4	1
Councillor Julian Tisi	4	4
Councillor Stephen O'Regan	4	1
Councillor Glenn Dennis	4	2
Councillor Rifaqat Zarait	4	2
Councillor Jeremy Cottam	4	0
Councillor Stephen Newton	4	4

## **ADVISERS**

### **Actuary**

Barnett Waddingham LLP

### **Additional Voluntary Contribution Provider**

Prudential Assurance Company

### **Asset Pool Operator**

Local Pensions Partnership (Investments) Limited (LPPI).

### **Bankers to the Fund**

Lloyds Bank PLC

### **External Auditors**

Grant Thornton UK LLP

### **Internal Auditors**

South West Audit Partnership Limited

### **Global Custodian**

Northern Trust

### **Independent Advisers**

Independent Investment Advisers Ms Aoifinn Devitt

Independent Strategy and Governance Advisors Camdor Global Advisors

### **Lawyers**

Various, dependent on matter, no retained legal support.

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

<b>Position</b>	<b>Name</b>	<b>Comments</b>
Interim Executive Director of Resources and Section 151 Officer	Ian O'Donnell	From December 2024
Executive Director of Resources and Section 151 Officer	Elizabeth Griffiths	Until November 2024
Assistant Director of Finance and Deputy Section 151 Officer	Julian McGowan	
Head of Pension Fund	Damien Pantling	Until 29 February 2024
Head of Pension Fund	Jo Thistlewood	From 22 April 2024

### **Scheme Administrators**

In-house pension administration team.

## PENSION BOARD

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

Position	Name
Chair	Alan Cross
Vice Chair	Arthur Parker
Scheme Employer Representatives	Arthur Parker – Bracknell Forest Council
	Nikki Craig – Royal Borough of Windsor & Maidenhead
	Julian Curzon – Haybrook College Trust
Scheme Member Representatives	Alan Cross – Retired Scheme Member
	Jeff Ford – Retired Scheme Member
	1 Vacancy

### Dates and attendance of Pension Board meetings 2023-24:

Meeting Dates:

19 June 2023  
18 September 2023  
18 December 2023  
18 March 2024

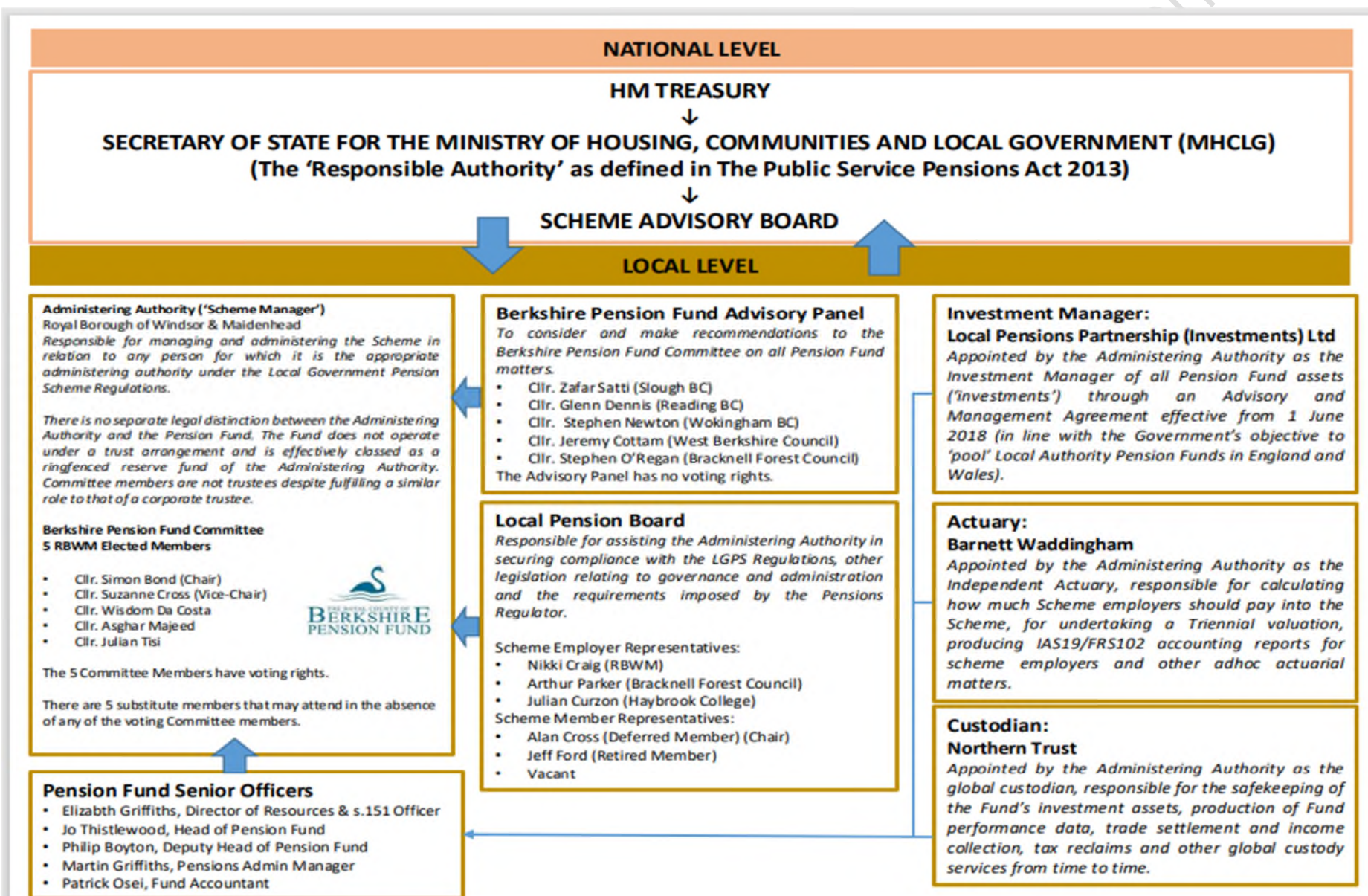
Attendance for 2023/24

Name	Number of meetings eligible to attend	Attended
Alan Cross	4	4
Arthur Parker	4	4
Nikki Craig	4	4
Jeff Ford	4	3
Julian Curzon	4	3

### Full governance structure

Governance structure chart is presented overleaf as at the date of preparing this report (Summer 2024). This is kept up to date continuously and the latest governance chart is made available on the Pension Fund's website - [Homepage | Berkshire Pension Fund](#)





### **3) PENSION BOARD STATEMENT: APRIL 2023 – MARCH 2024**

The Pension Board (“the 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 scheme administration is effective and efficient.

The Board primarily focuses on governance and administration issues. The Pension Service has a work programme that periodically reviews its policy statements. The Board seeks to deliver effective advice and assurance in line with the agreed Terms of Reference and the Administering Authority’s Constitution.

During 2023/24 the Board’s meetings occurred using a hybrid arrangement with some members meeting in person with Fund Officers, and others attending virtually using Zoom & Teams. As the Board is not formally a committee with any significant decision-making powers, it is envisaged that the Board will continue to meet that way for the foreseeable future. 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. Most Board members updated their Pensions Regulator training during the year.

Five out of six Board members have been in place for some time, but despite recruitment attempts the Board has been carrying a vacancy for a member representative for a longer period than is desirable. It is now expected that situation will be resolved in the second half of the 2024/25 year. It is also hoped some long-standing work to review the Board’s operation, including consideration of board membership review arrangements can be concluded by 31 March 2025. In 2023/24 the Board meetings occurred on the morning before the Pension Fund Committee. This allowed full consideration of the Committee papers with a strong focus on the Fund’s administration, reviewing statutory documentation as it has been published. Particular attention continues to be given to the Fund’s Risk Register with updates made and normally discussed between Board Members and Pension Fund Officers during each quarterly meeting.

Outside the Board the Pension Fund has seen a year of management and governance change, with three of the five committee members changing following the Local Elections in May 2023, and a change of Committee Chair. The Pension Fund manager changed during the second half of the year. Because of these changes the Board has sought to ensure that the day-to-day administration of the fund has not been significantly impacted adversely. Some policies including the risk register were not updated during the period of change, as resources were limited to make changes and there was some desire to ensure the new Head of Pension Fund should bring her perspective to the Fund’s policies. As usual the range of annual amendments to scheme regulations and over-arching legislation to contend with have meant a continuing period of change. As usual the Pension Team has kept pace with various changes and where possible sought to get ahead with new processes.

The Board continues to keep under review the Pension Committee’s 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 Committee meetings. There will always be room for improvement, but the work of the Board helps to establish clear priorities for future activity.



## **4) 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 who all contribute to the Local Government Pension Scheme ("LGPS"). The benefit entitlement for members of the LGPS is set out by the Local Government Pension Scheme Regulations 2013 (as amended) and other associated legislation. The statutory responsibility for the LGPS falls under the remit of the Ministry of Housing, Communities and Local Government (MHCLG).

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.

The governance of the Pension Fund is carried out through the Berkshire Pension Fund Pension Committee ("the Committee"), Pension Fund Advisory Panel and the Local Pension Board.

The Committee is made up of five elected Members (Councillors of The Royal Borough of Windsor & Maidenhead). Each have voting rights on any decision to be taken in respect of the Pension Fund's activities whilst the Pension Fund Advisory Panel consists of five elected Members (Councillors), one from each of the other five Unitary Authorities in Berkshire - Bracknell Forest Council, Reading Borough Council, Slough Borough Council, West Berkshire Council and Wokingham Borough Council. The main purpose of the Pension Fund Advisory Panel is to support the Committee in achieving its statutory duties and to provide guidance and advice as appropriate. Members of the Pension Fund Advisory Panel do not have voting rights but both the Committee and the Pension Fund Advisory Panel meet jointly and so review and discuss all agenda items at the same time.

The Local Pension Board is an equal mix of representatives of Scheme employers and Scheme members with a Chair. Its role is to assist the administering authority ensuring the efficient and effective governance and administration of the LGPS. This means making sure all activities of the pension operation comply with all relevant legislation with the aim to safeguard the interest of all scheme members and scheme employers. The Local Pension Board therefore sits alongside the Committee and Pension Fund Advisory Panel in an oversight role, to assist by reviewing the governance arrangements of the Pension Fund and ensuring policies and procedures are correctly implemented and followed.

### **Benefits of the LGPS**

Members of the LGPS belong to a Scheme which provides high quality pension benefits based on Career Average Revalued Earnings (CARE).

The Scheme is a defined benefit scheme, and Scheme members' benefits are determined strictly in accordance with the provisions of the Regulations and are not subject to changes affecting the Pension Fund's assets.

For Scheme members contributing to the Scheme before 1 April 2014, protections are in place for benefits to be based on total Scheme membership and full-time equivalent pensionable pay at the last day of pensionable service.

Below is a summary of the benefits of the LGPS. It is not intended to provide details of all benefits provided or the specific conditions that must be met before these benefits can be awarded.

The core benefits of the Scheme for those Scheme members with a minimum of two years calendar length pensionable service are:

- A guaranteed annual pension based on the pay received during the year and revalued in line with earnings.
- A tax-free lump sum is available by commuting part of the annual pension.
- Life assurance of three times the Scheme member's yearly pay from the day they join the Scheme.

- Annual Pensions for spouses, civil registered partners, qualifying cohabiting partners and eligible children on the death of the Scheme member.
- An entitlement paid early if a Scheme member has to stop work due to ill health.
- Inflation proofed deferred annual pensions and annual pensions in payment.
- Annual pensions payable from age 55, including (with the employer's consent) flexible retirement and early retirement.
- The option to contribute a reduced contribution for a reduced annual pension - the 50/50 Section of the LGPS.

### **Cost of membership**

Scheme members pay on average approximately 6.5% of pensionable pay received. Scheme Employers also pay a percentage contribution towards pension costs. This amount is decided every three years following an independent actuarial valuation by the Pension Fund's appointed Actuary, Barnett Waddingham. The last valuation was as at 31 March 2022 with Scheme employer rates effective 1 April 2023 ranging from the lowest 13.40% to the highest 31.10%.

### **Value for Money Statement**

The Pension Fund is committed to providing and delivering the highest standards of performance and customer service to all stakeholders. To achieve this the Pension Fund ensures compliance with the LGPS Regulations, wider pensions and other associated legislation and the requirements of the Pensions Regulator.

The Pension Fund is responsive to change and utilises the most up-to-date technologies to administer the scheme in the most, efficient and cost-effective way. The long-term interests of current and former Scheme members are aligned closely with the Pension Fund's commitment to maintaining value for money in all activities and practices.

Each quarter, the Committee receives an operational performance report which sets out the strategic and operational administration aims to maximise efficiencies and service standards. Each year a business plan is reported to the Committee which reflects on the past years' achievements and the Pension Funds objectives in the short and medium-term.

As the administration of the LGPS becomes ever-more complex the administration team are required to maintain increasing membership numbers, employer admissions and workloads. Despite this, staffing numbers have remained relatively constant. The Pension Fund maintains 5,577 records per administrator against an average of 2,453 reported in a recruitment and retention survey undertaken by the Local Government Association in 2022. This is reflected in the fact that the team is made up of 20.70 FTE staff against an average of 39.51 FTE identified in the survey.

The average unit cost, or cost of running the administration function per member record is £28.76 per annum, based on total administration costs of £2.518m and 87,558 member records.

The Pension Fund consistently delivers high service levels to all stakeholders. As reported each quarter to the Committee, the key performance indicators are measured against locally agreed targets which are much more challenging than those put forward by CIPFA as the Industry Standard Performance Indicators.

The Pension Fund prides itself in the quality of data that it holds achieving a common data score of 98.3% and a scheme specific data score of 96.6% in the 2023 data quality exercise, details that are reported to the Pensions Regulator.

### **Customer Satisfaction**

The landscape of the LGPS continues to evolve greatly resulting in the need for our administration team to continue using a variety of methods to understand our Scheme members' and Scheme 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.

April 2014 saw a significant change to the LGPS with the introduction of a Career Average Scheme, fundamentally different to the Final Salary Scheme previously in place. This event undoubtedly made the LGPS more complex to administer with increased scrutiny from the Pensions Regulator.

During the last 12 months the administration team has continued to embrace a hybrid working approach to deliver the high standard of service our Scheme employers and their Scheme members have come to expect. It is pleasing that the equipment the administration team requires is readily made available from the Administering Authority, successfully supporting a seamless office and home working arrangement to help us maintain the confidence of all our stakeholders.

Going forward the administration team will continue to be pro-active and provide timely and accurate information to all Scheme members ensuring that they are aware of all changes to the Scheme and what any changes, including retrospective changes, will make to their pension benefits. Also continuing to ensure Scheme employers are fully educated about the Scheme, they understand their responsibilities and the consequences of their failure to adhere to them.

### **Age Discrimination – McCloud Remedy**

The McCloud Remedy which will remove age discrimination in all public sector pension schemes saw legislation put in place from 1 October 2023, the Pension Fund has been working with scheme employers to ensure all data held on Scheme member records is accurate and includes details for part time hours changes and service breaks for the remedy period, 1 April 2014 to 31 March 2022.

All Scheme members in scope will be assessed to see if an underpin needs to be applied to their benefits accrued in the remedy period. For those that have already left, a check will be done to see if the underpin should now be applied and benefits recalculated.

### **Pensions Dashboards Programme**

The Pensions Dashboards Programme had a reset last year and a new connection deadline for all UK registered pension schemes of 31 October 2025 was announced.

All UK registered pension schemes will have to join in phases and the guidance received from Government specifies by no later than 31 October 2025 for public service pension scheme administrators such as the Royal County of Berkshire Pension Fund.

Pensions Dashboards will enable individuals to access their pension information online, securely and all in one place. The Pensions Dashboards Programme aims to increase individual engagement and understanding of their pension, allow them to gain easy access to impartial guidance and improve financial wellbeing.

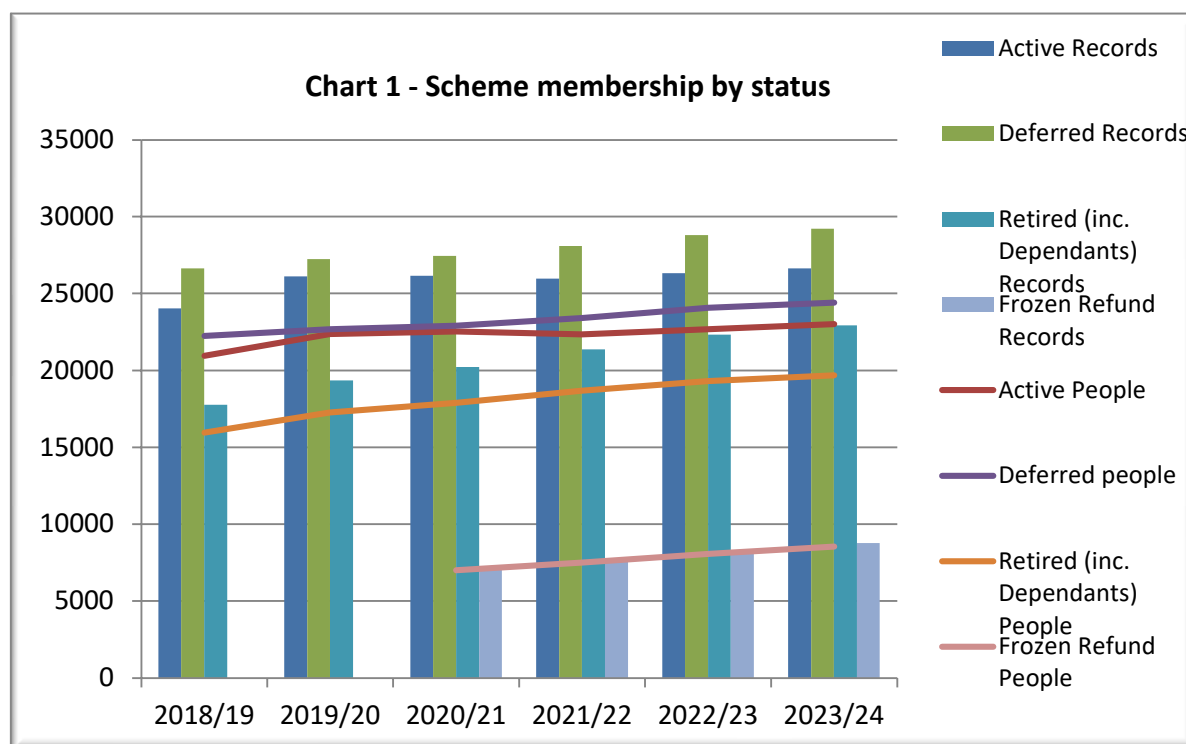
By using Pensions Dashboards, individuals will be able to see an overview of how much their savings could be, encouraging them to make more informed decisions to get the best out of their retirement. Individuals will be able to easily access the information that they require and will gain the opportunity to locate pension pots that may have become lost or forgotten over time.

Pensions Dashboards will therefore support individuals planning for retirement and will help them make better pension choices with increased confidence.

### **Membership**

LGPS Pension Funds go through a growth cycle, often starting with a large active membership. This then matures and a growth in membership relating to deferred and pensioner numbers occurs.

We are also seeing a shift to a female domination for each of the categories of membership. This is turn is creating a focus on the Gender Pensions Gap and what can be done to address this issue. More needs to be done to reduce the gap including consideration for reducing the Gender Pay Gap, more flexible employment options, changes relating to maternity leave, and more engagement with members on what their pension will look like when they retire. The Pension Fund is committed to improving engagement with members so that they are fully informed about their options when it comes to pensions.

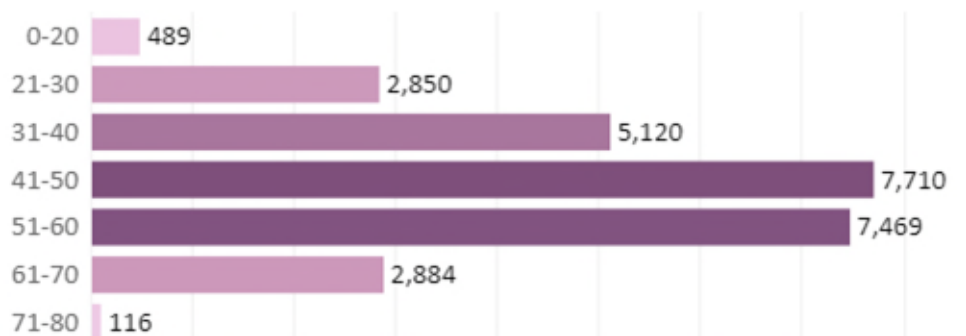


#### NOTES:

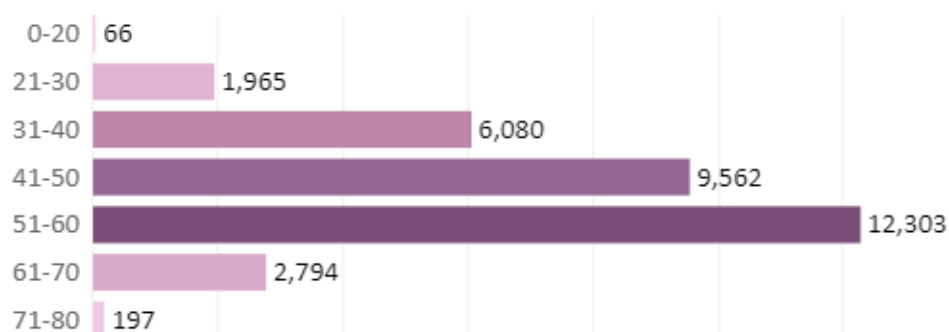
- Active Contributors are employees currently contributing to the Local Government Pension Scheme and include some employees who have more than one contract of employment, each contract being treated separately for administration purposes.
- Retired Scheme members are in receipt of a pension and include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

## Member Employment Records by Current Age

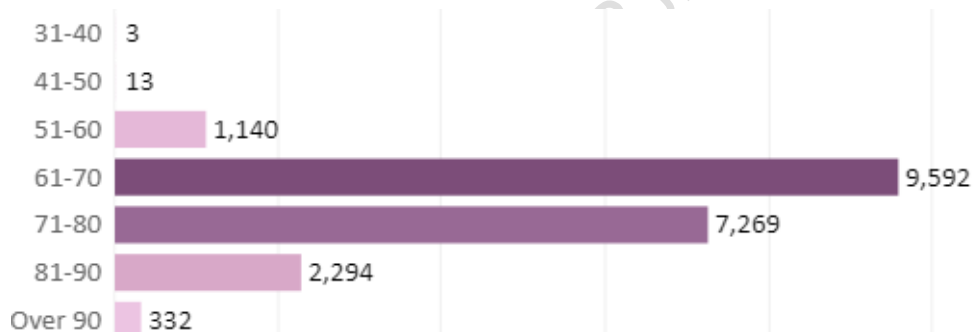
### Active



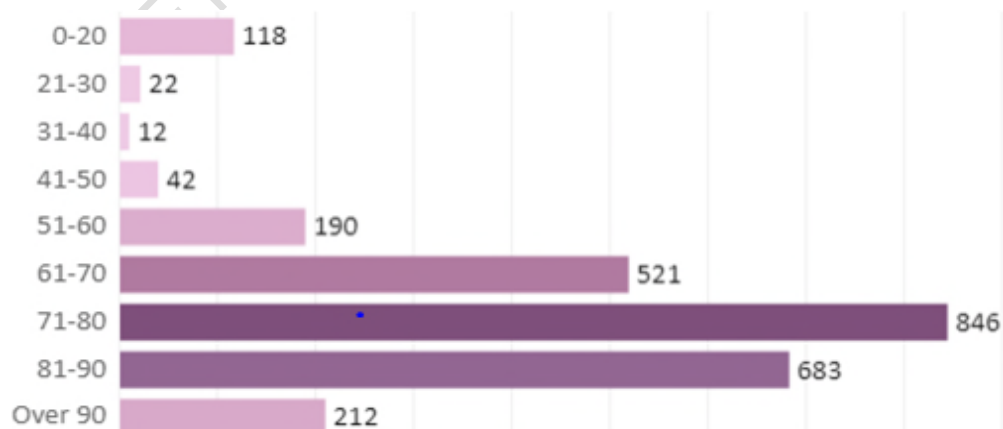
### Deferred



### Pensioner



### Dependant





## **Managing Performance - Key Performance Indicators**

Key Performance Indicators (KPIs) provide the Pension Fund with the ability to assess itself against best practice benchmarks across the LGPS and across time.

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 Committee, Pension Fund Advisory Panel and Local Pension Board on a quarterly basis are:

- Inputting of new Scheme members,
- Processing of deceased benefits,
- Payment of retirement benefits, and
- Payment of refund of contributions

A summary of achievement in each area is shown in the table below:

<b>Administration Team Performance</b>		<b>2022/2023</b>			<b>2023/2024</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>
<b>Case Type</b>	<b>Target (working days)</b>						
Inputting of new Scheme members	20	8,491	8,434	99.33	7,297	7,113	97.48
Processing of deceased benefits	5	183	145	79.23	238	190	79.83
Payment of retirement benefits	5	1,369	1,282	93.64	1,241	1,161	93.55
Payment of refund of contributions	10	555	552	99.46	567	558	98.41

## **Complaints**

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

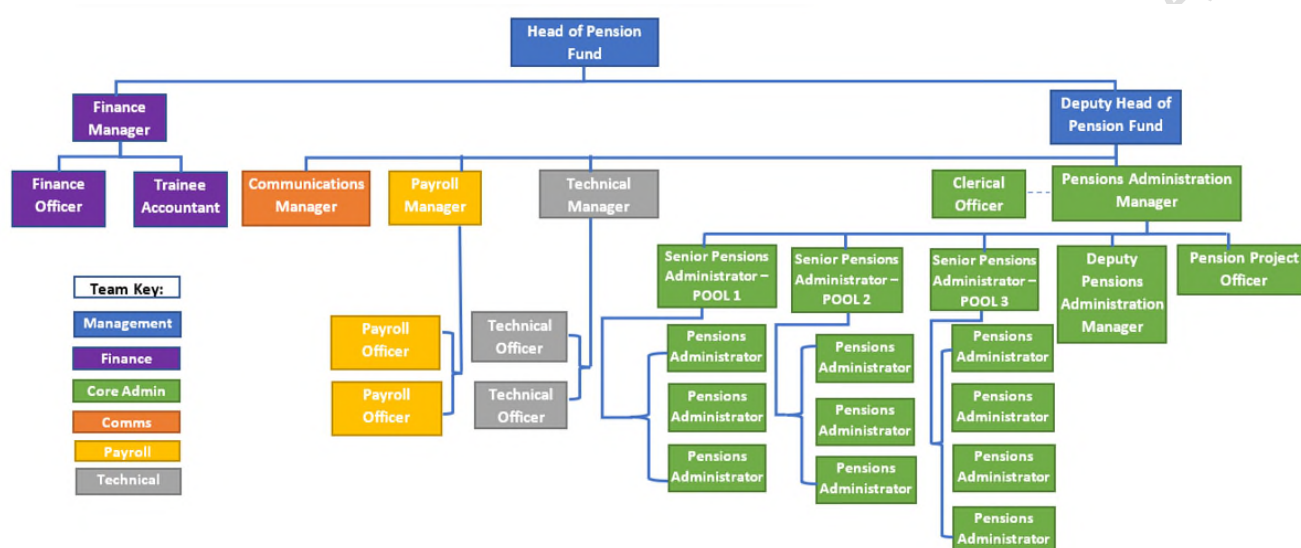
The complaints are monitored in two distinct ways:

- Complaints about our service and the way we apply the regulations; and
- Under the LGPS Regulations Scheme 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 with the number of procedures carried out in 2023/2024.

Administration Team Performance		2022/2023			2023/2024		
Case Type	Target (working days)	Number received	Number within target	% within target	Number received	Number within target	% within target
Service	10	1	1	100	2	2	100
IDRP	n/a	2	2	100	1	1	100

### Key Staffing and Scheme Membership Numbers



The Pension Team is made up of a number of different sections. In addition to the Administration Team, there is a Technical Team, a Payroll Team, a Finance Team and a Communications Manager all with varying responsibilities.

The Technical Team is responsible for maintaining the pension system used by the administration team in accordance with Scheme legislation, this includes the delivery and testing of all system upgrades including 'my pension ONLINE', managing and reviewing electronic interfaces with Scheme employers, data maintenance, system report writing and the extraction of data. These responsibilities are in addition to implementing procedures and processes and training team members on all system-related issues.

Our Payroll Team is responsible for ensuring the accurate and timely payment of monthly pension payments to pensioner and dependent scheme members. These payments are as well as those made on a weekly basis, including monthly pension arrears, lump sum retirement grants, contribution refunds and the payment of transfers to third parties.

The Finance Team oversee financial management and reporting to ensure that all financial and cash management aspects are appropriately controlled, recorded and reported. It is the responsibility of the Finance Team to ensuring Scheme employers make payment of their total monthly pension contributions to the Pension Fund as set out under LGPS Regulations.

Our Communication Manager is responsible for overseeing legislative and functional updates and developments to the Pension Fund's website, organising pension surgeries, delivering scheme employer training, presentations and meetings as well as writing all scheme member and scheme employer periodical newsletters.

**Staffing** – The pension team was made up of the following team members on 31 March 2024:

Year	2022/2023	2023/2024
Head of Pension Fund	1.0	0.0
Deputy Head of Pension Fund	0.7	1.0
Pension Administration Manager	1.0	0.0
Deputy Pension Administration Manager	0.6	0.6
Communications Manager	1.0	1.0
Finance Manager	1.0	1.0
Finance Officer	1.0	1.0
CIPFA Trainee Accountant	0.0	1.0
Technical Manager	0.8	0.8
Technical Officer	1.0	2.0
Senior Pension Administrator	2.0	3.0
Pension Administrator	6.5	4.8
Trainee Pension Administrator	3.0	2.0
Payroll Manager	0.9	0.9
Payroll Officer	1.0	1.0
Clerical Support	0.6	0.6
<b>Total</b>	<b>22.10</b>	<b>20.70</b>

During the year the pension team lost highly experienced members of the team, including the Head of Pension Fund and Deputy Head of Pension Fund, who moved on to new employment and retired. However, going forward, into 2023/2024, and beyond this provided the opportunity for existing pension team members to progress to more senior positions within the structure, for the Pension Fund to appoint individuals experienced in LGPS administration and to appoint individuals with no prior experience offering them the opportunity to build a career in LGPS administration.

#### **Benefit Movements: 2023/2024 Admissions and Withdrawals from the Pension Fund**

For 1 April 2023 to 31 March 2024 the administration team processed 39,480 tasks, this includes the following but is not limited to:

##### **Admissions to the Pension Fund**

Reason	Total
Scheme members who transferred in their benefit entitlement from another LGPS Pension Funds	512
Scheme members who transferred in their benefit entitlement from another type of pension schemes	126

##### **Withdrawals from the Pension Fund**

Reason	Total
Scheme members entitled to deferred benefits	5,223
Scheme members entitled to deferred contribution refund	568

Scheme members awarded retirement benefits	1,236  <b>Type of retirement benefits:</b>  Early / Normal: 1,092  Employer Consent: 4  Flexible: 17  Ill Health: 29  Redundancy / Efficiency: 26  Late: 68
Scheme members who died whilst in service	28
Scheme members who merged benefits with other entitlement within Pension Fund	1,512
Scheme members who transferred out their benefit entitlement to another LGPS Pension Fund	471
Scheme members who transferred out their benefit entitlement to another type of pension scheme	43

### **Scheme Employer Details**

A summary of the number of Scheme employers in the Pension Fund analysed by Scheduled Bodies and Admitted Bodies with actively contributing Scheme members and with no actively contributing Scheme members, but with some outstanding pension liabilities, is given in the table below:

<b>Employer Type</b>	<b>Active Contributors</b>	<b>No Active Contributors</b>	<b>Total</b>
<i>Admitted Body</i>	61	82	143
<i>Scheduled Body</i>	136	121	257
<b>Total</b>	197	203	400

### **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 Pension Technologies, the pension team 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 has an agreement with Heywood Pension Technologies to produce annually the respective data results including a breakdown of all failures. Feedback continues to be received that the results are well above average.

The exercise of monitoring the accuracy of data demonstrates how serious the Pension Fund is regarding holding accurate data on behalf of Scheme members and their beneficiaries.

<b>Data Type</b>	<b>Common</b>	<b>Scheme Specific</b>
2018 Result %	91.30	86.10
2019 Result %	92.40	91.30
2020 Result %	98.90	94.50
2021 Result %	98.90	95.00
2022 Result %	98.60	97.00
2023 Result %	98.30	96.60
2024 Result %	98.60	97.10

The Pension Fund is also proactive in responding to enquiries received from both internal and external auditors.

### **Communication - 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, Scheme members and Scheme employers of the Pension Fund. The Administering Authority keeps the policy statement under review.

The Pension Fund has a varied audience with whom it communicates, including:

- Scheme members (active, deferred, pensioner and dependant) and their representatives;
- Prospective Scheme members and Scheme members who have opted out;
- Scheme employers and prospective Scheme employers;
- Berkshire Pension Fund Committee, Pension Fund Advisory Panel and Local Pension Board;
- Pension Fund staff; and
- Other interested groups including, HM Revenue & Customs (HMRC), other Government departments.

Officers from the Pension Fund sit on the Regional Communication Working Group and one of our Officers is the Chair of the National Group, who work with the Local Government Association to help deliver communication guidance to LGPS Pension Funds across England and Wales.

Some of our more recent communication activity includes:

### **Training for Scheme 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 Scheme employers about the important role they play in helping the pension team administer the scheme and the importance of holding clean and accurate data to process benefits quickly and efficiently. These sessions are well received with the team immediately seeing a more proactive approach towards the submission and quality of data by Scheme employers.

### **Regular Updates on the LGPS**

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



The website contains sections dedicated to the following:

- Active Scheme members;
- Deferred Scheme members;
- Retired Scheme members; and
- Scheme employers.

The website has been described as easily accessible and includes many links making navigation user friendly. The pension team reviewed and remodelled the website to ensure scheme members continue to have a quick and easy to use point of reference and are aware of the impact any changes to the scheme will make to their pension benefits. Also, to ensure the same experience continues to be afforded to scheme employers to help continually educate them and understand their responsibilities.

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

### **i-connect Software**

The Pension Fund continues to build on the success it has experienced since February 2016 with data in respect of 93.79% of the total active Scheme membership now submitted to the Pension Fund monthly. This is an increase of 1.79% compared to the previous year. We continue to pro-actively work closely together with our Scheme employers of all sizes who are yet to on board the service to ensure they can realise the benefits of the service as quickly as possible.

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 Scheme employers and the team will continue to benefit from this service throughout the next 12 months.

### **General Guidance and Assistance**

The pension team can be contacted during normal office hours. There is a dedicated general helpline 01628 796 668 and a helpline for payroll queries 01628 796 670.

We have a series of email helpdesk inboxes as follows:

- General Enquires - [info@berkshirepensions.org.uk](mailto:info@berkshirepensions.org.uk)
- Technical Enquires - [technical@berkshirepensions.gov.uk](mailto:technical@berkshirepensions.gov.uk)
- Communication Enquires - [communications@berkshirepensions.org.uk](mailto:communications@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.

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

The Pension Fund's 'my pension ONLINE' service enables Scheme members to securely access and update your own pension details using a variety of different devices - desktop PC, laptop, tablet, or smartphone.

The service continues to prove popular with over 35,000 Scheme members now registered, which represents approximately 45% of the total Scheme membership the service is accessible to. Registered Scheme 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 Letter**

With the implementation of 'my pension ONLINE' each new Scheme member receives a letter containing an activation code and guidance as to how to access their online account.

## **Annual Benefit Statements**

Each active and deferred Scheme member 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 976 active and deferred Scheme members combined. This number will continue to decrease as the Scheme membership types 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 March the previous year, benefits projected to Normal Pension Age, death in service benefits and details of the Scheme member's nominated beneficiaries.

## **Pension Surgeries and Member Engagement Events**

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 have all been held both remotely using Microsoft Teams and in person and have been very well received by those who made pre-arranged appointments, providing an opportunity for Scheme members to discuss any aspect of their pension benefits. The administration team met with 719 Scheme members across the pension surgeries and related events held.

## **Newsletters**

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

## **Annual Meeting**

All Scheme members were invited to attend a remote meeting on Thursday, 16 November 2023. Attendees were provided with a review of the work undertaken by the administration team during the last scheme year, a legislative update that included information about potential future changes to the LGPS together with known future changes - McCloud Remedy and Pensions Dashboards Programme, and an actuarial update delivered by the Pension Fund's appointed Actuary, Barnett Waddingham.

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

The Pension Fund has a dedicated payroll team dealing with former Scheme 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 payroll team has issued payslips in accordance with its £1 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 payroll team issued P60s to all pensioner and dependant Scheme members in April 2023 well in advance of the HMRC deadline. 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 10.1% from 10 April 2023 and represents the increase in the CPI index for the 12-month period to the 30 September 2022. 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 Scheme member who retired during the financial year will have a proportionate increase applied. The Pension Fund issued a notification to all pensioner and dependant Scheme members in April 2023 providing details of their increase awarded from 10 April 2023.

## **Tell Us Once (TUO)**

A service designed to provide Pension Funds with details of those members having died and their next of kin via the General Registry Office (GRO), the Pension Fund was one of the first Local Government Pension Funds to on board and upload membership data and since going LIVE in March 2016 has received 1,860 notifications with 257 of these received between 1 April 2023 and 31 March 2024.

## **The Future**

Together with the Royal Borough of Windsor & Maidenhead, as administering authority to the Pension Fund, a comprehensive Business Continuity Plan is in place which includes detailed Disaster Recovery processes. Our Plan includes 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 Scheme members in the quick and efficient way they have come to expect.

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

- Develop the 'my pension ONLINE' service and continue to increase the number of registered users by working closely with the Pension Fund's software provider, Heywood Pension Technologies, conducting further promotional events with each scheme employer authority to actively encourage scheme member take up by increasing the number of visits to the site whilst reducing the amount of postal correspondence sent.
- Continue to respond to consultations on scheme arrangements and implement changed structures due to 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 to comply with scheme regulations and other associated legislation such as the Pensions Dashboards Programme by no later than 31 October 2025.
- Continue to undertake an annual data quality exercise in accordance with The Pensions Regulator's (tPR) General Code of Practice requirements and report findings to both the Pension Fund Committee and tPR. Update and endeavour to correct discrepancies identified.

- Continue to pro-actively work closely together with our Scheme employers of all sizes who are yet to on board i-connect Software to ensure they can realise the benefits of the service as quickly as possible.

Customer service will continue to be a priority as the next few years will be challenging for both Scheme members and Scheme 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 Scheme member 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.

## 5) INVESTMENT REPORT

### Background:

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

LPPI has set up and oversees the investment of seven pooled fund vehicles across a number of asset classes, which the Fund invests in to varying degrees. LPPI also oversee the Fund's 'on-balance sheet' assets that remain outside of the LPPI pooled fund vehicles. A significant amount of work has been undertaken by LPPI in relation to the Fund's on-balance sheet assets since the Fund joined the pool, and opportunities continue to be sought to increase the Fund's investments into the LPPI pooled fund vehicles.

As at 31 March 2024, c.84% of the Fund's total assets have been pooled with LPPI – increasing from c.80% as at 31 March 2023 and c.77% as at 31 March 2022. Pooling brings with it benefits such as a lowering of costs.

### Asset allocation:

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

Asset Class	31-Mar-24		31-Mar-23	
	Actual weighting	Target Weighting	Actual Weighting	Target Weighting
Credit	11.2%	12.5%	11.7%	12.0%
Diversifying Strategies	0.0%	0.0%	0.1%	0.0%
Fixed Income	1.4%	1.5%	2.2%	2.5%
Infrastructure	12.0%	12.5%	13.1%	12.5%
Private Equity	11.3%	15.0%	13.2%	15.0%
Global Equities	54.5%	50.0%	46.3%	45.0%
Real Estate	8.8%	7.5%	12.0%	12.0%
Cash	0.8%	1.0%	1.4%	1.0%
	100.0%	100.0%	100.0%	100.0%

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

A new SAA was agreed by the Fund's Pension Committee at its 13 March 2023 meeting, with the new SAA coming into effect from 1 April 2023. The Fund increased its target allocation to Global Equities (+5.0%) and Credit (+0.5%), balanced by a decreased in target allocation to Real Estate (-4.5%) and Fixed Income (-1.0%).

Over the twelve-month period, the Fund's allocation to Global Equities increased most notably, whilst the allocations to Private Equity and Real Estate decreased the most.



The following tables present information required by the CIPFA/Scheme Advisory Board's "Preparing the Pension Fund Annual Report: Guidance for Local Government Pension Scheme Funds" April 2024

### **Asset Table**

Progress in pooling investment assets.

<b>£m Asset values as at 31 March 2024</b>	<b>Pooled</b>	<b>Under pool management</b>	<b>Not pooled</b>	<b>Total</b>
Equities (including convertible shares)	1,729	-	-	1,729
Bonds	45	-	-	45
Property	125	153	-	278
Hedge funds		1	-	1
Diversified Growth Funds (including multi-asset funds)	-	-	-	-
Private equity	186	172	-	358
Private debt	322	32	-	354
Infrastructure	266	114	-	380
Derivatives	-	-	-	-
Cash and net current assets	-	26	-	26
Other	-	-	-	-
<b>Total</b>	<b>2,673</b>	<b>498</b>	<b>0</b>	<b>3,171</b>

\*Please note that we have classified assets held in the LPPI Investment Pooling Vehicles as being 'Pooled', whilst assets overseen by LPPI in its role as discretionary manager but held outside of the LPPI Pooling Vehicles are classified as 'Under pool management'

### **Supplementary table**

Assets invested in the UK, extracted from the above Asset Table.

<b>£m Asset values as at 31 March 2024</b>	<b>Pooled</b>	<b>Under pool management</b>	<b>Not pooled</b>	<b>Total</b>
UK Listed Equities	116	-	-	116
UK Government Bonds	1	-	-	1
UK Infrastructure	135	79	-	214
UK Private Equity	69	-	-	69
<b>Total</b>	<b>321</b>	<b>79</b>	<b>-</b>	<b>400</b>

\*Please note that we have classified assets held in the LPPI Investment Pooling Vehicles as being 'Pooled', whilst assets overseen by LPPI in its role as discretionary manager but held outside of the LPPI Pooling Vehicles are classified as 'Under pool management'.

### **Additional memorandum**

Assets invested in projects which support "levelling up"<sup>1</sup>

<b>£m Asset values as at 31 March 2024</b>	<b>Pooled</b>	<b>Under pool management</b>	<b>Not pooled</b>	<b>Total</b>
<b>Additional memorandum:</b> UK Levelling up	106	162	0	268

\*Please note that we have classified assets held in the LPPI Investment Pooling Vehicles as being 'Pooled', whilst assets overseen by LPPI in its role as discretionary manager but held outside of the LPPI Pooling Vehicles are classified as 'Under pool management'

<sup>1</sup> [Statement of Levelling Up Missions - GOV.UK](https://www.gov.uk/government/publications/statement-of-levelling-up-missions)

## Performance\*:

The Fund returned +8.9% over the twelve-month period to the end of March 2024. This represents an underperformance of 4.8% versus the Fund's Policy Portfolio Benchmark<sup>2</sup>, and an outperformance of 2.7% against the Fund's Actuarial Benchmark<sup>3</sup>.

Despite returning +14.8% in absolute terms over the year, the Fund's investments in Global Equities, which arises through an allocation to the LPPI Global Equity Fund ("GEF"), was the key driver of the Fund's relative underperformance over the past year, as it underperformed its benchmark, the MSCI All Country World (net dividends reinvested) Index (GBP), by 4.8%.

Equity markets rallied over the year, dominated by a smaller subset of companies, such as the group of leading tech companies known as "the Magnificent 7". The GEF holding a lower weight in the Magnificent 7 companies compared to the benchmark weight in those companies was the main detractor from returns over the year. The GEF also suffered from its aggregate overweight allocation over the past 12 months in the Consumer Staples sector (stocks of companies who produce essential everyday goods). The overweight is as a result of portfolio construction preference towards "Quality" stocks, which are stocks of high-quality companies (i.e. companies with more stable earnings, stronger balance sheets, and higher margins).

All other asset classes except for Real Estate and Diversifying Strategies generated a positive absolute return over the year.

Fixed Income was one of two asset classes which generated both a positive absolute (+5.6%) and relative return (2.0%) over the year. The Fund's exposure to Fixed Income arises through its holding in the LPPI Fixed Income Fund ("FIF"), and is benchmarked against the Bloomberg Barclays Global Aggregate Bond Index (GBP Hedged). The key driver of the FIF's positive absolute return over the twelve-months to 31 March 2024 was the allocation to corporate credit, which relates to lending to companies. In addition, management of 'duration', which relates to the sensitivity of Fixed Income assets to interest rate changes, was a positive contributor.

Credit also generated both a positive absolute and relative return over the year, returning +9.7% and outperforming its benchmark (50% Morningstar LSTA US Leveraged Loan Index (GBP Hedged) and 50% Bloomberg Barclays Multiverse Corporate Index (GBP Hedged)) by 0.7%. The LPPI Credit Investments LP ("LPPI Credit Fund"), which makes up c.91% of the Fund's investment in Credit, was a key driver to performance. It returned +8.8%, largely driven by the allocation to Multi-Asset Credit, which is a sub-sector of the Public Credit portion of the portfolio. Within Private Credit, the largest contributor was Asset Backed Lending. The Fund's on-balance sheet credit investments also made a positive contribution to the overall Credit performance.

Private Equity returned +2.3% over the past year but underperformed its benchmark, the MSCI World SMID (net dividends reinvested) Index (GBP), by 10.8%. This underperformance was impacted by the Private Equity performance being benchmarked against a Public Equity (i.e. listed) index. Over the past year, valuations of listed companies have recovered significantly and thus driven strong benchmark performance, whereas the recovery of Private Equity valuations has been shallower and more lagged.

The Fund's Infrastructure investment returned +3.0%, underperforming its benchmark, UK CPI+ 4% p.a., by 4.0%. The underperformance is attributed to the asset class having a UK inflation-linked benchmark, which have proved challenging in the recent period of elevated inflation.

Real Estate and Diversifying Strategies generated negative absolute and relative returns over the past year. The Fund's Real Estate investments returned -4.3%, underperforming its benchmark (MSCI UK Quarterly Property Index – GBP) by 2.7%. This performance is largely attributable to the LPPI Real Estate

<sup>2</sup> Policy Portfolio Benchmark is a single return measure which combines each asset class benchmark in proportion to the Fund's strategic asset allocation.

<sup>3</sup> The Fund's Actuarial Benchmark is a blend of 6.0% p.a. (equivalent to 2.9% (long term CPI assumption) + 3.1% at 31st March 2022) from April 2023, 6.5% p.a. (equivalent to CPI +3.75% p.a. at 31st March 2019) between March 2019 and April 2023 and CPI +4.5% prior to this date.

Fund, where the positive income generated by the fund was more than offset by the fall in capital values of the underlying assets.

Diversifying Strategies returned -2.9% over the year, underperforming its benchmark, HFRI Fund of Funds Conservative Index (GBP Hedged), by 8.7%. The Fund's investment in Diversifying Strategies consists only of on-balance sheet assets. All remaining assets are in run off and the portfolio is expected to be closed out by the end of 2024, although it is possible that a small residual exposure continues beyond this.

Over the three-years to the end of March 2024, the Fund returned +7.7% p.a., outperforming its Actuarial Benchmark by 1.3% p.a. and its Policy Portfolio Benchmark by 0.1% p.a. Strong absolute returns were seen from Private Equity (+11.9% p.a.), Global Equities (+9.5% p.a.) and Infrastructure (+9.0% p.a.) over the three-year period, although on a relative basis Global Equities and Infrastructure underperformed their respective benchmarks over the period. In relation to Global Equities in particular, this was driven by two key factors: the underweight allocation to energy companies, and the underweight allocation to certain companies in the technology sector, including "the Magnificent 7" discussed above. Both of these sectors have experienced market rallies at different periods within the last 3-years.

*\*Fund performance over the 12 months to March 2024 disclosed in this section was calculated using valuations obtainable at March 2024. 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 2024, 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.*

### **Economic Update:**

The latest fiscal year saw a moderate deceleration of global growth through the first three quarters. The US continued to lead other regions with robust consumption and supportive industrial policies, whilst others were impacted by domestic headwinds (China), anaemic global demand (Germany) or a restrictive policy setting (UK). The US Federal reserve (Fed), Bank of England (BOE), European Central Bank (ECB) and other central banks all raised rates to multi-decade highs to combat inflation. The road toward their inflation targets remains bumpy, which has led to elevated volatility in fixed income markets. Amid ongoing macroeconomic uncertainties, geopolitical risks rose further with new flare-ups in the Middle East, adding to ongoing uncertainties emanating from the war in Ukraine. Tensions between China and the US remained high.

In the UK, inflation-adjusted GDP stagnated in Q2 2023 before a shallow recession ensued in the second half of calendar year 2023. Gradually receding inflation gave way to an increase in wages in real terms, and together with payroll tax cuts and a relatively more stable political environment led to a rebound in economic growth in the first quarter of calendar year 2024. The BOE raised its policy rate to 5.25%, and CPI inflation dropped from 10.1% in March 2023 to 3.2% in March 2024. Although the headline inflation rate saw a steep reduction, measures of inflation that exclude energy and food prices remained more "sticky", driven by strong services price growth. This led the BOE policymakers to tread carefully with regards to an early loosening of their restrictive monetary policy.

In the US, despite a tight labour market and above trend GDP growth, the Fed "opened the door" to interest rate cuts in the fourth quarter of calendar year 2023. Buoyant market sentiment on the back of expectations for monetary policy easing drove equity markets significantly higher. With inflation proving more "sticky" in subsequent months, market interest rate expectations then recalibrated higher in 2024, reversing to the previous stance of "higher for longer" interest rates. Despite this, global and US equities continued toward new all-time highs by the end of March 2024, brushing aside ongoing geopolitical uncertainties.

Other than the war in Ukraine, now in its third year, new "flare-ups" in the Middle East added to existing risks. An attack on Israel in October 2023 by Hamas saw retaliation by Israel. The risk of escalation in the region remains; as a result, commodities pricing, in particular for oil, is the one area to keep an eye on for any potential impacts.

The risk of China-Taiwan conflict remains a significant geopolitical concern that will likely only intensify as we edge towards the 100-year anniversary of the People's Liberation Army in 2027.

Recently, however, this risk has taken a backseat to concerns of “China Shock 2.0”. As China’s economy falters in the wake of a significant real estate collapse, a renewed manufacturing push from China has seen a cheapening of export goods bound for the West, notably electric vehicles. Concerned about the risk of a repeat of the “China Shock” of the 2000s, in which Chinese manufacturing dominance accelerated devastating other manufacturing markets, the US has acted swiftly to impose tariffs that go beyond what commentators expected. Tensions between China and the EU also rose during the year; the EU launched its own investigation into Chinese subsidies for electric vehicles in a bid to ward off a flood of cheap imports.

The Fund’s portfolio continues to be well diversified across different regions, sectors, and asset classes. The target weights for the Fund’s allocation to asset classes were updated over the year. The Fund increased the target allocation to Global Equities and Credit, balanced by a decreased in target allocation to Fixed Income and Real Estate. A comprehensive investment underwriting process combined with a thoughtful consideration of the evolving macroeconomic outlook should allow the Fund to navigate through short term uncertainties.

## 6) FINANCIAL PERFORMANCE REPORT

### Annual outturn analysis and commentary

A one-year budget is prepared for the Fund on an annual basis and both officers and the Pension Fund Committee closely monitor investment performance, contribution income and expenditure against the budget.

<u>Budget variance analysis 2023/24</u>	<b>2023/24 Budget</b>	<b>2023/24 Outturn</b>	<b>Variance</b>
	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>
Contributions from Members	(32.240)	(36.455)	(4.215)
Employers Normal (Primary) Contributions	(83.480)	(94.760)	(11.280)
Employers Deficit Recovery (Secondary) Contributions	(41.130)	(62.676)	(21.546)
Employers Augmentation contributions	(1.992)	(1.535)	0.457
Transfers in from other pension funds (individual and group) plus AVC	(10.257)	(24.845)	(14.588)
<b>Total Income</b>	<b>(169.099)</b>	<b>(220.271)</b>	<b>(51.172)</b>
Pension Benefits Payable	112.853	116.08	3.228
Commutation and retirement lump sums (retirement and death), refunds	24.222	19.488	(4.734)
Lump sum death benefits	5.505	2.623	(2.882)
Refunds	1.101	0.707	(0.394)
Transfers out to other pension funds (individual and group)	22.129	21.111	(1.018)
<b>Total Expenditure</b>	<b>165.810</b>	<b>160.009</b>	<b>(5.800)</b>
<b>Net (Income)/Expenditure from Dealings with members</b>	<b>(3.290)</b>	<b>(60.262)</b>	<b>(56.973)</b>
Staff related expenditure	1.315	0.934	(0.381)
Supplies, Services, Premises, and 3 <sup>rd</sup> party administration costs	1.033	1.584	0.551
<b>Net (Income)/Expenditure from Administration activities</b>	<b>2.348</b>	<b>2.518</b>	<b>0.170</b>
Investment Income net of taxation	(30.000)	(46.031)	(16.031)
Investment management, performance, transaction, oversight, governance	35.250	33.369	(1.881)
(Gain)/loss on disposal of investments and change in the market value	(142.019)	(205.822)	(63.803)
<b>Net (Income)/Expenditure from investment activities</b>	<b>(136.769)</b>	<b>(218.484)</b>	<b>(81.715)</b>
<b>Net (increase)/decrease in the net assets available for benefits</b>	<b>(137.711)</b>	<b>(276.228)</b>	<b>(138.518)</b>

### Timeliness of Receipt of Contributions

	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>
% of contributions received on/before their due date	95.55%	96.40%	94.75%	94.28%

The option to levy interest on overdue contributions was not exercised through 2023/24.

### Fund Account and Net assets of the Fund

Over the prior four-year period, contributions received have exceeded pensions paid year on year primarily due to deficit recovery contributions from employers, exacerbated by increased transfer and cessation activity through 2023/24.

In the past financial year (2023/24) the Fund's net asset value has increased by £276m to £3,033bn. Further detail can be found in the Statement of Accounts



	2020/21	2021/22	2022/23	2023/24
<b>Fund Account</b>	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>
Contributions received and transfers in	(145.969)	(157.975)	(197.791)	(220.271)
Pensions paid and transferred out	130.354	146.454	156.257	160.009
<b>Net additions from dealings with members</b>	<b>(15.615)</b>	<b>(11.521)</b>	<b>(41.534)</b>	<b>(60.262)</b>
Management and administrative expenses	27.723	40.011	33.177	35.887
Investment income (incl. taxes on income)	(29.261)	(34.632)	(41.509)	(46.031)
Change in market value of investments	(378.107)	(259.350)	(41.046)	(205.822)
<b>Net increase available for benefits</b>	<b>(395.260)</b>	<b>(265.492)</b>	<b>(90.912)</b>	<b>(276.228)</b>
<b>Net Asset Statement</b>	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>
Net investment assets	(2,382.592)	(2,653.727)	(2,744.740)	(3,019.050)
Net current assets	(17.615)	(11.972)	(11.871)	(13.997)
<b>Total Net Assets available to fund benefits</b>	<b>(2,400.207)</b>	<b>(2,665.699)</b>	<b>(2,756.611)</b>	<b>(3,032.839)</b>

The cost of running the administration function has been further broken down below, the following costs are included within the Management and Administrative Expenses line above and are provided for transparency purposes, noting that investment management expenses are provided in section 11) POST POOLING REPORTING AND COST TRANSPARENCY INITIATIVE.

	2020/21	2021/22	2022/23	2023/24
	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>
Staff related expenditure	1.376	1.062	0.904	0.934
Supplies, Services, Premises, and 3rd party administration costs	3.27	1.052	1.251	1.584
<b>Net Expenditure from core administration activities</b>	<b>4.646</b>	<b>2.114</b>	<b>2.155</b>	<b>2.518</b>

## 7) RISK MANAGEMENT

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

The Fund has a detailed and comprehensive Risk Management policy that is reviewed and approved annually by the Pension Fund Committee. This Policy can be found on the Pension Fund's Website (<https://berkshirerpensions.org.uk/>) along with the Fund's risk register which is kept under continuous review and presented to the Committee quarterly.

The Risk Management Policy and risk-reporting processes have been designed using a recent CIPFA framework document, alongside the Administering Authority's risk management policy and several bespoke risk appetite statements relating to funding and investment risk.

The Fund's annual accounts (see note 18) also makes detailed reference to specific risks and the management of such risks relating to the Fund's assets, Liabilities and Investments.

From December 2021, the Pension Fund Committee adopted the CIPFA framework "Managing Risk in The Local Government Pension Scheme (2018 Edition)" as its revised approach to risk management. The RCBPF combines the use of this framework with RBWM's 4 step risk management process (Identification, Assessment, Control, Monitor).

## 8) ACTUARY'S STATEMENT AS AT 31 MARCH 2024

### Introduction

The last full triennial valuation of the Royal County of Berkshire Pension Fund was carried out as at 31 March 2022 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 2023.

Please note that the full triennial valuation report produced by the Actuary can be found on the Fund's website here: <https://berkshirerpensions.org.uk/>

### 2022 valuation results

The 2022 valuation certified an average primary contribution rate of 16.9% of pensionable pay to be paid by each employing body participating in the Royal County of Berkshire Pension Fund. In addition to this, each employing body must pay an individual adjustment to reflect its own particular circumstances and funding position within the Fund. Details of each employer's contribution rate are contained in the Rates and Adjustment Certificate in the triennial valuation report.

### Contribution rates

The contributions rates, in addition to those paid by the members of the Fund, are set to be sufficient to meet:

- The annual accrual of benefits allowing for future pay increases and increases to pensions in payment when these fall due; plus

- An amount to reflect each participating employer's notional share of the Fund's assets compared with 100% of their liabilities in the Fund, in respect of service to the valuation date.

### Asset value and funding level

The smoothed market value of the Fund's assets as at 31 March 2022 for valuation purposes was £2.65bn which represented 86% of the Fund's accrued liabilities at that date, allowing for future increases in pay and pensions in payment.

## Assumptions

The key assumptions used to value the benefits at 31 March 2022 are summarised below:

Assumption	31 March 2022
Discount rate	5.1% p.a.
Pension increases (CPI)	2.9% p.a.
Salary increases	3.9% 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 tables with a multiplier of 110% for males and 105% for females, making allowance for CMI 2021 projected improvements and a long-term rate of improvement of 1.25% p.a. with an initial rate of improvement of 0% p.a. and smoothing parameter of 7.0. A 2020/21 weighting parameter of 5% was used.
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 2022 valuation

### Assets

Returns over the period to 31 March 2024 have been broadly in line with the rate of return assumed at the 2022 valuation. The investment gains have followed the projections made using the discount rate disclosed in the assumptions table, so have been sufficient to match the interest on the Fund's liabilities.

### Liabilities

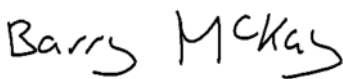
The key assumption which has the greatest impact on the valuation of liabilities is the real discount rate (the nominal discount rate relative to assumed long-term future inflation) – the higher the real discount rate the lower the value of liabilities. The nominal discount rate at 31 March 2024 has decreased compared with the previous valuation date, however this has been more than offset by a reduction to the long-term inflation assumption. The net impact is an increase in the real discount rate, and a reduction in the liabilities before allowance for actual experience over the period.

Actual inflation experience since the previous valuation date has placed a higher value on the liabilities. The pension increases awarded in 2023 and 2024 were 10.1% and 6.7% respectively and greatly exceeded the long-term average assumed at the 2022 valuation.

### Overall position

We estimate that the funding position has declined since 31 March 2022 – while the assets have performed broadly in line with expectations, any gain in funding level from an increase in real discount rate has been more than offset by elevated level of pension increases awarded over the last two years as a result of the higher than usual inflationary environment.

The next formal valuation will be carried out as at 31 March 2025 with new contribution rates set from 1 April 2026.



**Barry McKay FFA**  
**Partner**  
**Barnett Waddingham LLP**

## 9) INDEPENDENT AUDITOR'S STATEMENT

To be inserted on completion of the external audit.

DRAFT 17-12-2024 SUBJECT TO EXTERNAL AUDIT

## **10) ADMINISTERING AUTHORITY STATEMENT OF RESPONSIBILITIES**

### **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 Head of Pension Fund 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 Director of Resources' Responsibilities**

The Director of Resources 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 Director of Resources 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.

**Ian O'Donnell**  
**Interim Executive Director of Resources and**  
**Section 151 Officer**



## 11) POST POOLING REPORTING AND COST TRANSPARENCY INITIATIVE

The table below shows the costs to Royal County of Berkshire Pension Fund (RCBPF) of setting up the individual pooling vehicles within the pooling company, Local Pensions Partnership Investments Ltd (LPPI).

### Pool set up and investment transition costs by year

	Set up costs					Transition costs		Cumulative
	Legal	Professional fees	Other support costs	Staff costs	Other costs	Total set up costs	Transition fees	
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
2017-18	-	-	-	-	-	-	0.30	0.30
2018-19	-	-	-	-	-	-	-	-
2019-20	-	-	-	-	-	-	-	-
2020-21	-	-	-	-	-	-	0.40	0.40
2021-22	-	-	-	-	-	-	-	-
2022-23	-	-	-	-	-	-	-	-
2023-24	-	-	-	-	-	-	-	-
<b>Cumulative</b>	-	-	-	-	-	-	<b>0.70</b>	<b>0.70</b>

### Pool set up and investment transition costs by type of expense

	Current Year		Total	Since inception of the pool Cumulative
	Direct	Indirect		
	£'m	£'m	£'m	£'m
Set up costs				
Legal	-	-	-	-
Professional fees	-	-	-	-
Other support costs	-	-	-	-
<b>Total set up costs</b>	-	-	-	-
<b>Transition costs</b>	-	-	-	<b>0.70</b>

## Total expected costs and savings

The table below compares the investment management fee savings realised since admission to the Pool. The savings are based on grossed up fees in accordance with the revised CIPFA guidance issued in 2016, whereas in previous years fees may have been reported lower as they would have been netted off against the change in market value. This is consistent with current recommended practice.

## Total expected costs and savings

	Gross (savings)/costs realised £'m	Set up costs £'m	Transition costs £'m	Net (savings)/costs realised £'m
2017-18	-	-	0.30	0.30
2018-19	1.00	-	-	1.00
2019-20	0.60	-	-	0.60
2020-21	(2.50)	-	0.40	(2.10)
2021-22	(4.29)	-	-	(4.29)
2022-23	(6.31)	-	-	(6.31)
2023-24	(7.95)	-	-	(7.95)
<b>Cumulative</b>	<b>(19.45)</b>	<b>-</b>	<b>0.70</b>	<b>(18.75)</b>

## Ongoing investment management costs 2023/24

Investment expenses are shown broken down into their constituent categories and split between those resulting from investments held in the pooled vehicles and those held on the balance sheet of the Fund.

The table below summarises investment management costs for 2023/24. It has been compiled primarily from cost transparency templates completed by each of the Fund's investment managers. The investment expenses are split between those held within LPPI investment pooling vehicles and those non-pooled assets held directly by the Fund.

	LPPI pooled assets			Non pooled assets			Fund
	Direct £'m	Indirect £'m	Total £'m	Direct £'m	Indirect £'m	Total £'m	Total £'m
Investment management fees	11.75	-	11.75	3.47	-	3.47	15.22
Performance	3.54	-	3.54	0.32	-	0.32	3.86
Transaction costs	0.84	0.05	0.89	0.16	-	0.16	1.05
Custody	-	-	0	0.03	-	0.03	0.03
Administration	-	3.27	3.27	-	5.04	5.04	8.31
Borrowing and arrangement fees	-	0.26	0.26	-	0.03	0.03	0.29
Distribution, comms and client service	-	-	-	-	-	-	-
Governance, Regulation and Compliance	-	1.25	1.25	-	1.39	1.39	2.64
Property expenses	-	0.93	0.93	-	0.12	0.12	1.05
Other fees	-	0.68	0.68	-	-	-	0.68
<b>Total</b>	<b>16.13</b>	<b>6.44</b>	<b>22.57</b>	<b>3.98</b>	<b>6.58</b>	<b>10.56</b>	<b>33.13</b>
LPPI Asset & Liability Management Fees							0.20
<b>Note 11(a) Chart of Accounts total</b>							<b>33.33</b>

The table below shows the costs to Royal County of Berkshire Pension Fund (RCBPF) of setting up the individual pooling vehicles within the pooling company, Local Pensions Partnership Investments Ltd (LPPI).

Please note that the £33.13m total ongoing management fees reported above does not reconcile to the £30.1m disclosed in the Fund's MiFID II Ex-Post Annual Costs and Charges Disclosure (the MIFID report as required by the FCA). The MIFID report is prepared wholly based on 100% completed CTI templates which disclose fees in the period they are charged whereas the tables above consider pool management fees based on NAV information without a quarterly lag. For this reason, the LPPI fees included in both data sets are subject to timing differences and it is the table above that is used to gross up the Fund Accounts for consistency with prior year disclosures and reporting to DLUHC.

For completeness, the Fund's annual MIFID report (based on CTI data only) is disclosed below:

Service Costs	Amount	% Investment
One-off charges	0.00	0.00
Ongoing Costs	2,601,679.23	0.09
Transaction Costs	2,182.14	0.00
Ancillary Costs	685,089.96	0.02
Incidental Costs	0.00	0.00
<b>3rd Party Payments</b>		
Retrocession payments	0.00	0.00
Commission payments	0.00	0.00
<b>Product Costs</b>		
One-off charges	210.18	0.00
Ongoing Costs	23,549,436.27	0.79
Transaction Costs	1,060,937.01	0.04
Incidental Costs	3,862,107.78	0.13
Lending and Borrowing Fees	292,191.04	0.01
Property Expenses	1,052,334.64	0.04
<b>Total</b>	<b>33,106,168.25</b>	<b>1.11</b>

### Pooling progress

At 31 March 2024, 88.9% of the Fund's investment assets were pooled within LPPI's investment pooling vehicles. This compares to 84.4% at 31 March 2023.

## 12) PENSION FUND ACCOUNTS

### 12.a Fund Account at 31 March 2024

2022/23			2023/24
£'000		Notes	£'000
	<b>Dealings with members, employers and others directly involved in the Fund</b>		
(174,447)	Contributions	7	(195,426)
(23,344)	Transfers in from other pension funds	8	(24,845)
<b>(197,791)</b>			<b>(220,271)</b>
123,864	Benefits	9	138,191
32,617	Payments to and on account of leavers	10	21,818
<b>156,481</b>			<b>160,009</b>
<b>(41,310)</b>	<b>Net additions from dealings with members</b>		<b>(60,262)</b>
33,177	Management expenses	11	35,887
<b>(8,133)</b>	<b>Net additions including fund management expenses</b>		<b>(24,375)</b>
	<b>Returns on investments</b>		
(41,507)	Investment income	12	(46,496)
(2)	Taxes on income	13	465
(41,046)	Profits and losses on disposal of investments and changes in the market value of investments	14	(205,822)
<b>(82,555)</b>	<b>Net return on investments</b>		<b>(251,853)</b>
<b>(90,912)</b>	<b>Net increase in the net assets available for benefits during the year</b>		<b>(276,228)</b>
(2,665,699)	<b>Opening net assets of the scheme</b>		(2,756,611)
<b>(2,756,611)</b>	<b>Closing net assets of the scheme</b>		<b>(3,032,839)</b>

### 12.b Net Assets Statement at 31 March 2024

2022/23			2023/24
£'000		Notes	£'000
2,888,160	Investment assets	14	3,171,489
(143,420)	Investment liabilities	14	(152,439)
<b>2,744,740</b>	<b>Total net investments</b>		<b>3,019,050</b>
19,124	Current assets	21	18,082
<b>19,124</b>			<b>18,082</b>
(7,253)	Current liabilities	22	(4,293)
<b>(7,253)</b>			<b>(4,085)</b>
<b>2,756,611</b>	<b>Net assets of the fund available to fund benefits at the end of the reporting period</b>		<b>3,032,839</b>

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

## 12.c Notes to the Accounts

### Note 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.

#### Note 1.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 Committee.

#### Note 1.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:

<b>The Royal County of Berkshire Pension Fund</b>	<b>31 March 2023</b>	<b>31 March 2024</b>
Number of employers with active members	<b>186</b>	<b>186</b>
<b>Number of employees in scheme</b>		
Administering authority	1,467	1,511
Unitary authorities	14,161	13,862
Other employers	10,687	11,269
<b>Total</b>	<b>26,315</b>	<b>26,642</b>
<b>Number of pensioners</b>		
Administering authority	2,268	2,3147
Unitary authorities	12,175	12,586
Other employers	7,873	8,035
<b>Total</b>	<b>22,316</b>	<b>22,935</b>
<b>Deferred pensioners</b>		

Administering authority	3,424	3,411
Unitary authorities	17,313	17,499
Other employers	8,057	8,294
<b>Total</b>	<b>28,794</b>	<b>29,204</b>
<b>Total number of members in pension scheme</b>	<b>77,425</b>	<b>78,781</b>

### Note 1.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 2024. Employers' contributions are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2022. During 2023/24, employer contribution rates ranged from 10.8% to 32.4% of pensionable pay.

### Note 1.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. 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. 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 up-rated 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 - see [www.berkshirerensions.org.uk](http://www.berkshirerensions.org.uk).

### Note 2. Basis of preparation

The Statement of Accounts summarises the Fund's transactions for the 2023/24 financial year and its position at year-end as at 31 March 2024. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 ('the code') which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts have been prepared on a going concern basis.

The Code requires disclosure of any accounting standards issued but not yet adopted. No such accounting standards have been identified for 2023/24 that are anticipated to have a material impact on the Fund's financial performance or financial position.

CIPFA has deferred the implementation of IFRS 16 (Leases) until 1 April 2024 (and therefore in the 2024/25 Code). The implementation of IFRS 16 is not expected to have a material impact on the Pension Fund because it does not hold assets as a lessee.

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.

### **Note 3. Summary of significant accounting policies**

#### **Note 3.a Fund account - revenue recognition**

##### **i. 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.

##### **ii. 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 3.c ii) 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.

##### **iii. Investment income**

###### **1. 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.

###### **2. 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.

###### **3. 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.

###### **4. 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.



## **Note 3.b Fund Account - expense items**

### **i. 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.

### **ii. 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.

### **iii. Management expenses**

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

#### **1. 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.

#### **2. 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.

#### **3. 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.

## **Note 3.c Net Assets Statement**

### **i. 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. Any amounts due or payable in respects of trades entered into but not yet complete at 31 March each year are accounted for as financial instruments held at amortised cost and reflected in the reconciliation of movements in investments and derivatives in Note 14a. 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).

## **i. 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.

## **ii. 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.

## **iii. 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.

## **iv. 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.

Other financial liabilities classed as amortised cost are carried in the net asset statement at the value of the outstanding principal at 31 March each year.

### **i. 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).

### **ii. 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).

### **iii. 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.

#### **Note 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).

#### **Note 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 2024 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

<b>Item</b>	<b>Uncertainties</b>	<b>Effect if actual results differ from assumptions</b>
<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 £59.92 million. A 0.1% increase in pension increases and deferred revaluation assumption would increase the value of liabilities by approximately £59.43 million, and a one-year increase in assumed life expectancy would increase the liability by approximately £132.38million.
<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 2024 is (£152.44 million).	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.

	This valuation depends on a number of complex judgements including the discount and mortality rates..	
<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.

#### Note 6. Events after the reporting date

The investment figures in the accounts and notes have been adjusted in all material respects to reflect the impact of any information received after 31 March 2024 which reflect the conditions as at 31 March 2024. During the preparation of the statement of accounts, the fund manager's valuation as at 31 March 2024 were received and they showed material difference in aggregate. The accounts have been amended to reflect the difference reported in the table below.

<b>Asset Class</b>	<b>Estimated value 31 March 2024 £m</b>	<b>Manager's value 31 March 2024 £m</b>	<b>Difference £m</b>
Global Equities	1,728.64	1,728.66	0.02
Private Equity	357.77	360.08	2.31
Credit	352.17	358.57	6.40
Fixed Income	44.90	44.90	0.00
Infrastructure	380.20	377.75	(2.45)
Real Estate	277.13	274.69	(2.44)
Diversifying Strategies	0.45	0.45	0.00
Other Investment			
Assets	2.87	2.87	(0.00)
Cash	1.49	1.49	(0.00)
Liquidity Funds	22.04	22.04	(0.00)
Longevity contract	(143.42)	(152.44)	(9.02)
<b>Total</b>	<b>3,024.24</b>	<b>3,019.06</b>	<b>(5.18)</b>

## Note 7. Contributions receivable

### Note 7.a By category

2022/23 £'000		2023/24 £'000
34,006	Members' contributions	36,455
	<b>Employers' contributions</b>	
79,168	Normal contributions	94,760
60,470	Deficit recovery contributions	62,676
803	Augmentation contributions	1,535
<b>140,441</b>	<b>Total employer's contributions</b>	<b>158,971</b>
<b>174,447</b>		<b>195,426</b>

### Note 7.b By type of employer

2022/23 £'000		2023/24 £'000
13,553	Administering authority	15,037
146,519	Scheduled bodies	159,365
5,909	Admitted bodies	12,465
8,466	Transferee admission body	8,559
<b>174,447</b>		<b>195,426</b>

## Note 8. Transfers in from other pension funds

2022/23 £'000		2023/24 £'000
16,423	Individual transfers from other pension funds	24,545
6,170	Group transfers from other pension funds	0
751	AVC to purchase scheme benefits	300
<b>23,344</b>		<b>24,845</b>

## Note 9. Benefits payable

### Note 9.a By category

2022/23 £'000		2023/24 £'000
103,934	Pensions	116,080
17,404	Commutation and lump sum retirement benefits	19,488
2,302	Lump sum death benefits	2,623
<b>123,640</b>		<b>138,191</b>

## Note 9.b By type of employer

2022/23 £'000		2023/24 £'000
12,795	Administering authority	13,437
98,398	Scheduled bodies	110,738
8,490	Admitted bodies	9,669
3,957	Transferee admission body	4,347
<b>123,640</b>		<b>138,191</b>

## Note 10. Payments to and on account of leavers

2022/23 £'000		2023/24 £'000
951	Refunds to members leaving service	707
11,107	Group transfers to other pension funds	0
20,559	Individual transfers to other pension funds	21,111
<b>32,617</b>		<b>21,818</b>

## Note 11. Management expenses

2022/23 £'000		2023/24 £'000
2,155	Administrative costs	2,518
30,961	Investment management expenses	33,325
61	Oversight and governance costs	44
<b>33,177</b>		<b>35,887</b>

## Note 11.a Investment management expenses

2023/24	Management fees £'000	Performance fees £'000	Transaction costs £'000	Total £'000
LPPI Pooled Investments	18,140	3,540	890	22,570
Directly held Investments	10,050	320	160	10,530
Other	196	0	0	196
	<b>28,386</b>	<b>3,860</b>	<b>1,050</b>	<b>33,296</b>
Custody fees				29
				<b>33,325</b>

2022/23	Management fees £'000	Performance fees £'000	Transaction costs £'000	Total £'000
LPPI Pooled Investments	18,677	541	1,849	21,067
Directly held Investments	8,869	514	59	9,443
Other	186	0	0	186
	<b>27,732</b>	<b>1,055</b>	<b>1,908</b>	<b>30,695</b>
Custody fees				266
<b>Total</b>				<b>30,961</b>

## Note 12. Investment income

2022/23		2023/24
£'000		£'000
13,742	Income from Global Equities	21,203
1,311	Income from Fixed Income (bonds)	832
16,359	Income from Private Market funds	13,425
7,067	Income from Pooled property investments	9,437
1,991	Pooled investments - unit trusts & other managed funds	0
1,037	Interest on Cash deposits	1,599
<b>41,507</b>	<b>Total before taxes</b>	<b>46,496</b>

## Note 13. Other fund account disclosures

### Note 13.a Taxes on income

2022/23		2023/24
£'000		£'000
(127)	Global Equities	(73)
125	Real Estate	92
0	Private Market funds	446
<b>(2)</b>		<b>465</b>

Amounts in bracket represents income.

### Note 13.b External audit costs

2022/23		2023/24
£'000		£'000
327	Payable in respect of external audit	320
<b>327</b>		<b>320</b>

The audit fee for the Pension Fund is included within Administrative costs in Note 11. The amount payable to the external auditor for the audit of the Fund for 2023-24 is estimated to be £128k. Additional fees of £17.8k is payable for longevity contract valuation work and ISA 315 work.

Other fees payable to external auditor is in relation to audit of the Fund for 2021-22 to 2022-23.

## Note 14. Investments

### Note 14.a Market value of investments

Market value 31 March 2023		Market value 31 March 2024
£'000		£'000
	<b>Investment assets</b>	
1,331,805	Global Equities	1,728,660
393,555	Private Equity	360,075
343,250	Credit	358,570
61,967	Fixed Interest (Bonds)	44,901
386,410	Infrastructure	377,754
337,931	Real Estate	274,688
0	Liquidity funds	22,038



1,477	Diversifying Strategies	450
1,712	Other Investment assets	889
29,875	Cash	1,488
178	Amounts receivable for sales	1,976
<b>2,888,160</b>	<b>Total investment assets</b>	<b>3,171,489</b>
	<b>Investment liabilities</b>	
	Derivative contracts:	
(143,420)	- Longevity Insurance Policy	(152,439)
<b>(143,420)</b>	<b>Total investment liabilities</b>	<b>(152,439)</b>
<b>2,744,740</b>	<b>Net investment assets</b>	<b>3,019,050</b>

#### Note 14.b Reconciliation of movements in investments and derivatives

	Market value 1 April 2023	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in market during the year	Market value 31 March 2024
	£'000	£'000	£'000	£'000	£'000
Global Equities	1,331,805	200,300	(29,648)	226,203	1,728,660
Private Equity	393,555	44,283	(66,431)	(11,332)	360,075
Credit	343,250	393	(15,197)	30,124	358,570
Fixed Interest (Bonds)	61,967	35,733	(53,091)	292	44,901
Infrastructure	386,410	12,783	(9,143)	(12,296)	377,754
Real Estate	337,931	26,354	(71,432)	(18,165)	274,688
Liquidity funds	0	299,893	(277,851)	(4)	22,038
Diversifying Strategies	1,477	0	(990)	(37)	450
	<b>2,856,395</b>	<b>619,739</b>	<b>(523,783)</b>	<b>214,785</b>	<b>3,167,136</b>
Derivative contracts:					
- Longevity insurance policy	(143,420)	9,403	0	(18,422)	(152,439)
	<b>2,712,975</b>	<b>629,142</b>	<b>(523,783)</b>	<b>196,363</b>	<b>3,014,697</b>
Other investment balances:					
- Cash	29,875			9,459	1,488
- Other Investment assets	1,712				889
Amounts receivable for sales	178				1,976
<b>Net investment assets</b>	<b>2,744,740</b>			<b>205,822</b>	<b>3,019,050</b>

## Note 14.c Reconciliation of movements in investments and derivatives – prior year

	Market value 1 April 2022	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in market during the year	Market value 31 March 2023
	£'000	£'000	£'000	£'000	£'000
Global Equities	1,266,375	50,219	(11,570)	26,781	1,331,805
Private Equity	399,453	54,380	(70,833)	10,555	393,555
Credit	352,800	466	(9,429)	(587)	343,250
Fixed Interest (Bonds)	79,113	1,782	(14,901)	(4,027)	61,967
Infrastructure	337,483	79,171	(9,815)	(20,429)	386,410
Real Estate	321,096	26,898	(30,341)	20,278	337,931
Liquidity funds	7,831	109,850	(117,680)	(1)	0
Diversifying Strategies	9,384	24,112	(32,804)	785	1,477
	<b>2,773,535</b>	<b>346,878</b>	<b>(297,373)</b>	<b>33,355</b>	<b>2,856,395</b>
Derivative contracts:					
- Longevity insurance policy	(138,414)	8,360	0	(13,366)	(143,420)
	<b>2,635,121</b>	<b>355,238</b>	<b>(297,373)</b>	<b>19,989</b>	<b>2,712,975</b>
Other investment balances:					
- Cash	10,869			21,057	29,875
- Other Investment assets	802				1,712
Amounts payable for purchases	0				0
Amounts receivable for sales	6,935				178
<b>Net investment assets</b>	<b>2,653,727</b>			<b>41,046</b>	<b>2,744,740</b>

Purchases and sales of derivatives are recognised in Note 14.b and c above as follows:

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

## Note 14.d Investments analysed by fund manager

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

Investment	Market value 31-Mar-23	% of total fund	Market value 31 March 2024	% of total fund
	£'000		£'000	
Longevity Insurance Policy	(143,420)	-5.2	(152,439)	-5.0
LPPI Infrastructure	271,149	9.8	267,825	8.8
LPPI Global Equities Fund	1,331,805	48.3	1,728,660	57.0
LPPI Credit Investments LP	301,513	10.9	329,142	10.9
LPPI Real Estates ACS	196,898	7.1	123,994	4.1

Market value at 31 March 2023 £'000	% of Market value 31 March 2023 %		Fund Type	Market value at 31 March 2024 £'000	% of Market value 31 March 2024 %
<b>Investment managed within LPPI asset pools</b>					
301,513	11.0	LPPI Credit	Credit	329,142	10.9
196,897	7.2	LPPI Real Estates	Real Estate	123,994	4.1
1,331,805	48.5	LPPI Global Equities	Global Equity	1,728,660	57.3
61,967	2.3	LPPI Fixed Income	Fixed Income	44,901	1.5
271,149	9.9	LPPI Infrastructure	Infrastructure	267,825	8.9
150,530	5.5	LPPI Private Equity	Private Equity	186,507	6.2
<b>2,313,861</b>	<b>84.4</b>			<b>2,681,029</b>	<b>88.9</b>
<b>Investments managed outside asset pool:</b>					
40,498	1.5	Gresham House Asset Management Limited	Private Equity	3,936	0.1
4,853	0.2	Technology Enhanced Oil Limited	Private Equity	790	0.0
2,240	0.1	Cheyne Capital Management LLP	Credit	2,181	0.1
1,090	0.0	Select Market	Diversifying Strategies	331	0.0
387	0.0	Securis Investment Partners LLP	Diversifying Strategies	119	0.0
96	0.0	SPL Guernsey ICC Ltd	Private Equity	0	0.0
0	0.0	Northern Trust	Liquidity funds	22,038	0.7
60,613	2.2	LaSalle Investment Management (Jersey) Limited	Real Estate	51,692	1.7
8,934	0.3	Milltrust International LLP	Real Estate	0	0.0
21,759	0.8	Future Planet Capital	Real Estate	20,663	0.7
49,728	1.8	Gresham House Asset Management Limited	Real Estate	70,092	2.3
0	0.0	KFIM	Real Estate	8,246	0.3
6,733	0.2	Athyrium Capital Management LP	Credit	6,329	0.2
4,284	0.2	Derwent Shared Equity LLP	Credit	0	0.0
9,398	0.3	Dorchester Capital Advisors, LLC	Credit	8,460	0.3
1,950	0.1	Grosvenor Capital Management L.P.	Credit	1,656	0.1
1,060	0.0	Neuberger Berman	Credit	598	0.0
1,853	0.1	Partners Group	Credit	844	0.0
2,474	0.1	Rutland Partners LLP	Credit	0	0.0
11,745	0.4	WP Global Partners	Credit	4,466	0.1
0	0.0	SPL Guernsey ICC Ltd	Credit	36	0.0
0	0.0	Windermere IM Holdings LLP	Credit	4,858	0.2
29,544	1.1	Adams Street Partners	Private Equity	25,122	0.8
2,620	0.1	COREalpha Private Equity Partners Partnership Fund IV, L.P.	Private Equity	2,605	0.1
5,971	0.2	Coral Reef Capital	Private Equity	1,055	0.0
49,744	1.8	Future Planet Capital	Private Equity	48,228	1.6
14,990	0.5	Macquarie Group	Private Equity	17,692	0.6
629	0.0	Henderson Equity Partners	Private Equity	34	0.0
6,370	0.2	ICG PLC	Private Equity	3,363	0.1
6,571	0.2	Kuramo Capital	Private Equity	3,837	0.1
6,880	0.3	Longwall Venture Partners LLP	Private Equity	6,901	0.2
0	0.0	Neuberger Berman	Private Equity	0	0.0

0	0.0	Milltrust International LLP	Private Equity	0	0.0
701	0.0	Organox	Private Equity	700	0.0
221	0.0	Orthoson	Private Equity	221	0.0
1,964	0.1	Longwall Ventures	Private Equity	1,964	0.1
462	0.0	Oxsonics Ltd	Private Equity	462	0.0
3,177	0.1	Pantheon Ventures	Private Equity	2,755	0.1
3,292	0.1	Partners Group	Private Equity	1,688	0.1
10,900	0.4	Sarona Asset Management Inc	Private Equity	7,511	0.2
4,096	0.2	South East Growth Fund	Private Equity	4,921	0.2
1,114	0.0	Stafford CP	Private Equity	517	0.0
866	0.0	BMO Global Asset Management	Private Equity	711	0.0
47,466	1.7	WP Global Partners	Private Equity	38,554	1.3
1,350	0.1	African Infrastructure Investment Managers Pty Ltd	Infrastructure	791	0.0
20,690	0.8	Climate Fund Managers	Infrastructure	20,841	0.7
82,691	3.0	Gresham House Asset Management Limited	Infrastructure	77,220	2.6
1,276	0.1	Macquarie Group	Infrastructure	876	0.0
584	0.0	Macquarie Infrastructure Partners Inc.	Infrastructure	598	0.0
8,670	0.3	The Rohayton Group (TRG)	Infrastructure	9,603	0.3
<b>542,534</b>	<b>19.6</b>			<b>486,105</b>	<b>16.0</b>
		<b>Other</b>			
(143,420)	-5.2	Longevity Insurance Policy		(152,439)	-5.0
29,875	1.1	Cash with investment managers		1,488	0.0
178	0.0	Amount receivable for sales		1,976	0.1
1,712	0.1	Other Investment assets		889	0.0
<b>(111,655)</b>	<b>-4.0</b>			<b>(148,084)</b>	<b>-4.9</b>
<b>2,744,740</b>	<b>100.0</b>	<b>Total</b>		<b>3,019,050</b>	<b>100.0</b>

In June 2018 the Fund transferred the management of majority of its investment assets to Local Pensions Partnership Investments (LPPI) as part of the government's LGPS pooling initiative.

The above organisations are registered in the United Kingdom.

## Note 15. Analysis of derivatives

### Note 15.a 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.

### Note 15.b 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.

## Note 16. Fair value – Basis 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
<b>Market quoted investments</b>	Level 1	Published bid market price ruling on the final day of the accounting period	Not required
<b>Quoted bonds</b>	Level 1	Fixed interest securities are valued at a market value based on current yields	Not required
<b>Exchange traded pooled investments</b>	Level 1	Closing bid values on published exchanges	Not required
<b>Pooled investments - unit trusts</b>	Level 2	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV-based pricing set on a forward pricing basis
<b>Unquoted bonds</b>	Level 3	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV-based pricing set on a forward pricing basis
<b>Pooled investments - property funds</b>	Level 3	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV-based pricing set on a forward pricing basis
<b>Unquoted equity</b>	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and venture Capital Guidelines (December 2022)	EBITDA multiple Revenue multiple Discount for lack of marketability Control premium

### Note 16.a Sensitivity of assets valued at level 3

Having analysed historical data and current market trends 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 2024

The sensitivity analysis excludes longevity insurance contract. Changes in the discount rate and mortality rate assumptions would result in a material change to the carrying value.

	Assessed valuation range (+/-)	Value at 31 March 2024	Value on increase	Value on decrease
		£'000	£'000	£'000
Private Equity	26.1%	358,749	452,382	265,116
Infrastructure	12.9%	377,754	426,484	329,024
Real Estate	16.2%	274,688	319,187	230,189
Credit	8.2%	358,570	387,973	329,167
<b>Total</b>		<b>1,369,761</b>	<b>1,586,026</b>	<b>1,153,496</b>

	Assessed valuation range (+/-)	Value at 31 March 2023	Value on increase	Value on decrease
		£'000	£'000	£'000
Private Equity	25.45%	356,892	447,721	266,063
Infrastructure	12.57%	386,410	434,982	337,838
Real Estate	16.93%	337,931	395,143	280,719
Credit	10.06%	343,250	377,781	308,719
<b>Total</b>		<b>1,424,483</b>	<b>1,655,627</b>	<b>1,193,339</b>

#### Note 16.b 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.

##### i. 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.

##### ii. 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.

##### iii. 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.

Values at 31 March 2024	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
	Level 1	Level 2	Level 3	
	£'000	£'000	£'000	£'000

Financial assets at fair value through profit and loss	23,365	1,774,011	1,369,761	3,167,136
Financial liabilities at fair value through profit and loss			(152,439)	(152,439)
Cash deposits	1,488			1,488
Other Investment assets	889			889
Amounts receivable for sales	1,976			1,976
<b>Net investment assets</b>	<b>27,718</b>	<b>1,774,011</b>	<b>1,217,322</b>	<b>3,019,050</b>

Values at 31 March 2023	Quoted market price Level 1 £'000	Using observable inputs Level 2 £'000	With significant unobservable inputs Level 3 £'000	Total £'000
Financial assets at fair value through profit and loss	36,663	1,395,249	1,424,483	2,856,395
Financial liabilities at fair value through profit and loss			(143,420)	(143,420)
Cash deposits	29,875			29,875
Other Investment assets	1,712			1,712
Amounts receivable for sales	178			178
<b>Net investment assets</b>	<b>68,428</b>	<b>1,395,249</b>	<b>1,281,063</b>	<b>2,744,740</b>

#### Note 16.c Reconciliation of fair value measurements within level 3

	Market value 31 March 2023 £'000	Purchases during the year £'000	Sales during the year £'000	Unrealised gains/ (losses) £'000	Realised gains/ (losses) £'000	Market value 31 March 2024 £'000
Credit	343,250	393	(15,197)	528	29,596	358,570
Infrastructure	386,410	12,783	(9,143)	(2)	(12,294)	377,754
Private Equity	356,892	44,283	(14,808)	1,069	(28,687)	358,749
Real Estate	337,931	26,354	(71,432)	344	(18,509)	274,688
Longevity insurance policy	(143,420)	9,403	0	0	(18,422)	(152,439)
	<b>1,281,063</b>	<b>93,216</b>	<b>(110,580)</b>	<b>1,939</b>	<b>(48,316)</b>	<b>1,217,322</b>



	Market value 31 March 2022	Purchases during the year	Sales during the year	Unrealised gains/ (losses)	Realised gains/ (losses)	Market value 31 March 2023
	£'000	£'000	£'000	£'000	£'000	£'000
Credit	352,800	466	(9,429)	2,070	(2,657)	343,250
Infrastructure	337,483	79,171	(9,815)	1,447	(21,876)	386,410
Private Equity	351,950	54,380	(70,833)	40,083	(18,688)	356,892
Real Estate	321,096	26,898	(30,341)	(4,144)	24,422	337,931
Longevity insurance policy	(138,414)	8,360	0	0	(13,366)	(143,420)
	<b>1,224,915</b>	<b>169,275</b>	<b>(120,418)</b>	<b>39,456</b>	<b>(32,165)</b>	<b>1,281,063</b>

## Note 17. Financial instruments

### Note 17.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 2023			31 March 2024		
£'000	£'000	£'000	£'000	£'000	£'000
<b>Financial assets</b>					
1,331,805			1,728,660		
393,555			360,075		
343,250			358,570		
61,967			44,901		
386,410			377,754		
337,931			274,688		
0			22,038		
1,477			450		
29,875	8,836		1,488	2,710	
	1,890			2,865	
	771			3,460	
<b>2,886,270</b>	<b>11,497</b>	<b>0</b>	<b>3,168,624</b>	<b>9,035</b>	<b>0</b>
<b>Financial liabilities</b>					
(143,420)			(152,439)		
		(6,037)			(1,610)
<b>(143,420)</b>	<b>-</b>	<b>(6,037)</b>	<b>(152,439)</b>	<b>-</b>	<b>(1,610)</b>
<b>2,742,850</b>	<b>11,497</b>	<b>(6,037)</b>	<b>3,016,185</b>	<b>9,035</b>	<b>(1,610)</b>



## Note 17.b Net gains and losses on financial instruments

31 March 2023		31 March 2024
£'000		£'000
	Financial Assets	
79,456	Fair value through profit and loss	256,619
	Amortised cost	9,459
79,456		266,078
	Financial Liabilities	
(38,410)	Fair value through profit and loss	(60,256)
(38,410)		(60,256)
<b>41,046</b>	<b>Total</b>	<b>205,822</b>

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

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

### Note 18.a 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.

#### i. 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.

## ii. 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 by the Fund's investment advisors during the financial year the Fund has determined that the following movements in market price risk are reasonably possible for the 2023/24 reporting period:

Asset type	Potential market movements (+/-)
Global Equity	16.4%
Fixed Income	3.6%
Credit	8.2%
Diversifying Strategies	6.3%
Real Estate	16.2%
Private Equity	26.1%
Infrastructure	12.9%

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 March 2024	Potential market movement	Value on increase	Value on decrease
	£'000	£'000	£'000	£'000
<b>Investment portfolio assets:</b>				
Global Equities	1,728,660	283,500	2,012,160	1,445,160
Fixed Income	44,901	1,616	46,517	43,285
Credit	358,570	29,403	387,973	329,167
Diversifying strategies	450	28	478	422

Real Estate	274,688	44,499	319,187	230,189
Private Equity	360,075	93,980	454,055	266,095
Infrastructure	377,754	48,730	426,484	329,024
Liquidity Funds	22,038	-	22,038	22,038
Net derivative liabilities	(152,439)	-	(152,439)	(152,439)
Cash deposits	1,488	-	1,488	1,488
Other Investment assets	889	-	889	889
Amount receivable from sales	1,976	-	1,976	1,976
<b>Current assets:</b>				
Debtors	15,536	-	15,536	15,536
Cash balances	2,546	-	2,546	2,546
<b>Current liabilities</b>	(4,085)	-	(4,085)	(4,085)
<b>Total</b>	<b>3,033,047</b>		<b>3,534,803</b>	<b>2,531,291</b>

Asset type	Value as at 31 March 2023	Potential market movement	Value on increase	Value on decrease
	£'000	£'000	£'000	£'000
<b>Investment portfolio assets:</b>				
Global Equities	1,331,805	253,176	1,584,981	1,078,629
Fixed Income	61,967	2,256	64,222	59,711
Credit	343,250	34,531	377,781	308,719
Diversifying strategies	1,477	107	1,584	1,370
Real Estate	337,931	57,212	395,142	280,719
Private Equity	393,555	100,160	493,715	293,395
Infrastructure	386,410	48,572	434,982	337,838
Net derivative liabilities	(143,420)	-	(143,420)	(143,420)
Cash deposits	29,875	-	29,875	29,875
Other Investment assets	1,712	-	1,712	1,712
Amount receivable from sales	178	-	178	178
<b>Current assets:</b>				
Debtors	10,288	-	10,288	10,288
Cash balances	8,836	-	8,836	8,836
<b>Current liabilities</b>	(7,253)	-	(7,253)	(7,253)
<b>Total</b>	<b>2,756,611</b>		<b>3,252,623</b>	<b>2,260,597</b>

### iii. 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 2024 and 31 March 2023 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. The Fund's investment advisor's has advised that long-term average rates are expected to move less than 100 basis points (1%) from one year to the next and experience suggests that such movements are likely.

1 BPS is the movement of 0.01% between two percentages, for example from 0.50% to 0.51%. Therefore 100 BPS 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 interest rate risk	Value as at 31 March 2024	Change in year in the net assets available to pay benefits	
		+ 100 BPS	- 100 BPS
	£'000	£'000	£'000
Investments - Liquidity funds	22,038	0	0
Investments - Cash deposits	1,488	0	0
Current assets - Cash balances	2,546	0	0
<b>Total change in assets available</b>	<b>26,072</b>	<b>0</b>	<b>0</b>

Asset exposed to interest rate risk	Value as at 31 March 2023	Change in year in the net assets available to pay benefits	
		+ 100 BPS	- 100 BPS
	£'000	£'000	£'000
Investments - Liquidity funds	0	0	0
Investments - Cash deposits	29,875	0	0
Current assets - Cash balances	8,836	0	0
<b>Total change in assets available</b>	<b>38,711</b>	<b>0</b>	<b>0</b>

Income exposed to interest rate risk	Amount receivable in year ending 31 March 2024	Effect on income values	
		+ 100 BPS	- 100 BPS
	£'000	£'000	£'000
Cash balances / cash and cash equivalents	1,936	1,955	1,917
Fixed Income	901	901	901
<b>Total change in income receivable</b>	<b>2,837</b>	<b>2,856</b>	<b>2,818</b>

Income exposed to interest rate risk	Amount receivable in year ending 31 March 2023	Effect on income values	
		+ 100 BPS	- 100 BPS
	£'000	£'000	£'000
Cash balances / cash and cash equivalents	1,037	1,047	1,027
Fixed Income	1,311	1,311	1,311
<b>Total change in income receivable</b>	<b>2,348</b>	<b>2,358</b>	<b>2,338</b>

The analysis assumes that all variables, in particular exchange rates, remain constant, and shows the effect in the year on net assets available to pay benefits of a +/- 1% change in interest rates. The analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed bonds 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.

#### iv. 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

Following analysis of historical data by the Fund's investment advisors during the financial year the fund has determined that the following likely volatility associated with foreign exchange rate movements are reasonably possible for 2023/24.

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 foreign exchange rates and interest rates, remain constant.

Denominated currency	Value as at 31 March 2024	Potential volatility  (+/-)	Value on increase	Value on decrease
	£'000		£'000	£'000
AUD	10,047	7.0%	10,750	9,344
EUR	16,896	4.5%	17,656	16,136
NZD	9,540	7.0%	10,208	8,872
USD	291,158	7.3%	312,413	269,903
<b>Total</b>	<b>327,641</b>		<b>351,027</b>	<b>304,255</b>

Denominated currency	Value as at 31 March 2023	Potential volatility  (+/-)	Value on increase	Value on decrease
	£'000		£'000	£'000
AUD	16,713	10.2%	18,414	15,011
EUR	10,388	8.4%	11,260	9,515
NZD	13,980	10.2%	15,403	12,557
USD	298,128	12.9%	336,676	259,580
<b>Total</b>	<b>339,209</b>		<b>381,753</b>	<b>296,663</b>

#### v. 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 2024 was £26.24m (31 March 2023 was £38.71m). This was held with the following institutions:

	Rating	Balances as at 31 March 2023	Balances as at 31 March 2024
		£'000	£'000
<b>Money Market funds</b>			
Northern Trust	AA-	0	22,038
<b>Bank deposit accounts</b>			
JP Morgan		29,875	0
Northern Trust	AA-	0	1,488
<b>Bank current accounts</b>			
Lloyds	A	8,836	2,546
<b>Total</b>		<b>38,711</b>	<b>26,072</b>

#### vi. 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 2024 the value of illiquid assets was £1,040.62m, which represented 34.31% of the total fund net assets (31 March 2023: £1,128.69m which represented 40.9% of the total fund net assets).

#### vii. 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.

#### viii. 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.

### Note 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 2022. The next valuation will take place as at 31 March 2025.

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 18 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 2022 actuarial valuation, the Fund was assessed as 86% funded (78% at the March 2019 valuation). This corresponded to a deficit of £446m (2019 valuation: £597m) at that time.

At the 2022 actuarial valuation the average required employer contribution to restore the funding position to 100% over the next 18 years was 23.4% 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:

#### **Note 19.a Financial assumptions**

Discount Rate	5.1% per annum for both unitary authorities and other employers
Pension and Deferred Pension Increases	2.9% per annum
Short term pay increases	not applicable
Long term pay increases	3.9% per annum

#### **Note 19.b Mortality assumptions**

Current mortality	110% (Male) / 105% (Female) of the S3PA tables
Mortality Projection	2021 CMI Model with a long-term rate of improvement of 1.25% per annum

#### **Note 19.c 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.

#### **Note 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 2024 was £3,681m of which £3,650m relates to vested obligation and £31m, non-vested obligation (31 March 2023: £3,582m). The net assets available to pay benefits as at 31 March 2024 was £3,018m (31 March 2023: £2,730m). The implied Fund deficit as at 31 March 2024 was therefore £662m (31 March 2023: £852m).

As noted above, the liabilities above are calculated on an IAS 19 basis and therefore differ from the results of the 2022 triennial funding valuation (see Note 19) because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.



**Note 20.a IAS19 assumptions used**

Inflation/pension increase rate assumption	2.90%
Salary increase rate	3.90%
Discount rate	4.90%

**Note 20.b 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.

**Note 21. Current assets**

<b>31 March 2023 £'000</b>		<b>31 March 2024 £'000</b>
2,572	Contributions due - employees	2,686
6,945	Contributions due - employers	9,390
771	Sundry debtors	3,460
<b>10,288</b>	<b>Debtors</b>	<b>15,536</b>
8,836	Cash balances	2,546
<b>19,124</b>		<b>18,082</b>

**Note 21.a Analysis of debtors**

<b>31 March 2023 £'000</b>		<b>31 March 2024 £'000</b>
6,705	Other local authorities	11,542
3,583	Other entities & individuals	3,994
<b>10,288</b>		<b>15,536</b>

**Note 22. Current liabilities**

<b>31 March 2023 £'000</b>		<b>31 March 2024 £'000</b>
(6,092)	Sundry creditors	(3,320)
(1,161)	Benefits payable	(973)
<b>(7,253)</b>		<b>(4,293)</b>

## Note 22.a Analysis of creditors

31 March 2023 £'000		31 March 2024 £'000
(1,216)	Central government bodies	(1,543)
(3,733)	Other local authorities	(45)
(2,304)	Other entities & individuals	(2,705)
<b>(7,253)</b>		<b>(4,293)</b>

## Note 23. Additional voluntary contributions

Market value 31 March 2023 £'000		Market value 31 March 2024 £'000
15,748	Prudential	17,277
7	Equitable Life	7
18	Clerical Medical	18
<b>15,773</b>	<b>Total</b>	<b>17,302</b>

AVC Contributions of £2.422m were paid directly to Prudential during the year (2022/23: £1.79m).

## Note 24. Related party transactions

### Note 24.a 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 £1.127m (2022/23: £2.155m) 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 £15.04m (2022/23: £13.6m).

### Note 24.b Governance

No members of the Pension Fund Committee are in receipt of pension benefits from The Royal County of Berkshire Pension Fund. Each member of the Pension Fund Committee is required to declare their interests at each meeting.

### Note 24.c 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.

The key management personnel of the Fund are the Members of the Pension Fund Committee, the Director of Resources, the Head of Finance and the Head of Pension Fund. Their remuneration is set out below:

2022/23 £'000		2023/24 £'000
79	Short-term benefits	102
50	Post-employment benefits	36
<b>129</b>		<b>138</b>

## **Note 25. Contingent liabilities and contractual commitments**

Outstanding capital commitments (investments) at 31 March 2024 totalled £280.052m (31 March 2023: £360.049m). 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. There are no contingent liabilities to report.

## **Note 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. It is not practicable to disclose the financial effect of the contingent assets.

### 13) SCHEME EMPLOYERS AND CONTRIBUTIONS RECEIVED

Employer	Employee £'000	Employer £'000	TOTAL £'000
ABM Catering Limited	0	3	3
Absolutely Leisure Limited	30	54	84
Accent Catering Services Ltd	0	4	4
Activate Learning Education Trust	74	264	338
Agape Multi Academy Trust (AMAT)	12	49	61
Age Concern Berkshire	10	12	22
Aldworth Parish Council	0	1	1
ALET (B&W College)	191	846	1,037
Altwood School (Academy Status)	45	172	217
Ashley Hill Schools Trust	31	123	154
Baylis Court Trust	165	571	736
Bellevue Place Education Trust	311	1,149	1,460
Berks Unitaries Rechge Post 74	0	0	0
Berks, Bucks & Oxfordshire Wildlife Trust	6	21	27
Berkshire County Blind Society	0	15	15
Berkshire Fire & Rescue Service	521	1,494	2,015
Berkshire Maestros	45	200	245
Binfield Parish Council	6	28	34
Bohunt Education Trust	63	242	305
Bonitas Multi Academy Trust Limited	102	389	491
Bracknell Forest BC	4,015	14,526	18,541
Bracknell Forest Homes	78	218	296
Bracknell Town Council	48	219	267
Bray Parish Council	4	23	27
Brighter Futures for Children	1,400	3,241	4,641
Bucklebury Parish Council	0	3	3
Burghfield Parish Council	6	22	28
Busy Bee Cleaning Services Ltd	0	2	2
Care UK	1	6	7
Castleview School (Academy Status)	50	198	248
Caterlink Limited (Heights)	0	3	3
CfBT Schools Trust	144	490	634
Change Grow Live	2	6	8
Charters School (Academy Status)	96	336	432
Charvil Parish Council	3	16	19
Chieveley Parish Council	0	3	3
Churchend Academy	39	154	193
Churchill Contract Services Ltd	0	1	1
Compass Contract Services (UK)	3	12	15
Compass Contract Services (UK) Ltd 2	2	9	11
Compton Parish Council	1	5	6
Connexions Thames Valley	13	54	67

Continental Landscapes Ltd	6	19	25
Cookham Parish Council	3	18	21
Coram	5	14	19
Corn Exchange Trust	2	17	19
Cox Green Parish Council	3	18	21
Cox Green School (Academy Status)	78	294	372
Creative Support Extra Care	4	19	23
Creative Support Ltd (Altair 00211)	0	4	4
Crowthorne Parish Council	10	43	53
Denefield School (Academy Status)	81	290	371
Desborough School (Academy Status)	0	0	0
Dimensions UK Ltd	7	104	111
Earley Town Council	32	139	171
East Berkshire College Ext 3302	636	2,845	3,481
East Ilsley Parish Council	0	1	1
Elizabeth Fry Hostel	13	46	59
Enborne Parish Council	0	2	2
Excalibur Academies Trust	123	466	589
Finchampstead Parish Council	4	17	21
Forest Bridge School	123	469	592
Frassati Catholic Academy Trust	106	464	570
Frays Academy Trust	93	339	432
Furze Platt Senior School (Academy Status)	125	467	592
Gemini Commercial Cleaning Services (Wessex Primary)	0	1	1
Glyn Learning Foundation	59	241	300
Go Beanies Limited	0	1	1
Greenham Parish Council	2	8	10
Greenshaw Learning Trust	261	1,020	1,281
Greenwich Leisure Ltd (RBC)	43	122	165
Greenwich Leisure Ltd ext 4076	2	30	32
Hampstead Norreys Parish Council	0	2	2
Haybrook College Trust	93	363	456
Hayward Services (SASH)	0	2	2
Hayward Services Ltd (Cox G)	0	3	3
Hayward Services Ltd (Wex)	1	8	9
Haywards Services Limited (St Thomas)	1	7	8
Heart Facilities Limited	0	-2	-2
Highdown School	94	355	449
Holt School (Academy Status)	62	238	300
Holy Family School	41	206	247
Holybrook Parish Council	3	16	19
Holyport College	69	252	321
Horton Parish Council	0	5	5
Housing Solutions Ltd	0	4,565	4,565
Hungerford Town Council	5	22	27
Hurley Parish Council	1	6	7
Impact Food (Arbib)	1	8	9

Kendrick School (Academy Status)	44	169	213
Kennet School Academies Trust	223	805	1,028
Keys Multi-Academy Trust	187	734	921
Khalsa Primary School	35	130	165
King's Academy Binfield	212	806	1,018
Langley Academy Trust	209	791	1,000
Langley Grammar School (Academy Status)	63	226	289
Langley Hall Primary Academy	38	146	184
Leisure Focus Trust	8	25	33
Lowbrook Academy Trust	15	57	72
Maiden Erlegh Schools Trust	377	1,360	1,737
Marish Academy Trust	158	616	774
Mary Hare Grammar School	180	751	931
MITIE	1	20	21
Newbury Academy Trust	146	555	701
Newbury College	168	777	945
Newbury College Academy Trust Ltd	1	5	6
Newbury Town Council	25	106	131
Newlands Girls School	68	242	310
Northern House School Wokingham	20	74	94
NSL Ltd	10	36	46
Optalis Limited	29	111	140
Optalis Limited (RBWM)	141	488	629
Orchard Hill College & Academy Trust	159	689	848
Osborne Property Services Limited	24	78	102
Oxford Diocesan Schools Trust	181	711	892
Pact	19	85	104
Pangbourne Parish Council	4	20	24
Park Federation Academy Trust	186	731	917
Priory School	97	501	598
Project Centre Ltd 2	1	3	4
Purley on Thames Parish Council	4	16	20
RBWM	2,284	12,752	15,036
RBWM Property Company Ltd	55	89	144
Reach2 Thames Valley Academy Trust	73	372	445
Reading Borough Council	5,147	30,132	35,279
Reading School (Academy Status)	79	280	359
Reading Transport Ltd	24	1,749	1,773
Reading Voluntary Action	2	11	13
Regency Cleaning	-5	-13	-18
Ryvers School (Academy Status)	52	197	249
S.E.Centre for the Built Environment Ltd	9	27	36
Sandhurst Parish Council	4	15	19
SASH Education Trust	127	464	591
Schelwood Academy Trust	108	395	503
School of St Helen & St Katharine	0	654	654
Seetec Business Technology Centre Ltd	0	50	50

SLM Charitable Trust 2	32	103	135
SLM Community Leisure	0	4	4
SLM Fitness & Health	2	9	11
SLM Food & Beverage	2	8	10
Slough Borough Council	2,877	12,798	15,675
Slough Children's Services Trust	722	1,742	2,464
Slough Community & Leisure Ltd	0	40	40
Slough Council For Voluntary Service	3	14	17
South Hill Park Trust	0	60	60
Sovereign Housing Association	0	260	260
Specialist Education Trust	31	91	122
St Bartholomew's School (Academy Status)	115	456	571
St Peter Catholic Academies Trust	135	493	628
Sunninghill & Ascot Parish Council	2	11	13
Swallowfield Parish Council	4	19	23
Teachers Pensions Non Lgps	0	0	0
Thames Valley Cleaning Limited	0	1	1
Thames Valley College-Pensions	0	0	0
Thatcham Town Council	15	62	77
The Avenue Academy	215	814	1,029
The Blessed Hugh Farringdon School	81	356	437
The Circle Trust	271	1,050	1,322
The Corvus Learning Trust	218	844	1,062
The Downs School	86	383	469
The Elliot Foundation	74	275	349
The Forest School Academy Trust	26	101	127
The Heights Free School	24	69	93
The National Autistic Society Academy Trust	157	539	696
The Piggott C of E Academy	82	314	396
The Slough and East Berkshire MAT	348	1,269	1,617
The Windsor Day Club Nursery	0	0	0
Theale Parish Council	3	12	15
Tilehurst Parish Council	3	14	17
Twyford Parish Council	4	18	22
Unallocated	0	0	0
Upton Court Education Trust	193	663	856
Volkerhighways Ltd	12	43	55
Volkerhighways Ltd (Wok)	1	6	7
W&M Youth & Community Counselling Service	3	8	11
Waingels College	87	289	376
Warfield Parish Council	3	13	16
West Berkshire DC	4,960	18,088	23,048
West Ilsley Parish Council	0	1	1
Westgate School (Academy Status)	79	299	378
Wexham Court Parish Council	1	8	9
White Waltham Parish Council	5	28	33
Windsor Housing	0	1,455	1,455

Windsor Learning Partnership	192	744	936
Winkfield Parish Council	15	67	82
Winnersh Parish Council	5	24	29
Wokingham Borough Council	4,576	16,838	21,414
Wokingham Town Council	31	110	141
Wokingham Without Parish Council	9	39	48
Woodley Town Council	49	217	266
Wraysbury Parish Council	1	5	6
Yattendon Parish Council	0	1	1
	<b>36,455</b>	<b>158,971</b>	<b>195,427</b>

#### 14) AVC ARRANGEMENTS

The Royal County of Berkshire Pension Fund's chosen Additional Voluntary Contribution (AVC) provider is the Prudential Assurance Company. There are a number of investment choices available to members of the Fund who elect to pay 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:

##### **Higher Risk**

Prudential UK Equity Fund  
Prudential UK Equity Passive Fund

##### **Medium to Higher Risk**

Prudential Global Equity Fund  
Prudential International Equity Fund  
Prudential Positive Impact Fund

##### **Medium Risk**

Prudential Discretionary Fund  
Prudential Dynamic Growth IV Fund  
Prudential Index-Linked Fund  
Prudential Long-Term Bond Fund  
Prudential Long-Term Gilt Passive Fund

##### **Lower to Medium Risk**

Prudential Dynamic Growth I Fund  
Prudential Dynamic Growth II Fund  
Prudential Fixed Interest Fund  
Prudential With-Profits Fund

##### **Minimal Risk**

Prudential Cash Fund

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.

## 15) POLICIES, STRATEGIES AND STATEMENTS

The following policies, procedures, strategies and statements are prepared by Fund officers then reviewed and approved by the Pension Fund Committee in consultation with the Pension Board. The timeline for review varies between the individual policy documents, from at least triennially but no more frequent than annually and where appropriate a timeline has been disclosed in the table below.

Statutory policies are required by various sets of legislation and are prepared and reviewed in a timely manner by the Fund's officers and reviewed by the Board and Committee, non-statutory policies are also prepared in line with good governance, best practice and considering various guidance notes. These policies are reviewed and approved at least annually.

All documents referenced below that are prepared by the Royal County of Berkshire Pension Fund as administered by the Royal Borough of Windsor and Maidenhead can be accessed via the Pension Fund Website address <https://berkshirepensions.org.uk/> with the relevant location summarised below.

Statutory/Non-Statutory	Document Name	Relevant Regulation	Source	Note
Statutory	Abatement Policy	Regulations 70 & 71 (LGPSAR 2008**)	Policies & Reports > Statutory Policies	Last approved March 2022, next review March 2025
(*)Statutory	Communications Strategy Statement	Regulation 61 (LGPSR 2013*)	Policies & Reports > Statutory Policies	Last approved September 2023 (or previously in October 2022 in respect of 22/23 financial year). Next review September 2024.
(*)Statutory	Funding Strategy Statement	Regulation 58 (LGPSR 2013*)	Policies & Reports > Statutory Policies	Last approved March 2023 following 2022 triennial valuation, next review March 2025
(*)Statutory	Governance Compliance Statement	Regulation 55 (LGPSR 2013*)	Policies & Reports > Statutory Policies	Last approved March 2023 includes appended annual training records per the SAB good governance report recommendation. Next review March 2024
(*)Statutory	Investment Strategy Statement	Regulation 7 (LGPS(M&IF)R2016***)	Policies & Reports > Statutory Policies	Last approved March 2023. Next review March 2024
Statutory	Full Actuarial Valuation Report and Rates & Adjustment Certificate	Regulation 62 (LGPSR2013*)	Policies & Reports > Reports	Relates to the post 2022 triennial valuation and includes all employer contributions from April 2023 to March 2026.
Non-Statutory	Administering Authority Discretions Policy	Various	Policies & Reports > Non-Statutory Policies	Last approved March 2022, next review March 2025

Non-Statutory	Employer Flexibilities Policy (DDA/DSA Policy)	Regulation 64 (LGPSR2013*)	Policies & Reports > Non-Statutory Policies	Last approved July 2022, next review July 2025
Non-Statutory	Employer Contribution Review Policy	Regulation 64 (LGPSR2013*)	Policies & Reports > Non-Statutory Policies	Last approved July 2022, next review July 2025
Non-Statutory	Annual Business Plan and budget	N/A – good practice	Policies & Reports > Non-Statutory Policies	Last approved March 2023, next review March 2024
Non-Statutory	Reporting breaches of the law	tPR guidance and various regulations	Policies & Reports > Non-Statutory Policies	Last approved July 2022, next review June 2025
Non-Statutory	Responsible Investment Policy	Regulation 7 (LGPS(M&IF)R2016***	Policies & Reports > Non-Statutory Policies	Last approved October 2022, next review in 2024. Sub document to the statutory prescribed Investment Strategy Statement (ISS)
Non-Statutory	ESG Statement	N/A – good practice	Policies & Reports > Non-Statutory Policies	Last approved November 2019, no planned date for next review.
Non-Statutory	Shareholder Voting policy	Regulation 7 (LGPS(M&IF)R2016***	Policies & Reports > Non-Statutory Policies	Sub-document to the funds ISS. The fund adopts LPPI's voting policy which is regularly reviewed.
Non-Statutory	Risk Management Policy	N/A good practice, CIPFA guidance	Policies & Reports > Non-Statutory Policies	Last reviewed March 2023, next review March 2024.
Non-Statutory	Pension Admin Strategy	Regulation 59 (LGPSR 2013*)	Policies & Reports > Non-Statutory Policies	Last approved September 2023 (or previously in October 2022 in respect of 22/23 financial year). Next review September 2024. Not required under regs (so not statutory) but recommended.

**\*LGPSR2013 - Local Government Pension Scheme Regulations 2013 (SI 2013 No. 2356)**

**\*\*LGPSAR 2008 - Local Government Pension Scheme (Administration) Regulations 2008 (extant) (SI 2008 No. 239)**

**\*\*\*LGPS(M&IF)R2016 - Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (SI 2016 No. 946)**

Other non-statutory policies are also prepared in line with good governance and best practice, these are reviewed and approved at least annually and include those that are already referred to in this report and those outside of the scope of this report for example, but not limited to:

- Internal Dispute Procedures.
- Managing Employer Admissions to the Fund

All statutory and non-statutory policies are available from the Pension Fund website at <https://berkshirepensions.org.uk> along with associated guidance notes as required.

(\*) The four documents referenced above are additionally provided in full as appendices to this report for publication purposes in compliance with statutory requirements in England and Wales. (ref. CIPFA publication, preparing annual report, guidance for local government pension scheme funds, 2019 edition)

## APPENDIX 1 - INVESTMENT STRATEGY STATEMENT

*Approved by the Pension Fund Committee in March 2022 and reviewed in March 2023, please note that title and contents pages have been removed for the purpose of presentation in this appendix. The full document is available on the pension fund website: <https://berkshirerpensions.org.uk/>*

### 1. **Introduction**

- 1.1. This is the Investment Strategy Statement ("ISS") adopted by the Royal County of Berkshire Pension Fund ("the Fund"), which is administered by the Royal Borough of Windsor and Maidenhead ("the Administering Authority").
- 1.2. Under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (Regulation 7) the Fund is required to publish this ISS at least every three years, it was last approved in March 2022. The Regulations require administering authorities to outline how they meet each of six objectives aimed at improving the investment and governance of the Fund.
- 1.3. This Statement addresses each of the objectives included in Regulation 7(2) of the 2016 Regulations:
  - ***Objective 7.2 (a): A requirement to invest fund money in a wide range of instruments;***
  - ***Objective 7.2(b): The authority's assessment of the suitability of particular investments and types of investment;***
  - ***Objective 7.2(c): The authority's approach to risk, including ways in which risks are to be measured and managed;***
  - ***Objective 7.2(d): The authority's approach to pooling investments, including the use of collective investment vehicles;***
  - ***Objective 7.2(e): How social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments***
  - ***Objective 7.2(f): The exercise of rights (including voting rights) attaching to investments***
- 1.4. Each of the above objectives are dealt with in turn in Section 3 of the ISS
- 1.5. The Pension Fund Committee (the "Committee") oversees the management of the Fund's assets. Although not trustees, the Members of the Committee owe a fiduciary duty similar to that of trustees to the council-tax payers and guarantors of other scheme employers, who would ultimately have to meet any shortfall in the assets of the Fund, as well as to the contributors and beneficiaries of the Fund.
- 1.6. The relevant terms of reference for the Committee within the Council's Constitution are as follows:

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

- (i) Setting of the Investment Strategy and Funding Strategy Statements and determination of the Strategic Asset Allocation of the Pension Fund's assets in the light of professional advice and other suitably qualified independent advice, legislative constraints and Codes of Practice.*
- (ii) Responsibility for the statutory policies and administration of the Royal County of Berkshire Pension Fund maintained by the Administering Authority in accordance with the Local Government Pension Scheme Regulations, The Local Government Pension Scheme (Management of Investment of Funds) Regulations, all other associated legislation and Pension Regulator Codes of Practice.*
- (iii) Determination of the arrangements for obtaining appropriate investment advice including the appointment of a suitably qualified independent person or persons to give expert advice on Pension Fund investment and management arrangements.*
- (iv) The periodic review and monitoring of the Pension Fund's investment performance in line with the Advisory and Management Agreement entered into with the Local Pensions Partnership (Investments) Limited (LPPI).*
- (v) To consider the Annual Report and Accounts of the Fund.*
- (vi) The reporting of any breaches of the law to the Pensions Regulator.*

- 1.7.** The Director of Resources (S.151 officer) , the Head of Finance (Deputy S.151 officer), the Head of Pension Fund, the appointed independent advisors and actuaries support the Committee. The day-to-day management of the Fund's assets in accordance with this strategy is delegated to LPPI ("the Investment Manager").
- 1.8.** This ISS will be reviewed at least once every three years as per the statutory guidance, or more frequently as required - in particular following actuarial valuations, future asset/liability studies, performance reviews, or legislation changes (e.g. Taskforce for Climate Related Financial Disclosures ("TCFD")) which may indicate a need to change investment policy, or significant changes to the Funding Strategy Statement ("FSS").
- 1.9.** The Strategic Asset Allocation, as detailed in Section 4 of this document may be changed from time to time without full review and consultation of the ISS.. The mechanics for this such an amendment will be a separate review and approval of **Schedule 1: RCBPF Strategic Asset Allocation** by the Committee.
- 1.10.** The Administering Authority confirms (on accordance with Regulation 7(4) of the Investment Regulations) that the Fund has no investments in entities that are connected with the authority but if in future it chooses to do so, these will be limited to no more than 5% of the Fund's assets.

- 1.11. The Administering Authority confirms (in accordance with Regulation 7(8) of the Investment Regulations) that the Fund will invest, in accordance with its investment strategy, any Fund money that is not needed to make payments from the Fund. Section 4 of the ISS sets the strategic allocation targets and maximum percentage of total Fund value for Fund Cash holdings.
- 1.12. The Funds Investment Strategy applies to all Fund assets in respect of all employers, for the avoidance of doubt the ISS does not enable bespoke investment strategies for individual or groups of employers under any circumstances. Should this be considered in the future, the ISS will be required to be revised and consulted on again.

## **2. Investment Principles**

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

### **16) Principle 1: Investment Governance**

- 2.1.1. The Fund has access to the necessary skills, expertise, and resources to manage the whole Fund, as well as managing the Fund's cash needs internally.
- 2.1.2. The Investment Manager, independent advisors, officers and the local pension board are a source of expertise and research to inform and assist the Committee's decisions.
- 2.1.3. The ultimate aim of the Fund's investment activities is to pay pension liabilities when they become due. The Committee will therefore work with the Investment Manager to ensure that the liquidity profile of the Fund is appropriate to ensure the long-term ability of the Fund to meet these obligations.
- 2.1.4. The Fund is continuously improving its governance structure through bespoke training to make well informed strategic allocation decision but acknowledges that it is not possible to achieve optimum market timing or to predict future financial market outcomes.
- 2.1.5. All meetings and investment decisions relating to the setting of Investment Strategy and Strategic Asset Allocation will be minuted.

### **17) Principle 2: Long Term Approach**

- 2.1.6. The strength of the majority of employers' covenant allows the Fund to take a long-term approach to its investment strategy, enabling the investment in less liquid assets and the ability to assess the performance of the Investment Manager in these asset classes over a longer-term time frame.
- 2.1.7. The most important aspect of risk is not the volatility of returns, but the risk of absolute loss of capital over the medium and long term. An important focus for the Fund is to ensure stability and affordability of employer contributions over the long-run.
- 2.1.8. Illiquidity is a risk which offers a potential source of additional compensation to the long-term investor. As a long term investor, the Fund seeks to be a liquidity provider which presents opportunities in times of market stress.

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

**18) Principle 3: Environmental, Social and Governance (“ESG”) factors**

- 2.1.10. Certain ESG factors are financially material and may therefore influence the risk and return characteristics of the Fund’s investments and the likelihood that the Fund’s objectives will be achieved.
- 2.1.11. All things being equal, well governed companies that manage their business in a responsible manner are generally less vulnerable to idiosyncratic downside risk and may therefore produce higher returns over the long term.
- 2.1.12. In order to improve corporate governance, investment managers should exercise the voting rights attached to the shares they own, as well as engage with management of the companies they significantly invest in.
- 2.1.13. The Fund’s Responsible Investment (RI) Policy reflects the urgency of the threat that ESG risks present to the Fund and includes the expectation that the Investment Manager will pursue a policy of active, effective engagement with companies in which ownership stakes are held.
- 2.1.14. The Committee recognises the Administering Authority’s net-zero commitment along with that of many of the other scheme employers. The Committee also recognises that a growing number of scheme members want to see significant weight given to these issues. Due consideration to these issues shall be made throughout the investment process and in line with the Fund’s RI Policy.

**19) Principle 4: Asset allocation**

- 2.1.15. Allocations to asset classes other than equities, cash and government bonds (e.g., corporate bonds, private markets, property, infrastructure and diversifying strategies) offer the Fund other forms of risk premia (e.g., additional solvency risk/liquidity risk).
- 2.1.16. Diversification across asset classes and asset types that have low correlation with each other across the market cycle will tend to reduce the volatility of the overall Fund return.
- 2.1.17. As the funding level improves, the Committee may look to specific lower risk strategies to reduce the volatility of the Fund’s actuarial funding level.
- 2.1.18. With the aim of reducing longevity risk (the risk of increases in mortality rates beyond unhedged actuarial expectations (pensioners living longer than anticipated and therefore benefits extending longer than planned)), a longevity insurance contract has been entered into covering all pensioner members of the Fund who had started receiving their pension by the end of July 2009 including their dependants.

**20) Principle 5: Management Strategies**

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

- 2.1.20.** Active management performance should be monitored over multi-year rolling cycles and assessed to confirm that the original investment thesis, perceived value-add and process on appointment are being delivered and that continued appointment is appropriate.
- 2.1.21.** Employing a range of management styles can reduce the volatility of overall Fund returns.
- 2.2.** The Fund has an overall return objective of 6% annually (paragraph 3.13) and will aim for an appropriate level of risk within its asset allocation to deliver that return, so as to achieve a long-term funding aim while aiming to deliver an appropriate investment income yield to maintain a positive Fund cash-flow position (paragraph 2.4).
- 2.3.** The Fund aims to, where possible, ensure that the portfolio is inflation resilient through its asset allocation activities.
- 2.4.** The Fund aims to keep asset value drawdowns to a minimum, recognising the positive non-investment cashflows through contributions employer deficit recovery payments, plus an appropriate minimum investment income yield. Based upon the 2022 Triennial Valuation the Fund is expected to remain net cash-flow positive in the near term, although progressively, and likely following the next triennial valuation, this position is expected to change.
- 2.5.** Cash balances should be diligently managed to ensure they remain within the ranges set in the strategic asset allocation by employing a strict treasury management processes. Where cash balances are held, an appropriate return is targeted of at least SONIA or other relevant interbank overnight rate of return. It should be noted that whilst cash offers the benefit of liquidity, it generally creates a drag on fund performance so must be managed and invested appropriately.
- 2.6.** The Fund may, from time to time, use derivatives or other complex financial instruments to meet its investment objectives and/or appropriately manage various investment risks provided adequate professional advice is sought and the risks are fully and prudently considered by the Committee. An example is the use of forward rate agreements to obtain synthetic currency exposure.
- 2.7.** The Fund may, from time to time, use borrowing or other debt-type instruments to help meet its liquidity requirements and/or appropriately manage various investment risks provided adequate professional advice is sought and the risks are fully and prudently considered by the Committee. An example is the use of short-term borrowing to fund cash-flow requirements in lieu of receiving a known dividend distribution.

### **3. ISS Objectives**

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

- 3.1.** Funding and investment risk is discussed in more detail later in this ISS. However, at this stage it is important to state that the Committee is aware of the risks it runs within the Fund and the consequences of these risks.
- 3.2.** To mitigate investment risk, the Committee recognises that the Fund should have an
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ISS Objectives

investment strategy that has:

- 3.2.1.** Exposure to a diverse range of sources of return, such as market return, manager skill and using illiquid holdings.
  - 3.2.2.** Exposure to a range of instruments for specific risk hedging purposes to be used where appropriate (longevity, currency etc.).
  - 3.2.3.** Diversification in the asset classes used.
  - 3.2.4.** Diversification in the approaches to the management of the underlying assets.
  - 3.2.5.** Adaptability to be able to maintain liquidity for the Fund.
- 3.3.** The Fund's approach to diversification is to divide its assets into seven distinct categories; public equities, fixed income, credit, infrastructure, private equity, real estate and cash as well as entering into a longevity insurance contract . The size of the assets invested in each category will vary, the strategic asset allocation is detailed in Section 4 of this ISS. It is important to note that each category is itself diversified. As a result, the Fund's assets are invested in a wide range of instruments.
- 3.4.** The main risk the Committee are concerned with is to ensure the long-term ability of the Fund to meet pension and other benefit obligations in full as they fall due. As a result, the Committee place a high degree of importance on ensuring the expected return on the assets is sufficient to do so and does not have to rely on a level of risk which the Committee considers excessive.
- 3.5.** The Fund currently has a positive cash flow position, however, the gap between contributions received and benefits paid is narrowing and consequently the Fund will progressively evolve to being cash-flow negative. The Fund may at times have a negative cash flow position, consequently the Fund liquidity must be closely monitored by the Investment Manager and Fund officers. In addition, a portion of the Fund's assets are invested to generate an income yield.
- 3.6.** At all times the Committee seeks to ensure that their investment decisions, including those involving diversification, are in the best long-term interest of Fund beneficiaries and seeks appropriate advice from the Investment Manager and independent investment advisors as appropriate.
- 3.7.** To mitigate these risks the Committee regularly (at least on a quarterly basis) reviews both the performance and expected returns from the Fund's investments to measure whether it has met and is likely to meet in future its asset class return objectives as well as its overall return objective as defined in paragraph 3.13. The Committee will keep the Investment Manager and this ISS under review to ensure that the approaches are consistent.
- 3.8.** The Fund aims to allocate up to 5% of its Assets for investment in local projects which support local areas, subject to all suitability criteria in Objective 7.2(b) being met and the Fund having no conflict in undertaking its fiduciary duty to scheme members and employers.



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

- 3.9.** Suitability is a critical test for whether a particular investment should be made. When assessing the suitability of investments, the Investment Manager (as delegated by the Committee) considers the following from its due diligence:
- 3.9.1.** Prospective return
  - 3.9.2.** Risk
  - 3.9.3.** Concentration
  - 3.9.4.** Risk management qualities the investment has when the portfolio as a whole is considered
  - 3.9.5.** Geographic and currency exposures
  - 3.9.6.** Possible correlation and interactions with other investments in the portfolio
  - 3.9.7.** Whether the management of the asset meets the Fund's ESG criteria.
- 3.10.** Each of the Fund's investments has an individual performance benchmark which their reported performance is measured against.
- 3.11.** The Committee monitors the suitability of the Fund's asset allocations on a quarterly basis. The Committee do not have access to data on individual investments and therefore monitor performance at the asset class level unless LPPI report exceptions. To that end LPPI monitor the investment returns and the volatility of the individual investments together with the Fund level returns and risk whilst the Committee consider these wholistically at the asset-class and whole-fund level. This latter point being to ensure the risks caused by interactions between investments within the portfolio are properly understood and considered.
- 3.12.** Where comparative statistics are available for presentation by the Investment Manager or other external body, the Committee will also compare the Fund's asset performance with those of similar funds. The Committee relies on external advice in relation to the collation of the statistics for review.
- 3.13.** The Fund targets a long-term absolute return of 6% per-annum, a rate advised by the actuary at the last triennial valuation (equivalent to 2.9% (long-term CPI assumption) + 3.1% at 31 March 2022). This is referred to by the Fund as the 'Actuarial Benchmark', or the required rate of annual return to achieve a 100% funding level at the end of the deficit recovery period (31 March 2040) without additional deficit recovery (secondary) contributions from employers. This rate is subject to further change and shall be revised at the next triennial valuation. For the avoidance of doubt – this is not the actuarial discount rate. The term 'actuarial Benchmark' may be used interchangeably with the term 'overall return objective'.
- 3.14.** The Fund will aim for an appropriate level of risk within its asset allocation, so as to achieve a long-term funding aim. No explicit volatility target is set in this Investment Strategy Statement.
- 3.15.** Investments are assessed by the Investment Manager to determine suitability considering all factors but not limited to; consideration of the long-term absolute return target, portfolio volatility and the suitability indicators as listed in paragraph 3.9

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

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

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

**21) Investment Manager risk:**

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

**22) Geopolitical and political risks:**

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

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

**23) Currency risks:**

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

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

**24) Solvency and mismatching risk:**

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

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

**25) Liquidity risk:**

- 3.17.8.** This is a function of liquid asset holdings and expected portfolio income relative to the level of cash flow required over a specified period and in stress events; and
- 3.17.9.** Is managed by assessing the level of cash held and payable/receivable over a period of time in order to limit the impact of the cash flow requirements from the unplanned sale of investments.

**26) Custodial risk:**

- 3.17.10.** This is measured by assessing the creditworthiness of the global custodian and the ability of the organisation to settle trades on time and provide secure safekeeping of the assets under custody.
- 3.18.** The risks to the Fund concerned with the investment of Fund assets are controlled in the following ways:
- 3.18.1.** The adoption and monitoring of asset allocation benchmarks, ranges and performance targets constrain the Investment Manager from deviating significantly from the intended approach while permitting the flexibility to enhance returns.
- 3.18.2.** The appointment of more than one manager by the Investment Manager with different mandates and approaches provides for the diversification of manager risk.
- 3.19.** The Advisory Management Agreement (AMA) agreement constrains the Investment Manager's actions in areas of particular risk and sets out the respective responsibilities of both the Investment Manager and the Fund.
- 3.20.** The Committee are aware investment risk is only one aspect of the risks facing the Fund.
- 3.21.** The Committee are of the view that the diversification of the Fund assets is sufficiently broad to ensure the investment risk is appropriate and will continue to be so. When putting in place the investment strategy the Committee carefully considered both the individual asset risk characteristics and those of the combined portfolio to ensure the risks were appropriate. Estimating the likely volatility of future investment returns is difficult as it relies on both estimates of individual asset class returns and the correlation between them.
- 3.22.** To help manage risk, the Committee has agreed a risk management policy (including specific investment and funding risk appetite statements) alongside this statement. Within the risk appetite statements, the Investment Manager is engaged to monitor and manage the risk focusing on four key parameters; funding level, contributions, liquidity and asset allocation.
- 3.23.** When reviewing the investment strategy on a quarterly basis the Committee considers advice from their Independent Advisers and the need to take additional steps to protect the value of the assets that may arise or capitalise on opportunities if they are deemed suitable. In addition to this the risk register is updated on a quarterly basis.
- 3.24.** At each review of the Investment Strategy Statement the assumptions on risk and return and their impact on asset allocation will be reviewed.

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

- 3.25.** The Government requires LGPS funds to pool their investments as a solution that ensures maximum cost effectiveness for the Fund, both in terms of return and management cost. The Funds approach to pooling arrangements meet the criteria set out in the Local Government Pension Scheme: Investment Reform Criteria and Guidance.
- 3.26.** The Fund became an investment client of LPPI as part of the Government's pooling agenda on 1 June 2018, outsourcing all active day-to-day asset management activities along with pooling funds into LPPI's investment "buckets" as appropriate. LPPI was launched in December 2015 by two pension funds; the Lancashire County Pension Fund (LCPF) and the London Pensions Fund Authority (LPFA) with the Fund later joining in 2018. LPPI now has circa £23bn under direct management, with seven funds launched as at March 2023.
- 3.27.** The Fund has transitioned c.80% of assets to the LPPI pooled investment vehicles as of March 2023. Going forward the Fund will look to transition further assets as and when there are suitable investment opportunities available that meet the needs of the Fund and where there are no excessive cost, legal or other restraints such as those caused by the legacy investments in illiquid private market investments. As such, the remaining c20% is currently held outside of LPPI pooled funds but are externally managed by LPPI as the Investment Manager under the terms of the AMA. The Committee is aware that certain assets held within the Fund have limited liquidity and disposing/transferring them would come at a disproportionate cost. The position is periodically reviewed by the Investment Manager
- 3.28.** LPPI's Investment Committee, which is independent of clients and shareholders in terms of both its directive and membership, is responsible for scrutinising the actions of its investment team, reporting and transparency, consultation on the strategy and business plan, matters reserved to shareholders, RI and emerging issues. The LPPI Investment Committee meets on a quarterly basis. LPPI regularly hosts investment/client conferences, to which all members and clients are invited. External independent oversight and assurance of the pool company is provided by the FCA, depositary, external auditors and the Department for Levelling Up, Housing and Communities (DLUHC).

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

- 3.29.** The Committee (following the recommendation of the Responsible Investment working group ("the task and finish group")) approved a revised RI policy in October 2022. This RI policy is available for viewing on the Fund's website and is kept continuously under review. The Fund's RI policy sets out in detail how ESG considerations are taken into account in the selection, non-selection, retention and realisation of investments.
- 3.30.** The RI policy sets out the Fund's values and principles in respect of RI, its priorities in respect of ESG and its approach to RI implementation. One of the underpinning values of the RI policy and in deed the Fund's approach to investment and governance in general is continuous improvement. Consequently, the Fund seeks to ensure it is continuously adapting to changes in this multi-faceted and complex area to ensure it achieves best

outcomes.

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

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

- 3.32. The Committee has delegated the Fund’s voting rights to the Investment Manager, who are required, where practical, to make considered use of voting in the interests of the Fund. The Committee expects the Investment Manager to vote in the best interests of the Fund. In addition, the Fund expects its Investment Manager to work collaboratively with others, particularly other LGPS Investment Managers, if this will lead to greater influence and deliver improved outcomes for shareholders and more broadly.
- 3.33. As the role of voting and engagement is outsourced to LPPI, the Fund has included the Investment Manager’s shareholder voting policy on the Fund’s website, which was last approved in December 2022 and shall be kept under review.
- 3.34. The Fund through its participation with LPPI and through other means will work closely with other LGPS Funds to enhance the level of engagement both with external managers and the underlying companies in which it invests.
- 3.35. The Fund is a member of the Local Authority Pension Fund Forum (LAPFF) and in this way joins with other investors to magnify its voice and maximise the influence of investors as asset owners.
- 3.36. Ongoing voting and engagement is covered within the Funds RI Policy
- 3.37. The Committee expects LPPI and any other directly appointed asset managers to comply with the Stewardship Code (2020) and this routinely monitored.

**4. Strategic Asset Allocation**

- 4.1. Under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (Regulation 7(3)), “The authority’s investment strategy must set out the maximum percentage of the total value of all investments of fund money that it will invest in particular investments or classes of investment.”
- 4.2. ***Schedule 1: RCBPF Strategic Asset Allocation*** sets out the Target Allocation for each asset class, along with the minimum and maximum Tolerance Ranges, the investment return benchmark and the target rate of return (or investment objective) for each asset class.
- 4.3. The Fund entered a Longevity insurance contract in 2009 with the aim of hedging longevity increases for all retired members and their dependants as at the time of entering into the contract. Changes in longevity and mortality assumptions present liquidity strain. This has been considered in setting the Funds SAA.

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## Schedule 1: RCBPF Strategic Asset Allocation

**Table 1: SAA**

Asset Class	Target Allocation	Tolerance Range	Benchmark	Investment Objective
Global Equity	50%	45%-55%	MSCI All Country World (net dividends reinvested) Index (GBP)	Benchmark plus 2%
Private Equity	15%	10% -20%	MSCI World SMID (net dividends reinvested) Index (GBP)	Benchmark plus 2% - 4%
Fixed Income	1.5%	0% - 3%	Bloomberg Barclays Global Aggregate Bond Index (GBP Hedged)	Benchmark plus 0.25%
Credit	12.5%	7.5% - 17.5%	50% Morningstar/LSTA Leveraged Loans Index (GBP Hedged), 50% Bloomberg Barclays Multiverse Corporate Index (GBP Hedged)	Benchmark plus 1% - 3%
Real Estate	7.5%	2.5% - 12.5%	MSCI UK Quarterly Property Index (GBP)	UK CPI + 3%-5%
Infrastructure	12.5%	7.5% - 17.5%	UK CPI + 4% p.a.	UK CPI + 4%-6%
Cash	1%	0% - 2%	SONIA	Benchmark

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

## APPENDIX 2 – FUNDING STRATEGY STATEMENT

*Approved by the Pension Fund Committee in March 2023, please note that title and contents pages have been removed for the purpose of presentation in this appendix. The full document is available on the pension fund website: <https://berkshirepensions.org.uk/>*

### 1. Introduction

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

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

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

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



## **2. Purpose of the Funding Strategy Statement**

- 2.1.** Establish a clear and transparent fund-specific strategy that will identify how employers' pension liabilities are best met going forward;
- 2.2.** Support the desirability of maintaining an as nearly constant primary contribution rate as possible, as defined in Regulation 62(6) of the Regulations;
- 2.3.** Ensure that the regulatory requirements to set contributions to meet the future liability to provide Scheme member benefits in done so in a way that ensures the solvency and long-term cost efficiency of the Fund are met; and
- 2.4.** Take a prudent longer-term view of funding those liabilities.

## **3. Aims of the Fund**

- 3.1.** Manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due;
- 3.2.** Enable contribution rates to be kept as near to constant as possible and (subject to the administering authority not taking undue risks) at reasonable cost to all relevant parties (such as the taxpayers, scheduled, resolution and admitted bodies), while achieving and maintaining Fund solvency and long-term cost efficiency, which should be assessed in light of the risk profile of the Fund and employers, and the risk appetite of the administering authority and employers alike; and
- 3.3.** Seek returns on investment within reasonable risk parameters (risk adjusted returns).

## **4. Purpose of the Fund:**

- 4.1.** Pay pensions, lump sums and other benefits to Scheme members as provided for under the Regulations;
- 4.2.** Meet the costs associated in administering the Fund; and
- 4.3.** Receive and invest contributions, transfer values and investment income.

## **5. Funding Objectives**

- 5.1.** Ensure that pension benefits can be met as and when they fall due over the lifetime of the Fund;
- 5.2.** Ensure the short, medium and long term solvency of the Fund;
- 5.3.** Set levels of employer contribution rates to target a 100% funding level over an appropriate time period and using appropriate actuarial assumptions, while taking into account the different characteristics of participating employers;
- 5.4.** Build up the required assets in such a way that employer contribution rates are kept as stable as possible, with consideration of the long-term cost efficiency objective; and

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

## **6. Key Parties**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## **7. Funding Strategy**

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

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

<b>Surplus / (Deficit)</b>	<b>(£446m)</b>
<b>Funding Level</b>	<b>86%</b>

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

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

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

## **7.6. Funding Method**

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

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

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

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

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

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

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

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

**7.6.9.** The approach by employer may vary to reflect an employer's specific circumstance, however, in general the closed employers in the Fund are admission bodies who have joined the Fund as part of an outsourcing contract and therefore the

Attained Age Method is used in setting their contributions. All other employers (for example councils, higher education bodies and academies) are generally open employers and therefore the Projected Unit Method is used. The administering authority holds details of the open or closed status of each employer.

## **7.7. Valuation assumptions and funding model**

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

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

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

## **7.8. Future price inflation.**

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

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

## **7.9. Future pension increases.**

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

## **7.10. Future pay increases.**

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

## **7.11. Future investment returns/discount rate**

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

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

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

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

## **7.12. Asset valuation.**

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

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

## **7.13. Demographic assumptions**

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

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

## **7.14. McCloud/Sargeant judgments**

**7.14.1.** When the Government reformed public service pension schemes in 2014 and 2015 they introduced protections for older members. In December 2018, the Court of

Appeal ruled that younger members of the Judges' and Firefighters' Pension schemes have been discriminated against because the protections do not apply to them.

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

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

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

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

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

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

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

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

## **7.15. Guaranteed Minimum Pension (GMP) indexation and equalisation**

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

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

## **7.16. Stabilisation mechanism**

**7.16.1.** The LGPS Regulations (Regulation 62 (5)(b)) specify that the actuary must have regard to the desirability of maintaining as nearly constant a primary rate as possible. However, it is a key objective of the fund to maintain stability of total rates as far as possible. The Fund therefore adopts a stabilisation approach as shown below to achieve this aim:

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

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

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

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

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

## **7.17. Deficit recovery/surplus amortisation periods**

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

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

**7.17.3.** The Fund's deficit overall maximum recovery period is therefore 17 years from 1 April 2023, revised from 21 years at the date of the last FSS publication. The



reduction of 4 years has been due to a combination of the passage of time and management decision making to reduce the deficit.

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

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

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

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

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

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

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

*\*An element of discretion may be exercised by the Fund as agreed in advance, subject to not breaching the Fund's overall maximum deficit recovery period as specified in Paragraph 7.17.3*

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

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

## **7.18. Pooling of individual employers**

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

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

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

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

#### **7.18.4. Forming/disbanding a funding pool**

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

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

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

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

### **7.19. Risk sharing**

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

**7.19.2.** For example, there are employers participating in the Fund with pass-through provisions: under this arrangement the pass-through employer does not take on the risk of underfunding as this risk remains with the letting authority or relevant guaranteeing employer. When the pass-through employer ceases participation in the

Fund, it is not responsible for making any exit payment, nor receiving any exit credit, as any deficit or surplus ultimately falls to the letting authority or relevant guaranteeing employer.

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

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

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

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

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

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

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

## **7.20. Contribution payments**

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

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

**7.20.3.** The administering authority has agreed to allow a discount to major scheduled bodies who pay their total secondary contributions up front, as long as the payment is

received by the end of April 2023. The discount applied is notified to employers and set out in the Rates and Adjustment certificate. The discount for paying three years of contributions in advance is roughly 3.5%. Employers should discuss with and gain agreement from the administering authority before making up front payments at the discounted rate.

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

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

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

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

## **8. New employers joining the Fund**

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

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

### **8.3. Admission bodies**

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

#### **8.3.2. Funding at start of contract:**

**8.3.2.1.** Generally, when a new admission body joins the Fund, they will become responsible for all the pensions risk associated with the benefits accrued by

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

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

### **8.3.3. Contribution rate**

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

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

### **8.3.4. Security**

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

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

### **8.3.5. Risk sharing**

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

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

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

**8.3.5.2.2.** Redundancy and early retirement decisions.

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

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

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

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

#### **8.4. New academies**

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

##### **8.4.2. Funding at start**

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

##### **8.4.3. Contribution rate**

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

#### **9. Contribution reviews between actuarial valuations**

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

**9.1.1.** There may be circumstances where a review of the contribution rates payable by an employer (or a group of employers) under Regulation 64A is deemed appropriate by the administering authority.

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

**9.1.2.1.** it appears likely to the administering authority that the amount of the liabilities arising or likely to arise has changed significantly since the last valuation;

**9.1.2.2.** it appears likely to the administering authority that there has been a significant change in the ability of the Scheme employer or employers to meet the obligations of employers in the Scheme; or

**9.1.2.3.** a Scheme employer or employers have requested a review of Scheme employer contributions and have undertaken to meet the costs of that review. A request under this condition can only be made if there has been a significant change in the liabilities arising or likely to arise and/or there has been a significant change in the ability of the Scheme employer to meet its obligations to the Fund.

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

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

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

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

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

## **10. Cessation valuations**

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

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

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

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

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

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

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

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

#### **10.6. Minimum risk policy**

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

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

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

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



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

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

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

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

## **10.7. Exit credit policy**

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

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

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

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

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

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

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

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

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

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

## **10.8. Managing exit payments**

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

**10.8.2.** The Fund maintains a separate Employer Flexibilities policy and keeps this under review. Please refer to this policy for detail and guidance on implementing, monitoring and terminating DDAs and DSAs, this includes details of when a DDA or a

DSA may be permitted and the information required from the employer when putting forward a request for a DDA or DSA.

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

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

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

## **10.9. Regulatory factors**

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

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

## **11. Bulk transfers**

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

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

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

### **11.4. Consolidation of Multi-Academy Trusts (MATs)**

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

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

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

## **11.5. Early retirement costs**

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

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

## **12. Links with the Investment Strategy Statement (ISS)**

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

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

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

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

### **13. Risks and counter measures**

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

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

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

#### **13.4. Financial risks**

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

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

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

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

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

#### **13.5. Demographic risks**

**13.5.1.** Allowance is made in the funding strategy via the actuarial assumptions for a continuing improvement in life expectancy. However, the main demographic risk to the funding strategy is that it might underestimate the continuing improvement in longevity.

For example, an increase of one year to life expectancy of all members in the Fund will increase the liabilities by approximately 4%.

**13.5.2.** The actual mortality of pensioners in the Fund is monitored by the Fund Actuary at each actuarial valuation and assumptions are kept under review. The Fund commissions a bespoke longevity analysis by Barnett Waddingham's specialist longevity team in order to assess the mortality experience of the Fund and help set an appropriate mortality assumption for funding purposes.

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

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

### **13.6. Climate risk**

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

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

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

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

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

### **13.7. Maturity risk**

**13.7.1.** The maturity of a Fund (or of an employer in the Fund) is an assessment of how close on average the members are to retirement (or already retired). The more mature

the Fund or employer, the greater proportion of its membership that is near or in retirement. For a mature Fund or employer, the time available to generate investment returns is shorter and therefore the level of maturity needs to be considered as part of setting funding and investment strategies.

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

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

### **13.8. Regulatory risks**

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

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

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

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

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

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

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

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

### **13.9. McCloud/Sargeant judgments**

**13.9.1.** The Court of Appeal judgment on the McCloud and Sargeant cases, relate to age discrimination against the age-based transitional provisions put into place when the new judicial pension arrangements were introduced in 2015. The members argued that these transitional provisions were directly discriminatory on grounds of age and

indirectly discriminatory on grounds of sex and race, based on the correlation between these two factors reflected in the judicial membership. The Tribunal ruled against the Government, deeming the transitional provisions as not a proportionate means of achieving a legitimate aim.

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

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

### **13.10. Cost control mechanism**

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

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

### **13.11. Consultation: Local government pension scheme: changes to the local valuation cycle and management of employer risk**

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

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

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

**13.11.1.3.** proposals for flexibility on exit payments;

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

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



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

### **13.12. Timing of future actuarial valuations**

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

### **13.13. Changes to employers required to offer LGPS membership**

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

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

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

### **13.14. Employer risks**

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

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

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

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

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

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

### **13.15. Governance risks**

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

### **13.16. Monitoring and review**

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

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

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

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

## **APPENDIX 3 – GOVERNANCE COMPLIANCE STATEMENT**

*Approved by the Pension Fund Committee in March 2023, please note that title and contents pages have been removed for the purpose of presentation in this appendix. The full document is available on the pension fund website: <https://berkshirepensions.org.uk/>*

## 1. INTRODUCTION

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

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

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

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

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

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

## 2. STRUCTURE

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

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

- i. The management of the administration of benefits and strategic allocation of fund assets.  
  
**Compliant** – The Constitution of the Council defines the responsibilities of 'the Committee' to manage the Pension Fund.
- ii. Representatives of Scheme employers should sit on 'the Advisory Panel' to underpin the work of 'the Committee'.

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

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

**Compliant** – ‘The Advisory Panel’ meets concurrently with ‘the Committee’ with both receiving the same information.

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

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

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

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

### 3. REPRESENTATION

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

The key stakeholders are:

- i. Scheme employers.

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

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

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

- iii. Independent Professional Observers.

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

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

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

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

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

#### 4. SELECTION AND ROLE OF LAY MEMBERS

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

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

#### 5. VOTING

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

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

#### 6. TRAINING / FACILITY TIME / EXPENSES

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

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

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

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

## 7. MEETINGS (frequency/Quorum)

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

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

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

**Compliant** – Both 'the Committee' and 'the Advisory Panel' meet concurrently

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

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

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

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

## 8. ACCESS

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

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

## 9. SCOPE

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

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

## 10. PUBLICITY

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

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

## **APPENDIX 4 - COMMUNICATIONS STRATEGY STATEMENT**

*Approved by the Pension Fund Committee on 18 September 2023, please note that title and contents pages have been removed for the purpose of presentation in this appendix. The full document is available on the pension fund website: <https://berkshirepensions.org.uk/>*

### **1. INTRODUCTION**

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

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

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

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

### **2. COMMUNICATION WITH SCHEME EMPLOYERS**

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

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

## **1. Decision Making Process**

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

## **2. Scheme Employer Meetings**

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

## **3. Training for Scheme Employers**

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

## **4. Regular LGPS updates**

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

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

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

## **5. General Guidance and Assistance**

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

## **6. Promotional Services**

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

## **7. Scheme Member Data**

As defined in the Fund's Pension Administration Strategy, the Fund's approach to sharing member data between Employers and the Fund is via "i-Connect" (a secure, encrypted, real-Royal County of Berkshire Pension Fund – Annual Report 2023/24  
Strategic Asset Allocation



time and GDPR compliant electronic data transfer interface between the scheme employer's payroll system and the Fund's pension administration system). Utilising "i-connect" to its full potential ensures that scheme members have access to the most up to date membership information via 'mypension ONLINE', keying and data errors are eliminated and scheme administration is maintained to the highest possible standards of accuracy and security. The Administering Authority will continue to engage and work with scheme employers in implementing i-Connect but until such time as a scheme employer contracts into using i-Connect the scheme administrator will continue to receive pension data from a scheme employer via either a pre-formatted excel spreadsheet or by the completion of standard forms as made available from the scheme employers' section of the Fund's [website](#).

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

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

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

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

### **9. Employer Communication Resources**

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

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

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

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

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

### **1. Paperless policy**

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

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

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

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

## **2. Welcome Pack**

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

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

## **3. Annual Benefit Statements**

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

## **4. Pension Surgeries**

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

## **5. Newsletters**

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

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

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

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## **6. Pre-Retirement Courses**

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

## **7. Pension Fund Website**

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

## **8. Pension Payslips**

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

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

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

## **9. P60s**

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

## **10. Annual Pension Increase Letter**

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

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

## **11. Annual General Meeting**

An Annual General Meeting (AGM) of the Fund is held with all Scheme members and employers receiving an invite. These meetings are held as a hybrid event giving member the option of attending in person or online. The main purpose of the meeting is to give an overview of the last financial year and also may cover various other topical matters not

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limited to the Fund's Annual Report & Accounts, Investment Strategy, Administration and changes to the LGPS Regulations.

## **12. Ad Hoc Meetings**

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

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

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

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

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

## **5. OTHER INTERESTED PARTIES**

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

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