Royal County of Berkshire Pension Fund

Annual Meeting – December 2021

Welcome – Councillor Julian Sharpe

1. Introduction from Head of Pension Fund – *Damien Pantling*
2. Annual Review and a look ahead – *Kevin Taylor*
3. LGPS regulations update – *Kevin Taylor*
4. Investments update – *Matthew Course*
5. Actuarial update – *Roisin McGuire/Liam Drysdale*
6. Q and A – *All*

THE ROYAL COUNTY OF
**BERKSHIRE
PENSION FUND**

Introduction from Head of Fund - Damien Pantling CPFA

- COVID-19
- Annual reports
- Triennial valuation
- Responsible investment

THE ROYAL COUNTY OF
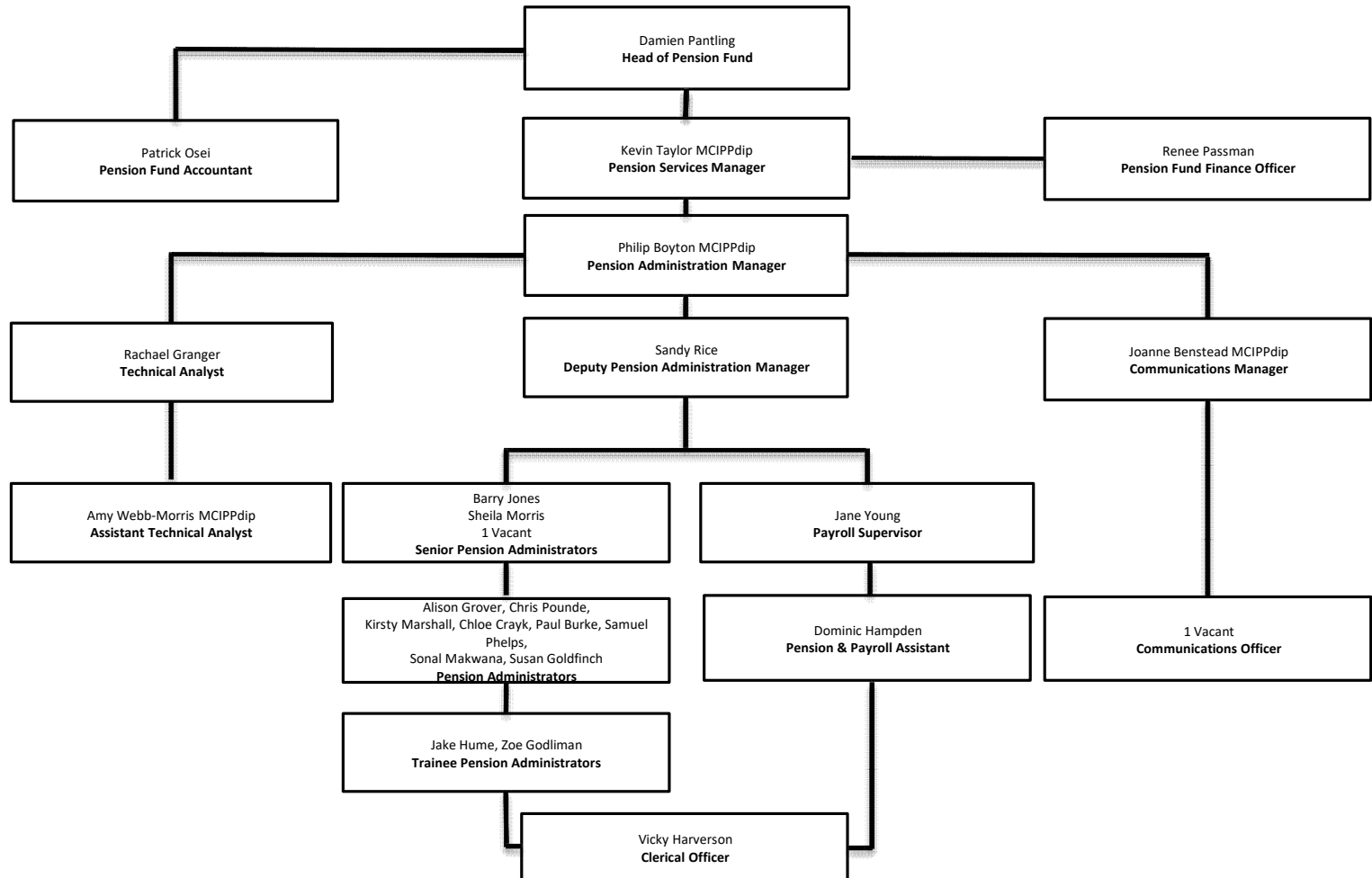BERKSHIRE
PENSION FUND

Administration Team Structure

Damien Pantling
Head of Pension Fund

Patrick Osei
Pension Fund Accountant

Kevin Taylor MCIPPdip
Pension Services Manager

Renee Passman
Pension Fund Finance Officer

Philip Boyton MCIPPdip
Pension Administration Manager

Rachael Granger
Technical Analyst

Sandy Rice
Deputy Pension Administration Manager

Joanne Benstead MCIPPdip
Communications Manager

Amy Webb-Morris MCIPPdip
Assistant Technical Analyst

Barry Jones
Sheila Morris
1 Vacant
Senior Pension Administrators

Jane Young
Payroll Supervisor

Alison Grover, Chris Pounde,
Kirsty Marshall, Chloe Crayk, Paul Burke, Samuel Phelps,
Sonal Makwana, Susan Goldfinch
Pension Administrators

Dominic Hampden
Pension & Payroll Assistant

1 Vacant
Communications Officer

Jake Hume, Zoe Godliman
Trainee Pension Administrators

Vicky Harverson
**Clerical Officer**

covid-19

- Created a fast moving and uncertain situation affecting us all, personally and professionally

- 23 March 2020 – Pension Team able to immediately move to working from home
  - Main focus areas:
    - Retirements – processing benefits (Annual Pension and Lump Sum)
    - Deaths – processing dependant benefits
    - Transfer payments
    - Refund payments

- Maintained regular communication with scheme employers and members i.e. furlough

- Maintained all weekly and monthly payment runs

- Access to Minster Court on a rota basis – Printing and Postal duties (including Payslips and P60s)

- Successfully helped RBWM pilot new telephony system
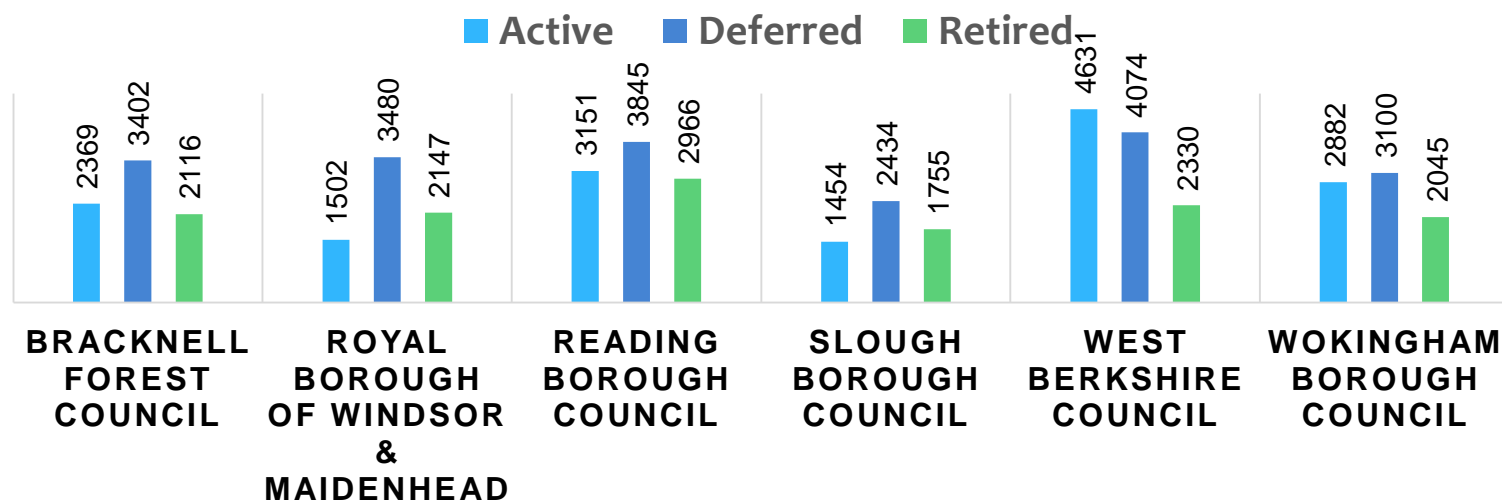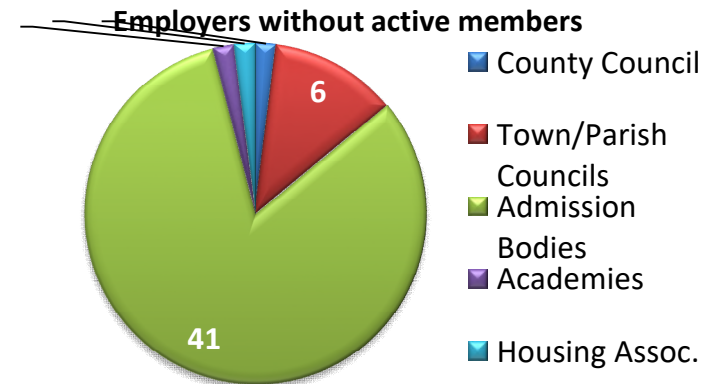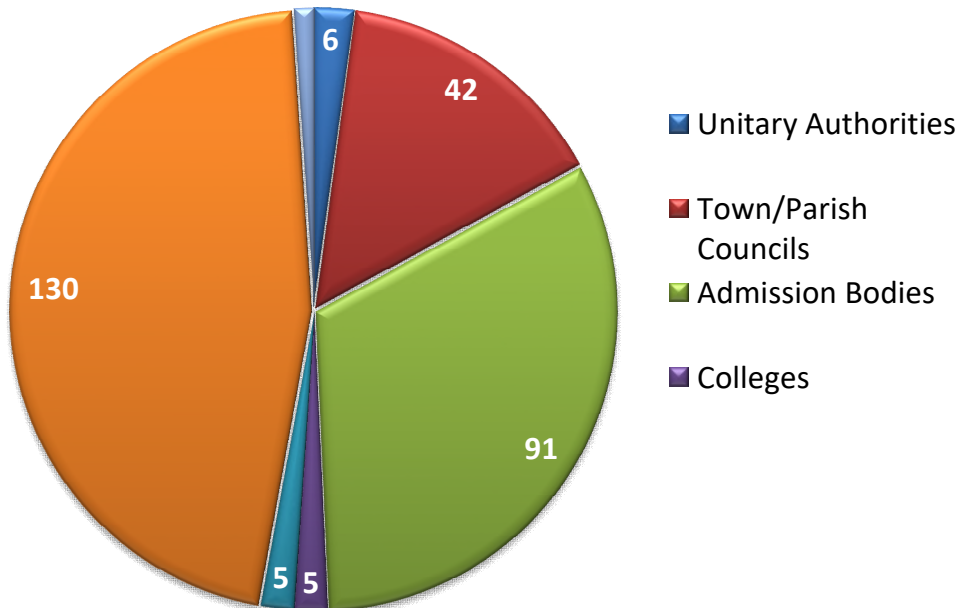
Membership & Workload

membership history
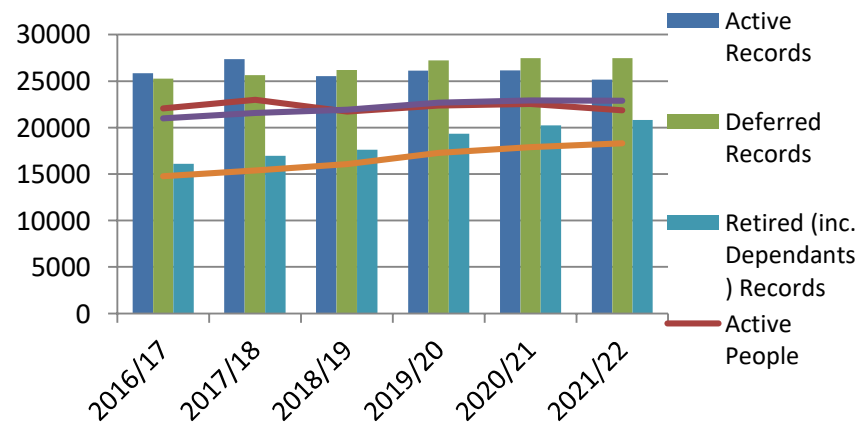
TOTAL MEMBERSHIP			
Active Records	25,147	Active People	21,857
Deferred Records	27,477	Deferred People	22,896
Retired Records	20,797	Retired People	18,297
TOTAL	**73,421**	**TOTAL**	**63,050**

membership by unitary - records

Legend: Active, Deferred, Retired

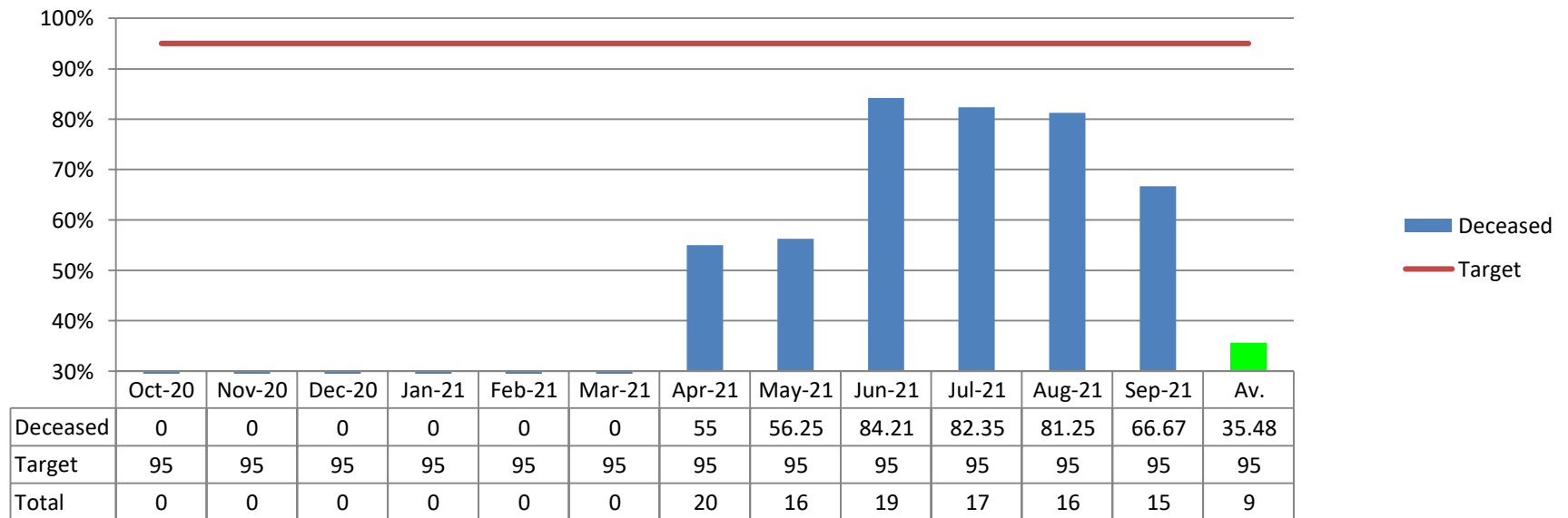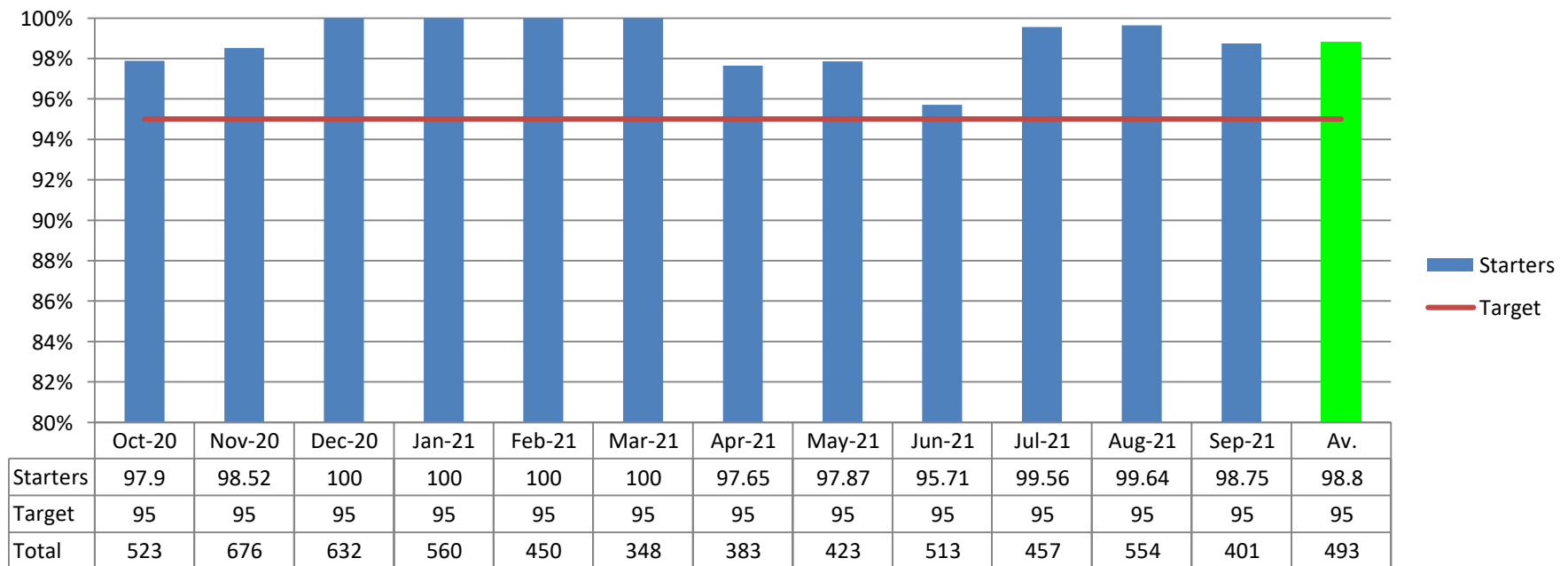| Council	Active	Deferred	Retired
BRACKNELL FOREST COUNCIL	2369	3402	2116
ROYAL BOROUGH OF WINDSOR & MAIDENHEAD	1502	3480	2147
READING BOROUGH COUNCIL	3151	3845	2966
SLOUGH BOROUGH COUNCIL	1454	2434	1755
WEST BERKSHIRE COUNCIL	4631	4074	2330
WOKINGHAM BOROUGH COUNCIL	2882	3100	2045

active employer membership

workloads: deceased – 5 working days

(From April 2021)
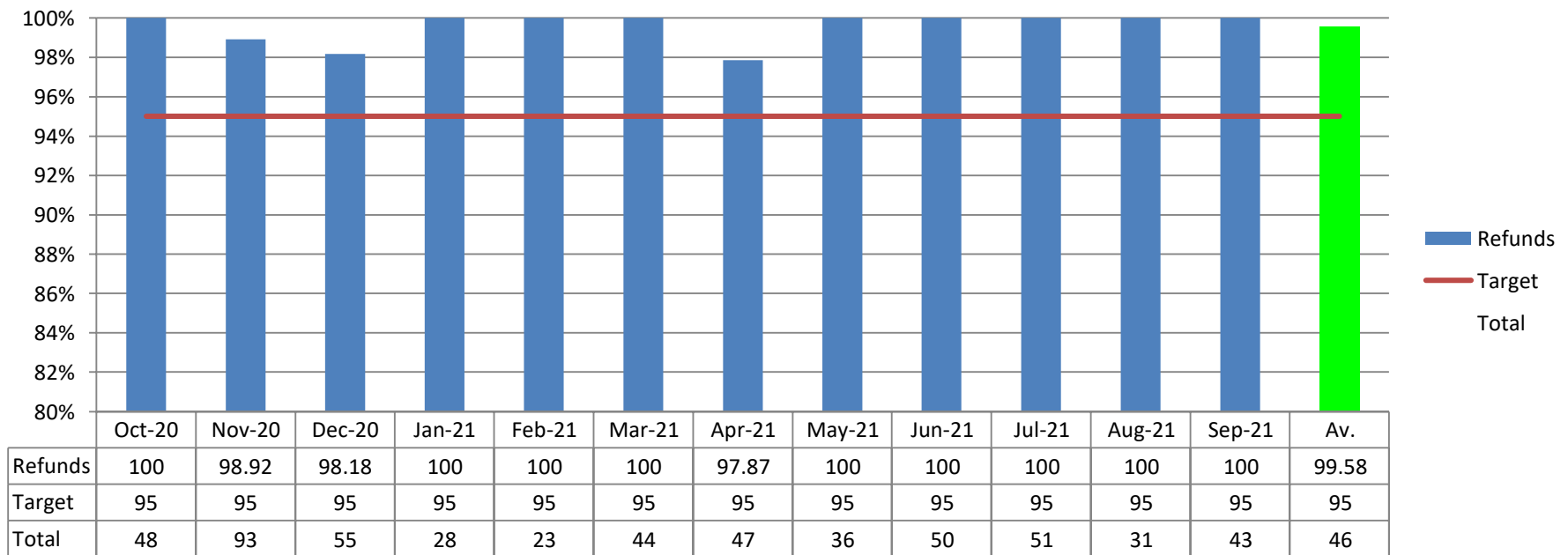*CIPFA – As soon as practicable and no more than two months from date of notification from scheme employer.*

	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Av.
Deceased	0	0	0	0	0	0	55	56.25	84.21	82.35	81.25	66.67	35.48
Target	95	95	95	95	95	95	95	95	95	95	95	95	95
Total	0	0	0	0	0	0	20	16	19	17	16	15	9

Legend: Deceased, Target

workloads:starters – 20 working days

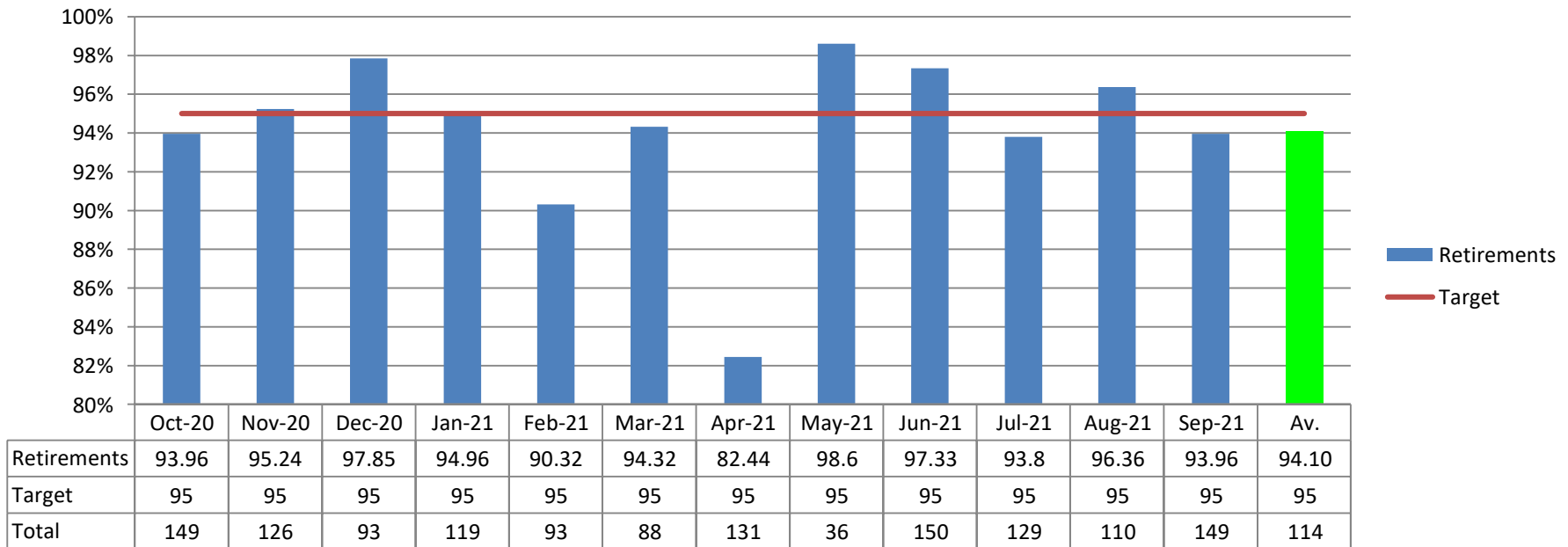*CIPFA – Two months from date of joining the scheme or if earlier within one month of receiving jobholder*

	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Av.
Starters	97.9	98.52	100	100	100	100	97.65	97.87	95.71	99.56	99.64	98.75	98.8
Target	95	95	95	95	95	95	95	95	95	95	95	95	95
Total	523	676	632	560	450	348	383	423	513	457	554	401	493

Legend: Starters, Target

workloads: refunds – 10 working

	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Av.
Refunds	100	98.92	98.18	100	100	100	97.87	100	100	100	100	100	99.58
Target	95	95	95	95	95	95	95	95	95	95	95	95	95
Total	48	93	55	28	23	44	47	36	50	51	31	43	46

Legend: Refunds, Target, Total

workloads: retirements – 5 working days

CIPFA – One month from date of retirement if on or after normal pension age or two months from date of retirement if before normal pension age.

	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Av.
Retirements	93.96	95.24	97.85	94.96	90.32	94.32	82.44	98.6	97.33	93.8	96.36	93.96	94.10
Target	95	95	95	95	95	95	95	95	95	95	95	95	95
Total	149	126	93	119	93	88	131	36	150	129	110	149	114

what is i-Connect Software?

- A web-based Secure Data Exchange Software

- Sits between scheme employer Payroll system and Pension Fund's administration system

- Created by *heywood* Pension Technologies, provider of our pension administration system *altair*
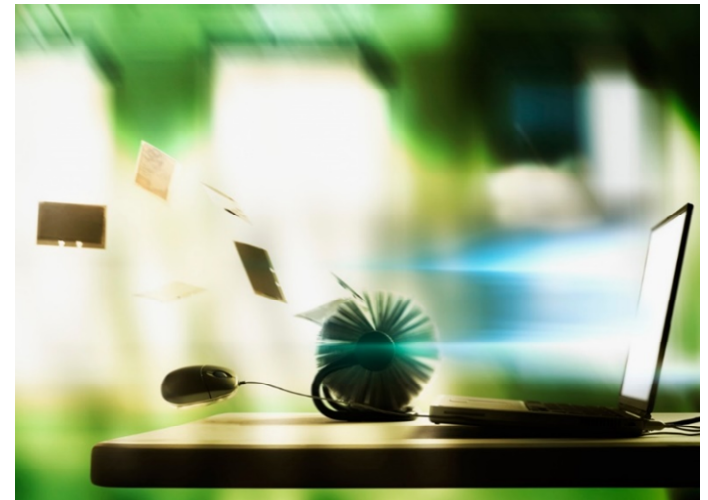
benefits of i-Connect Software

No need to complete pension forms	No year end return to complete	Validation of data earlier in the process	Reduce manual errors
Reduced transit time	Reduced number of queries from pensions	Greater security of data	Better quality data – real time
Reduced employer contribution rate	Reduced risk of fines for non-compliance of statutory duties	Fulfils Automatic Enrolment requirements	Better member experience

member records

- At 30 September 2021 – **22,453 records**
    - Represents **89.29 %** of all member records

- At 30 September 2019 - **19,716 records**
    - Represents **79.66%** of all member records

- At 30 September 2018 - **13,758 records**
    - Represents **52.96%** of all member records

- At 31 March 2018 - **14,013 records**
    - Represents **54.52%** of all member records
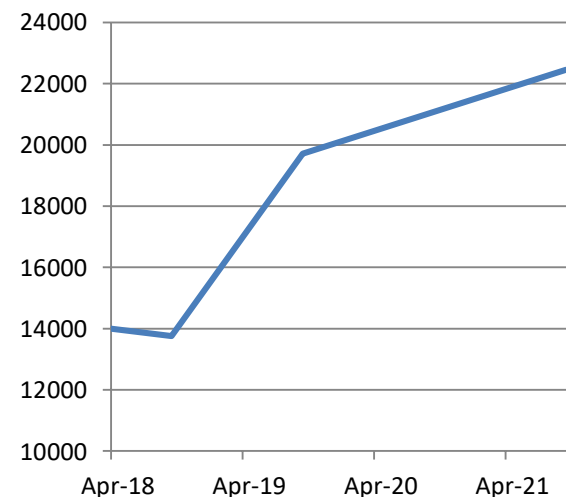
Phased approach to on board all remaining scheme employers with more than 10 scheme members by **31 March 2022**.

two types of data

Common Data – The basic data items used to identify scheme members. In all there are 11 basic data items that all pension schemes should hold for all scheme members:

- National Insurance Number
- Surname
- First Name or Initials
- Data of Birth
- Sex
- Address
- Postcode
- Normal Pension Age
- Current Membership Status i.e. Active, Deferred, Pensioner
- Last Status Event (the date membership status last changed i.e. from Active to Deferred)
- Date Pensionable Service started

two types of data

Scheme Specific Data – Data varies from pension scheme to pension scheme and depends on many factors including scheme type, structure and the administration system used.

- **Year 1 (2018)** – tPR wished to initially focus on **84** data items. However, reduced number of only 60 data items.

- **Year 2 onwards**– tPR wished to focus on only **22** 'core' data items.

Examples of LGPS Scheme Specific Data are:

- Employer Name
- Service History
- Pensionable Pay
- Employee and Employer Contribution
- Value of scheme member Annual Pension
- GMP Values – Date of Leaving and Current Value

analysis 2021 – common data
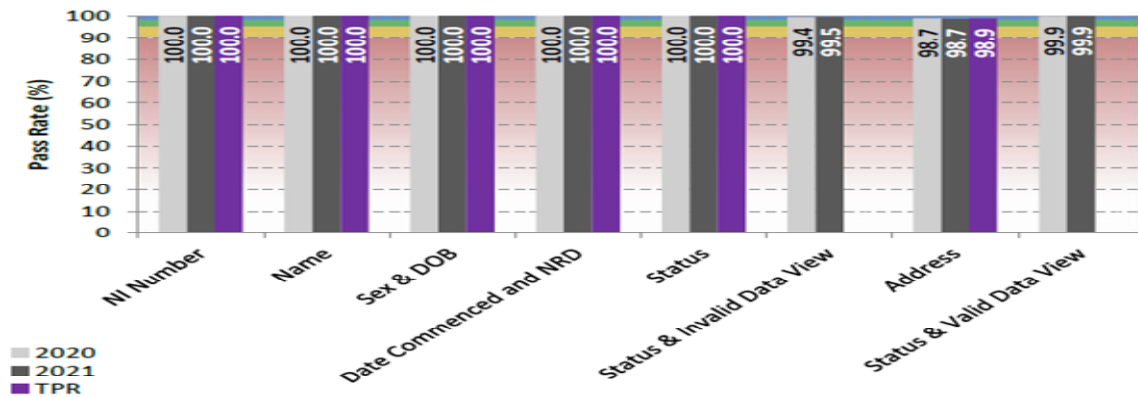
DATA ITEMS	TOTAL ITEMS 2020	MEMBER RECORDS WITHOUT A SINGLE FAILURE 2020	TOTAL ITEMS 2021	MEMBER RECORDS WITHOUT A SINGLE FAILURE 2021
Conditions tested	728,424	-	744,304	-
Conditions passed	726,638	-	742,600	-
Conditions failed	1,786	-	1,704	-
Pass percentage	99.80%	98.90%	99.80% (0.00%)	98.90% (0.00%)

analysis 2021 – scheme specific data
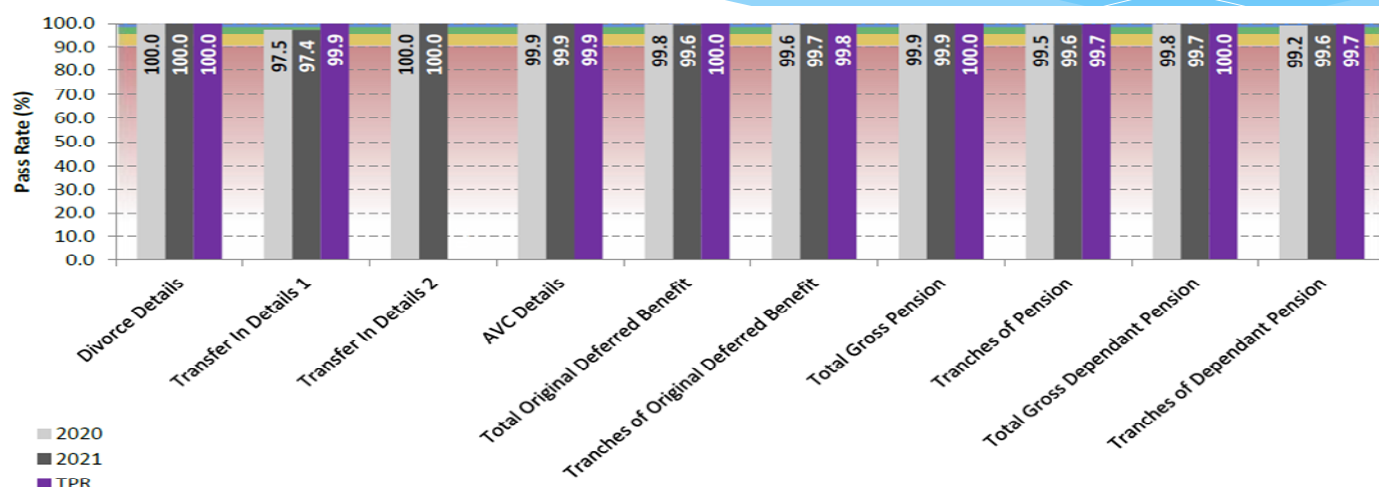
DATA ITEMS	TOTAL ITEMS 2020	MEMBER RECORDS WITHOUT A SINGLE FAILURE 2020	TOTAL ITEMS 2021	MEMBER RECORDS WITHOUT A SINGLE FAILURE 2021
Conditions tested	859,868	-	876,145	-
Conditions passed	842,874	-	859,023	-
Conditions failed	16,994	-	17,122	-
Pass percentage	98.02%	94.50%	98.05% (+0.03%)	95.00% (+0.50%)

Guaranteed Minimum Pension (GMP)

- GMP is the minimum level of pension a scheme is required to pay to members who were contracted out of the State Earnings Related Pension Scheme prior to 6 April 1997.

- Comparison of membership and GMP figures held by Pension Fund and HM Revenue & Customs (HMRC) records. If GMP is recorded inaccurately, this means that pension payments can be incorrect.

- The end of contracting out for Defined Benefit schemes in April 2016 required all schemes to reconcile their GMP values for Active, Deferred and In Payment scheme members.

- A complex and time consuming project.

GMP reconciliation – active & deferred

Plan to complete by end of June 2018

Delays caused by HMRC resource and other Pension Funds beginning their In Payment reconciliation

Revised plan to complete by end of September 2018

Further revised plan to complete by end of January 2019

Received engagement from HMRC with anticipated completion date of April 2020

Anticipated completion date now April 2022

All in payment

Completed February 2016

Year End 2021

importance of timely and accurate data

on time pension payments mean an employee's last contact with their employer is a good experience

accurate data for fund valuation results in correct charges being levied on the employers

employees receive correct information on which to make decisions on their pension choices

annual benefit statements produced on time and accurately

minimise risk of fines or additional charges

reduce effort expended responding to queries about pensions

well….. how did we all do in 2021?

Item	Issued / Date
Deferred Annual Benefit Statements	2019, 2020, 2021 - 100%
Produced ONLINE	2021 – 12/04/2021 2020 – 06/04/2020 2019 – 31/05/2019
Posted 1,402 or 5.5% of Deferred membership records	2021 – 31/05/2021 2020 – 29/05/2020 2019 – 06/06/2019
Contributor Annual Benefit Statements	2019, 2020, 2021 - 100%
Produced ONLINE	2021 – 22/04 – 12/08/2021 2020 – 06/04 – 07/08/2020 2019 – 07/06 - 05/07/2019
Posted 2,164 or 7.9% of Contributor membership records	2021 – 20/08/2021 2020 – 14/08/2020 2019 – 19/07/2019

Great Job!

Communication

types

- Employer Bulletin – *'inscribe'*
- Member & Employer Self Service
- Newsletters – *'The Quill' / 'The Scribe'*
- Pensions & Procurement
- Pension Surgeries
- Presentations
- Training
- Website

moving forward

- Cyber Security
- Exit Payment Cap
- McCloud Judgement
- Pension Dashboard 2023
- Survivor Benefit Equalisation
- Transfers and Pension Scams
- Year End 2022 & Valuation 2022

Scheme and Regulatory Update

McCloud

- Background:
  - In 2014/2015 the Government reformed public service pension schemes (LGPS 1 April 2014- CARE)

  - Protections introduced for 'older' scheme members (those in 2012 within 10 years of retirement).

  - The Underpin – Better of Final Salary v CARE

  - Court of Appeal ruled that 'younger' members of the Judges (McCloud) and Firefighters (Sargeant) Pension schemes were discriminated against on grounds of age as the protections did not apply to them.

  - Following consultation, Government has proposed a remedy to remove 'age discrimination' from the LGPS

McCloud (Cont'd)

- Government consultation - proposes two-part revised underpin to be applied to all members who meet the criteria for protection regardless of their age in 2012.

- The revised underpin to apply to early leavers and account for early/late retirement adjustments.

- Proposed that revised underpin will extend to qualifying members who have left the scheme since 1st April 2014 as well as active members.

- It will also apply on death in service and survivor benefits.

Pension scams: new restrictions on transfers

- The Occupational and Personal Pension Schemes (Conditions of Transfers) Regulations 2021
- Effective from 30 November 2021
- Introduce further legal restrictions on a member's statutory right to transfer
- Provides Administering Authorities with tools to act where suspicions arise about circumstances that led to a member's request to transfer
- The member will no longer be able to insist on a statutory transfer
- These changes will affect the payment of cash equivalent transfers (CETV) for:
  - Deferred members who request a statement of entitlement on or after 30 November 2021 (main scheme benefits only)
  - AVC members who elect for payment of a transfer on or after 30 November 2021
  - Pension Credit members who elect for payment of a transfer on or after 30 November 2021 (main scheme and / or AVCs)
  - Decision making, red and amber flags and disclosures
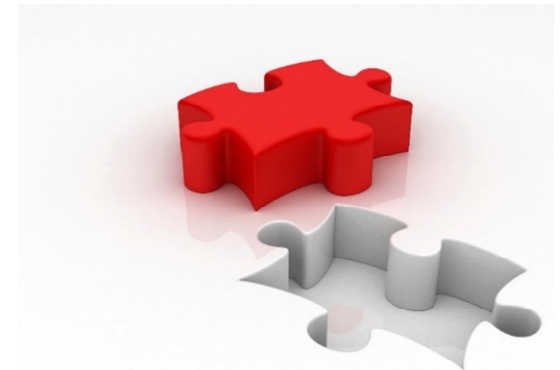
(Draft) Finance (No.2) Bill 2021/22

- 6 April 2015 – Pension Freedoms introduced

- Normal Minimum Pension Age (NMPA) = 55 (earliest age from which to draw workplace or personal pension (ill-health grounds or 'protected pension age.')

- 1 April 2028 – Bill proposes to increase NMPA from 55 to 57.

- Also protect members of pension schemes who before 4 November 2021 had a right to take their benefits at or before age 55.

thank you all for listening

Address: Minster Court, 22-30 York Road, Maidenhead, Berkshire, SL6 1SF

E-mail: info@berkshirepensions.org.uk

Telephone: 01628 796 668

THE ROYAL COUNTY OF
BERKSHIRE
PENSION FUND

L O C A L   P E N S I O N S   P A R T N E R S H I P   I N V E S T M E N T S

Royal County of Berkshire Pension Fund ("The Fund")

Annual General Meeting - Investment Overview

16 December 2021

LPP
Local Pensions Partnership
Investments

Focus on Outcomes

Outcomes are what matter
- Pay all pensions as they fall due
- Manage contribution levels

Inputs matter too
- Investment costs detract from gains
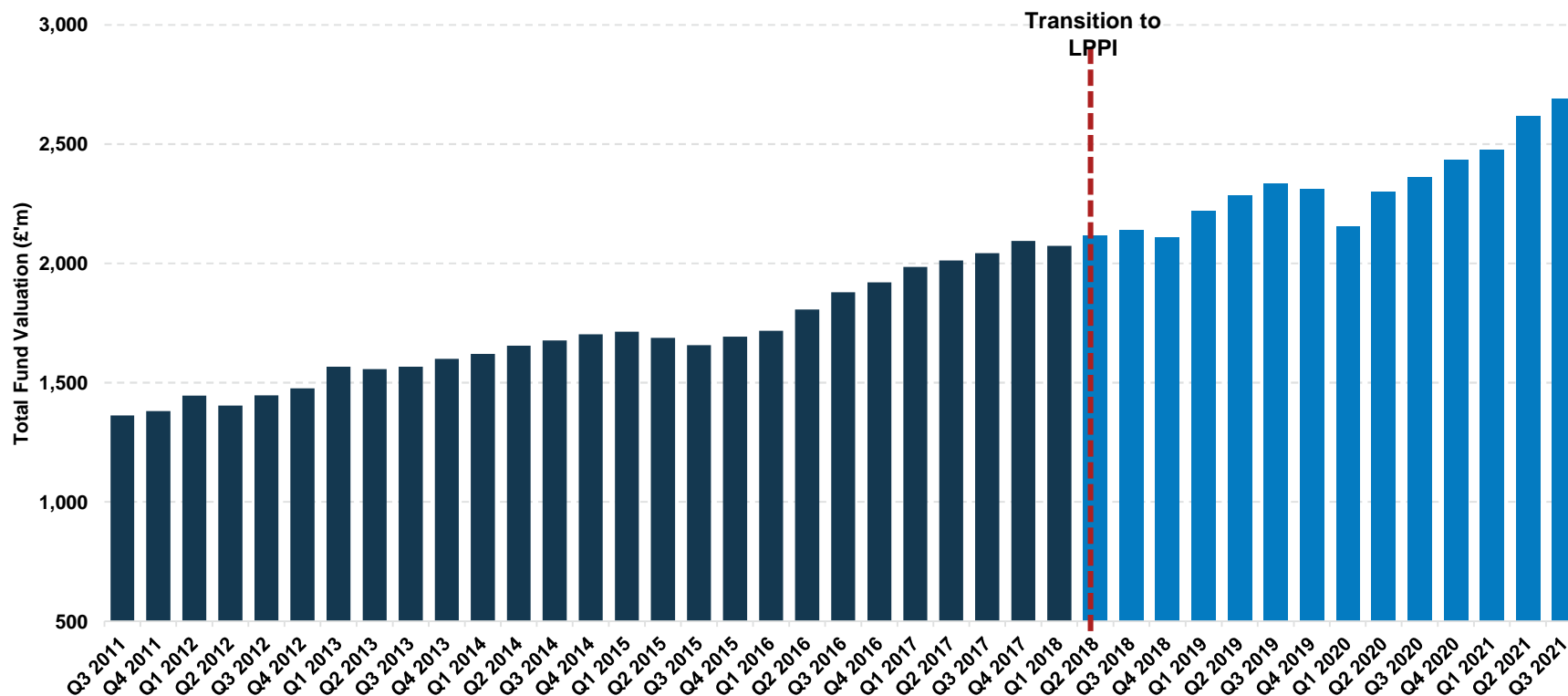- Investing responsibly for a sustainable future

What are the key outcomes that matter most
- Capital growth
- Income
- Liquidity

LPP
Local Pensions Partnership
Investments

RCBPF Fund Value

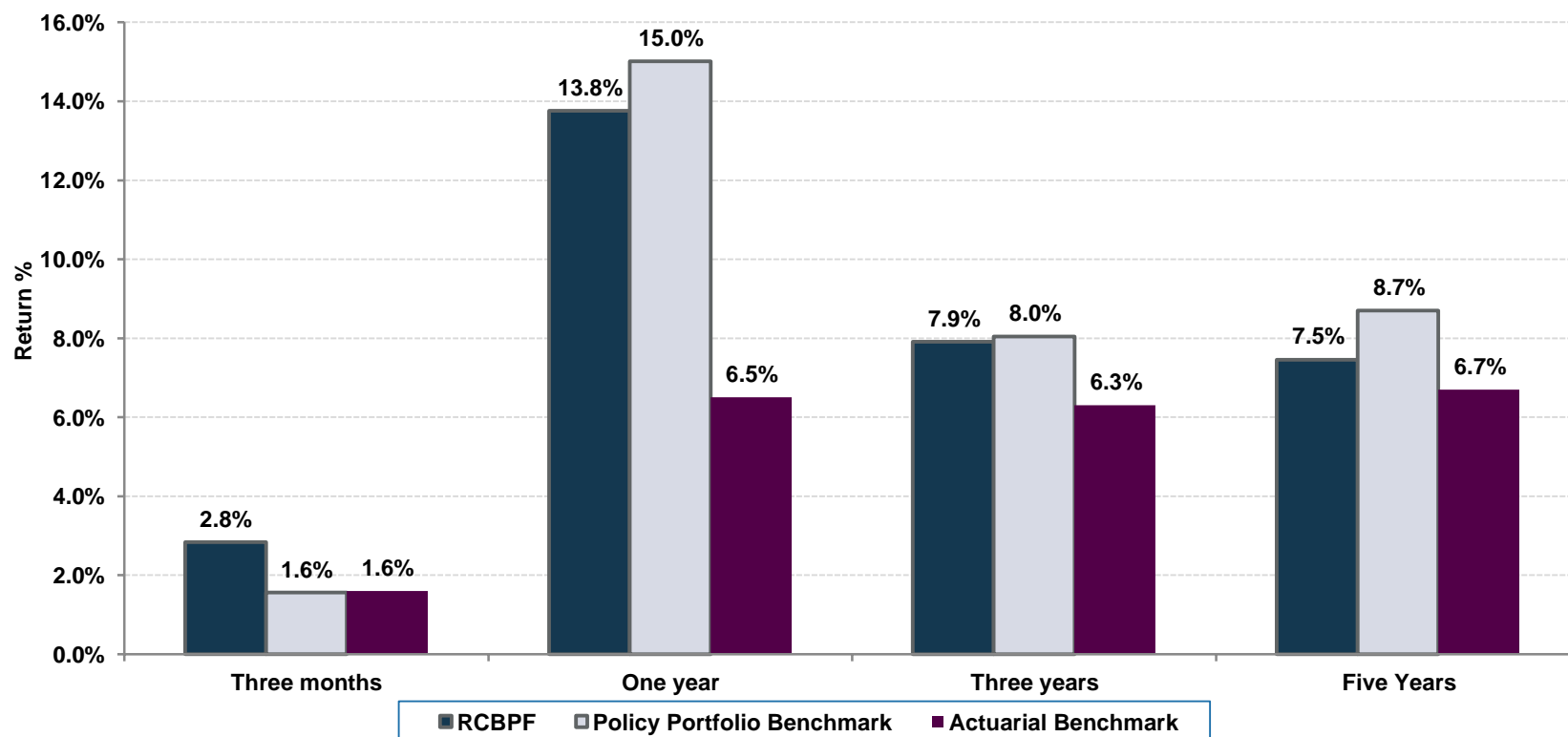## £2.69bn as at September 2021

Source: LPPI Investment team and Client's Custodian

Capital at risk. Past performance is not an indicator of future performance. Investments may go down as well as up and you could get back less than you put in.

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Local Pensions Partnership
Investments

Investment Performance
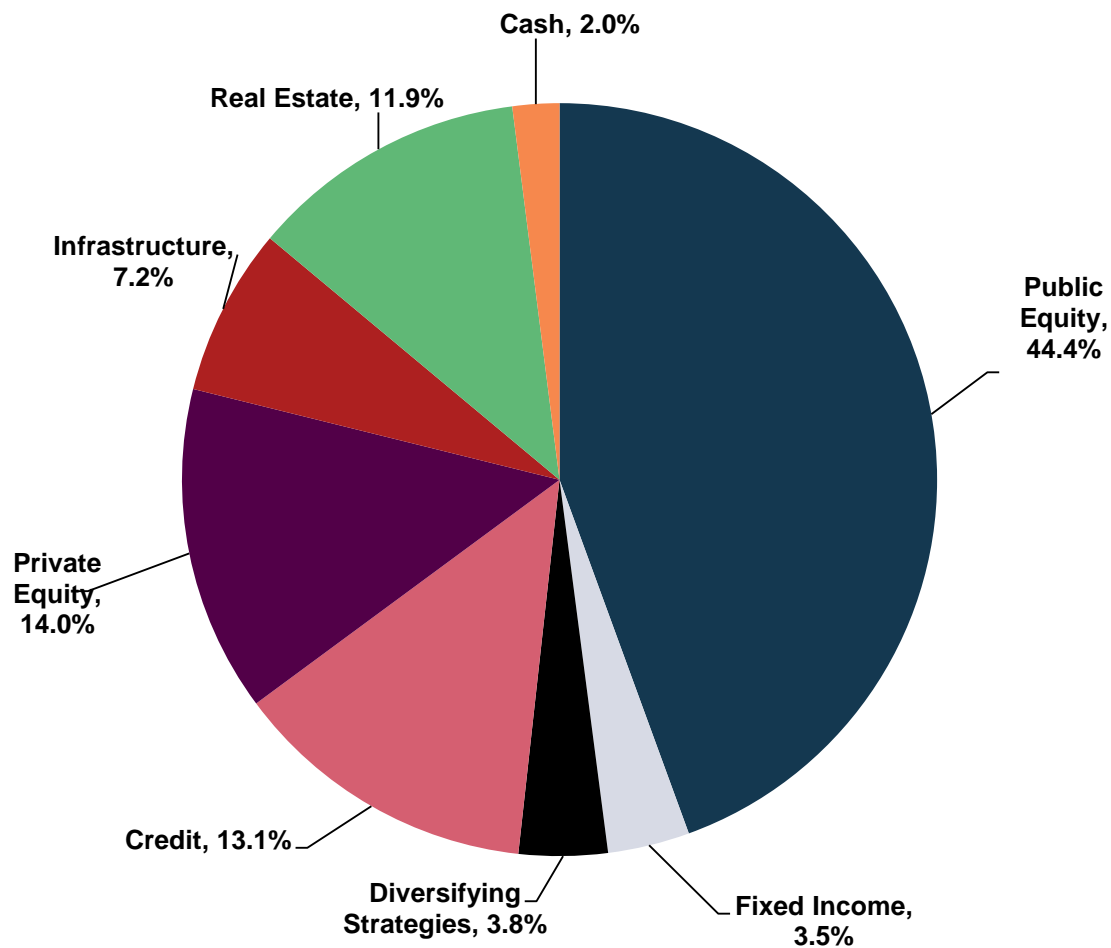
Total Fund Return - September 2021

Source: LPPI Investment team and Client's Custodian

Notes: - Returns over one year are annualised.
- The Actuarial Benchmark refers to a custom valuation benchmark of 6.5% p.a. This is not the actuarial discount rate used to value The Fund's liabilities in the 2019 Triennial Valuation. Prior to 31 March 2019, the AB was CPI + 4.5% p.a.

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Investments

Current Asset Allocation

Cash, 2.0%

Real Estate, 11.9%

Infrastructure, 7.2%

Public Equity, 44.4%

Private Equity, 14.0%

Credit, 13.1%

Diversifying Strategies, 3.8%

Fixed Income, 3.5%

Source: LPPI Investment team and Client's Custodian

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Investments

Pooling of The Fund's assets

**% of Fund assets pooled by asset class
(2019 vs 2021)**

Horizontal bar chart comparing percentage of fund assets pooled by asset class, September 2019 vs September 2021:

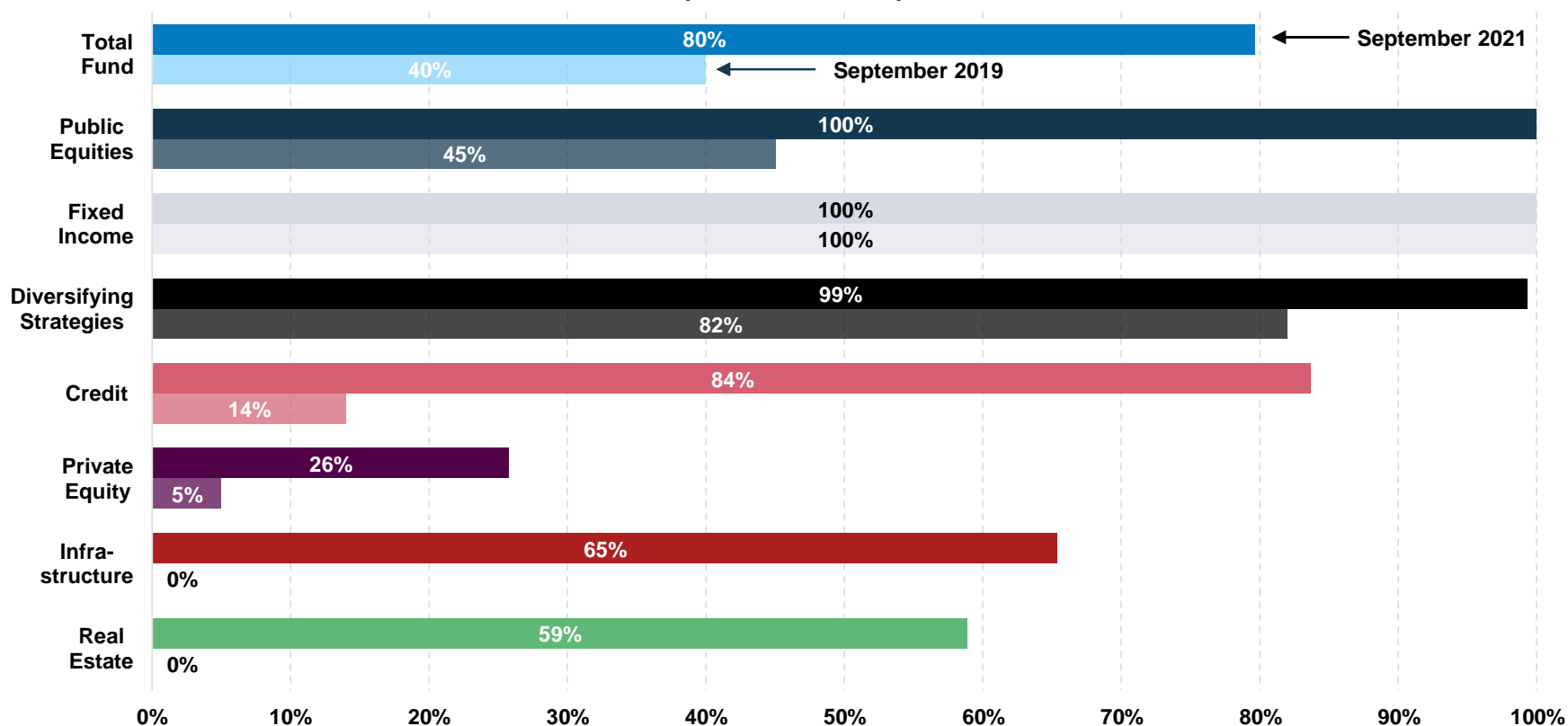| Asset Class	September 2021	September 2019
Total Fund	80%	40%
Public Equities	100%	45%
Fixed Income	100%	100%
Diversifying Strategies	99%	82%
Credit	84%	14%
Private Equity	26%	5%
Infrastructure	65%	0%
Real Estate	59%	0%

Source: LPPI Investment team and Client's Custodian

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LPPI Global Equities Fund

LPPI Global Equities Fund Cumulative Performance
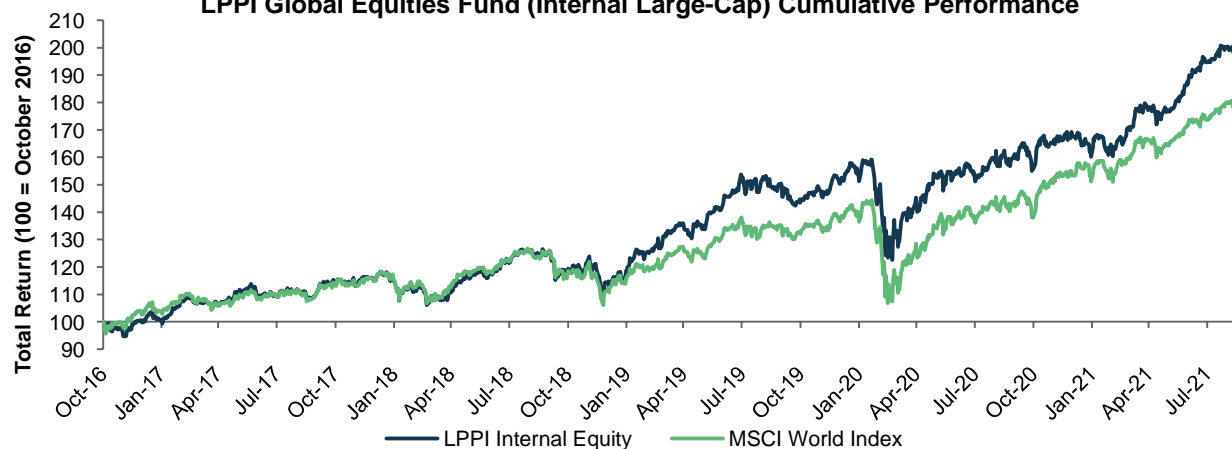

Legend: — Global Equities Fund — MSCI ACWI ND
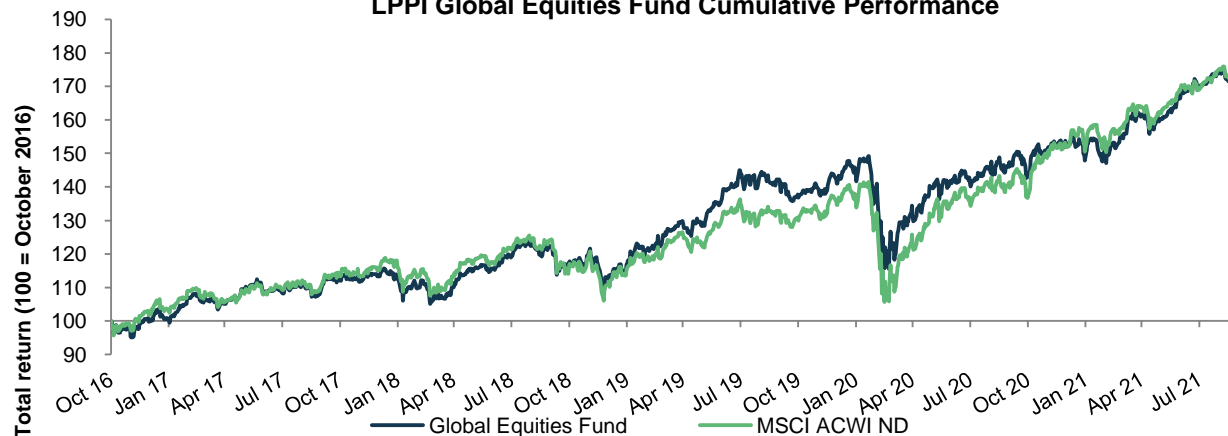
Inception date:
31 October 2016

Asset Allocation:
44.4% of RCBPF's allocation

Annualised return since GEF launch:
11.3%

LPPI Global Equities Fund (Internal Large-Cap) Cumulative Performance

Legend: — LPPI Internal Equity — MSCI World Index

Inception date:
26 August 2014[1]

Asset Allocation:
45.4% of LPPI Global Equities Fund

Annualised return since GEF launch:
14.3%

Source: LPPI Investment team
[1] The Internal Large Cap portfolio was originally founded by LPFA and was transferred into the LPPI Global Equities Fund on 31 October 2016.

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Investments

Royal County of Berkshire Pension Fund

Annual meeting 16 December 2021

2022 Actuarial Valuation

Roisin McGuire FFA, Associate and Actuary

Liam Drysdale FFA, Actuary

What is a valuation?

How do we value liabilities?

How do we value assets?

How do we set contribution rates for employers?

Looking ahead…

What is a valuation?

1

What is a funding valuation?

Liabilities

- Financial value of a promise
- Member entitlements
- Funded scheme

Assets

- Long-term investments
- Suitable risk
- Investment return on assets

Contributions

- Employee & employer
- Stability
- Cost efficiency

Looking back to your last funding valuation

Funding position
- Liabilities of £2,683m
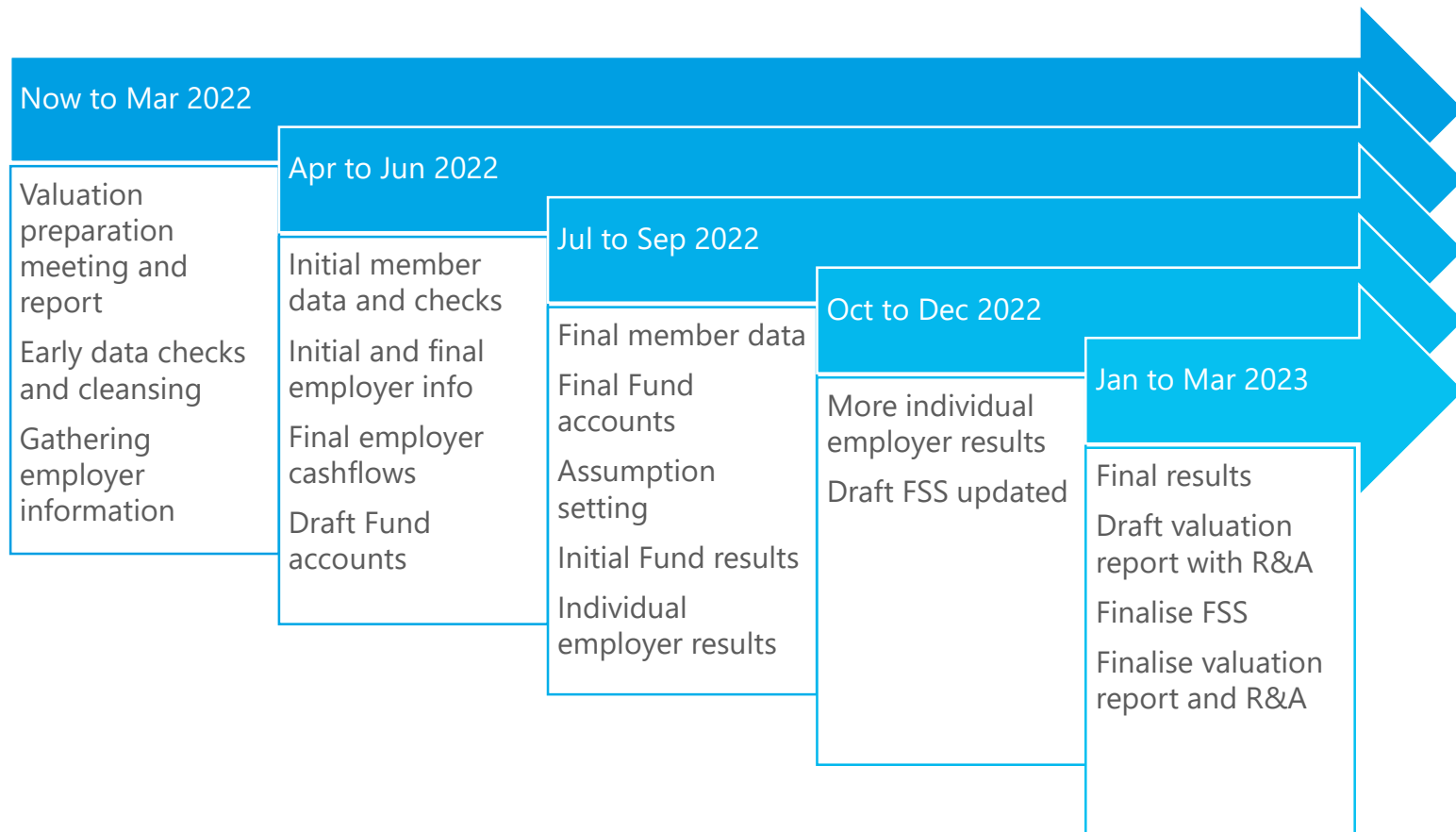- Market value of assets £2,086m
- Funding level of 78%

Employer contributions
- Primary rate of 15.4%
- Total equivalent contribution rate 23.3%

Section 13
- SAB funding level 77%
- Amber flags on long term cost efficiency measures

BARNETT WADDINGHAM
beyond the expected

Valuation project timescales

Now to Mar 2022

Valuation preparation meeting and report

Early data checks and cleansing

Gathering employer information

Apr to Jun 2022

Initial member data and checks

Initial and final employer info

Final employer cashflows

Draft Fund accounts

Jul to Sep 2022

Final member data

Final Fund accounts

Assumption setting

Initial Fund results

Individual employer results

Oct to Dec 2022

More individual employer results

Draft FSS updated

Jan to Mar 2023

Final results

Draft valuation report with R&A

Finalise FSS

Finalise valuation report and R&A

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beyond the expected

How to value liabilities

2

Valuing liabilities for each employer

Member data

Assumptions

Model

Results

First project cashflows....

Step 1
- Project all possible benefit payments for every member

Step 2
- Attach probabilities to each possible payment to get "expected" payments

Step 3
- then...

Fund cashflows - undiscounted

Legend:
- Pensioner
- Deferred
- Active

X-axis: Year (0, 10, 20, 30, 40, 50, 60, 70, 80, 90)
Y-axis: 0, 20, 40, 60, 80, 100
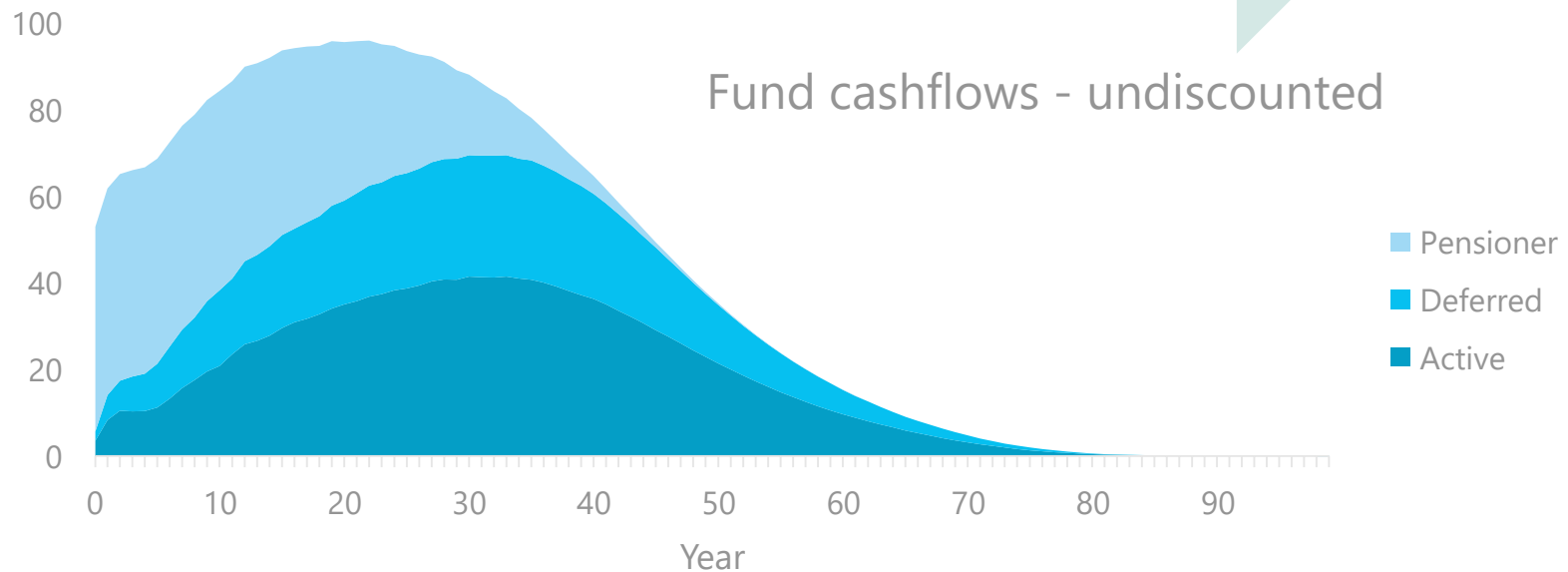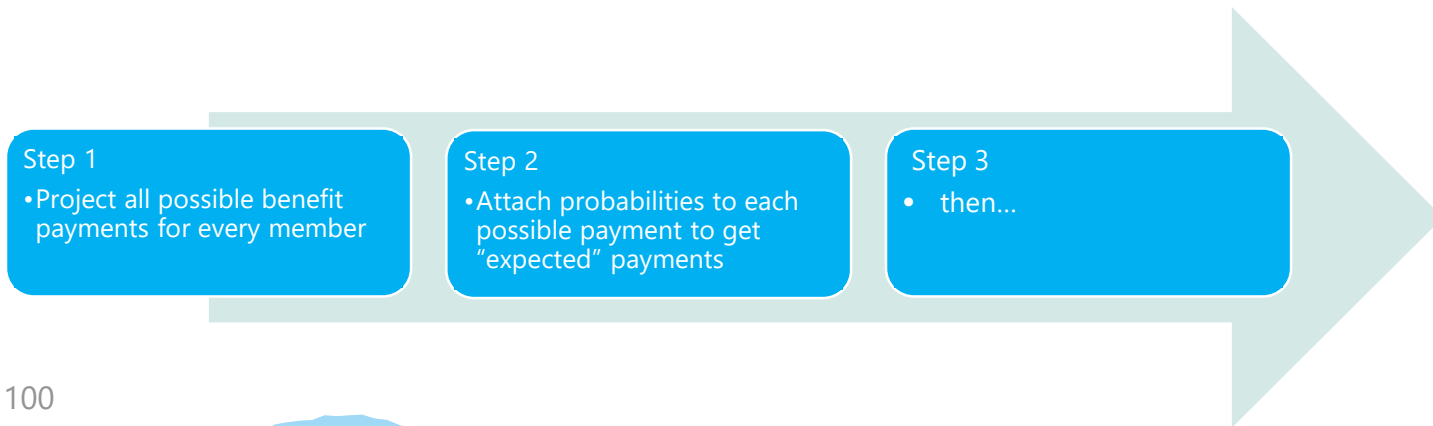
...then "discount" for today's values

Step 1
- Project all possible benefit payments for every member

Step 2
- Attach probabilities to each possible payment to get "expected" payments

Step 3
- Then discount payments to today's "present value"

Fund cashflows - discounted

Legend:
- Pensioner
- Deferred
- Active

X-axis: Year (0, 10, 20, 30, 40, 50, 60, 70, 80, 90)
Y-axis: 0, 20, 40, 60, 80, 100

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beyond the expected

57
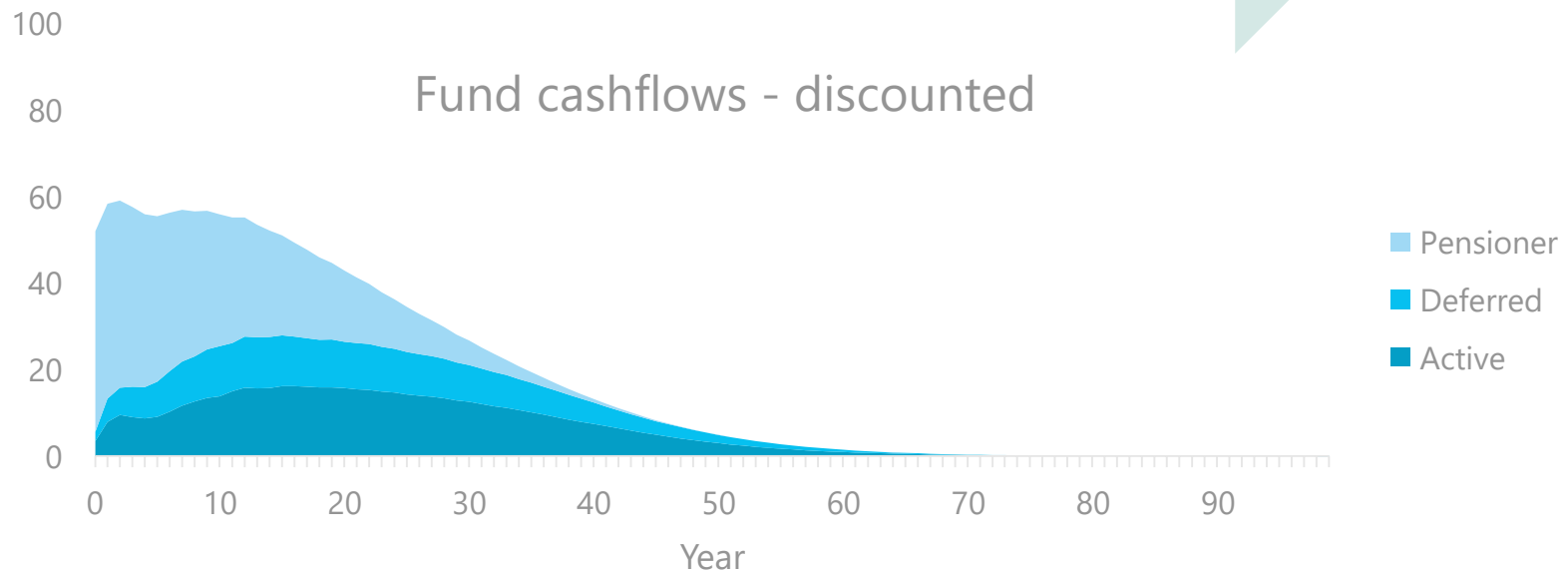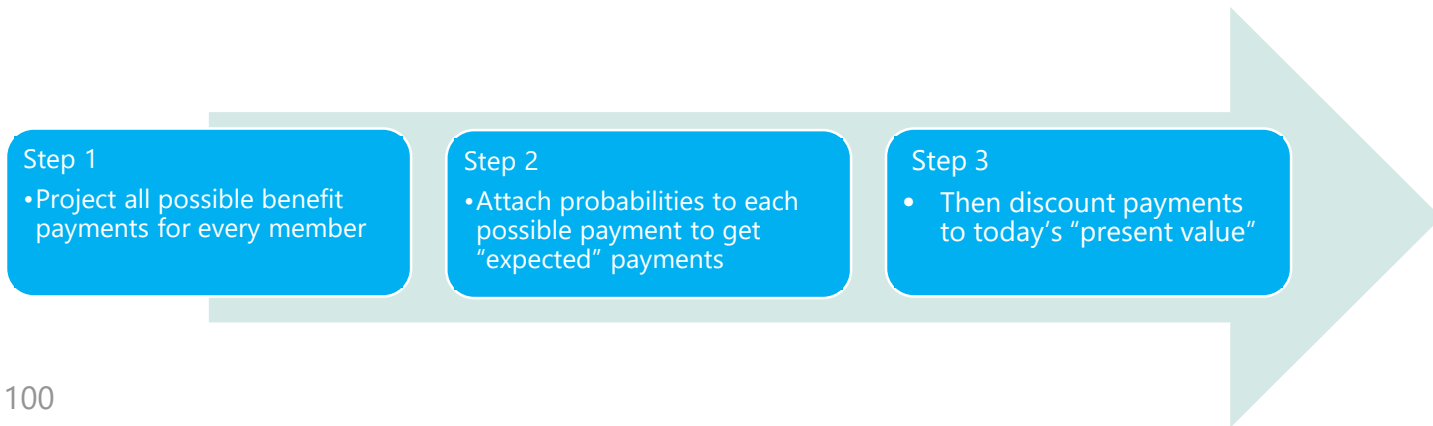
Key actuarial assumptions - financial

Pension increases (CPI)

Discount rate

Salary increases

Impact of increase in each assumption

Pension increases (CPI)
- Increases liability for **all members**
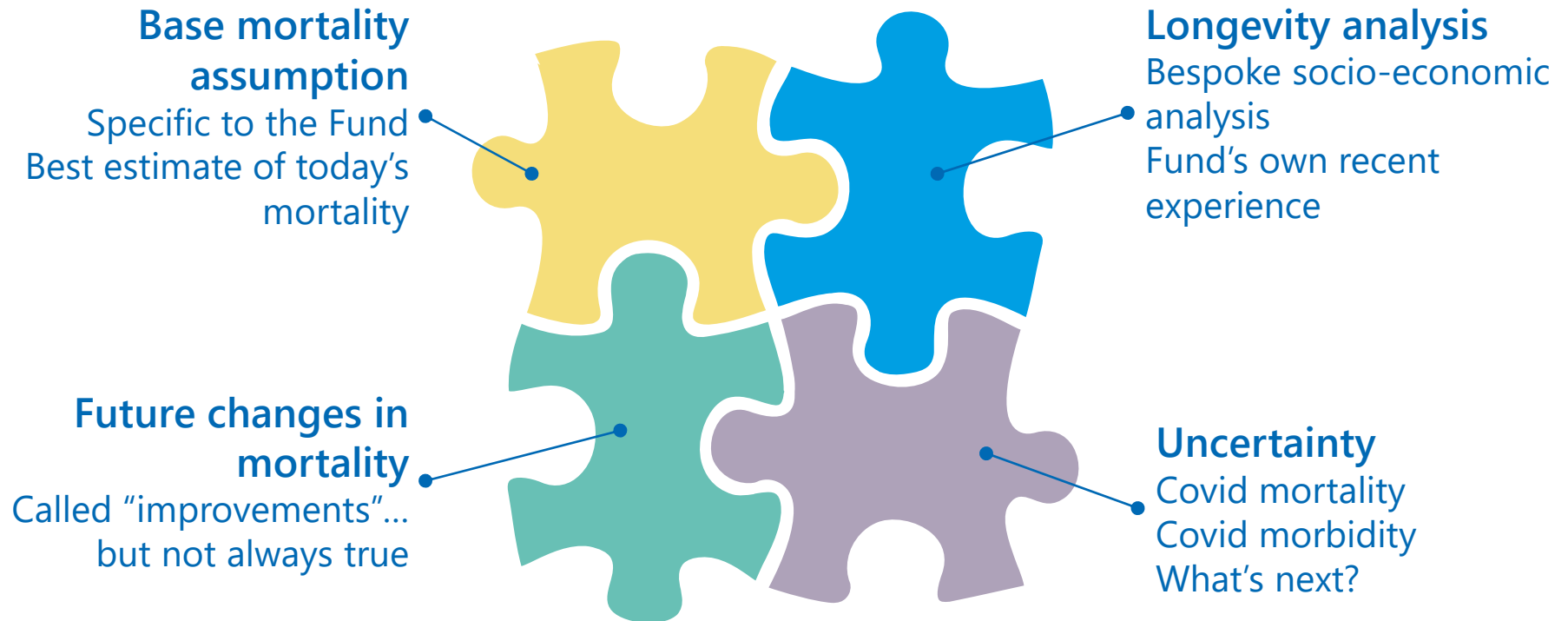- All benefit payments are higher

Salary increases
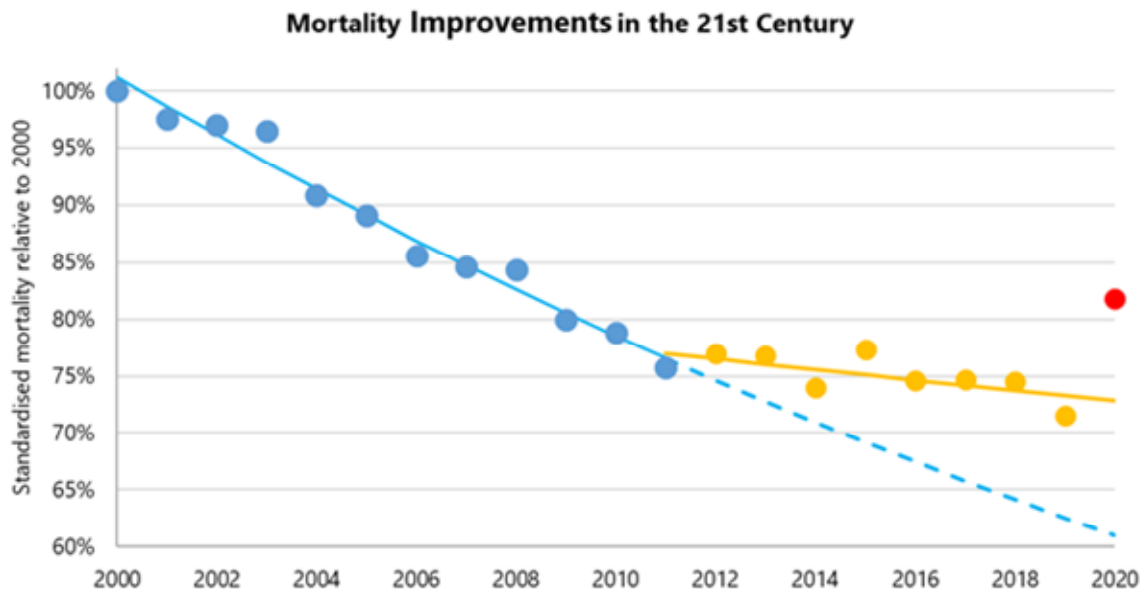- Increases liability for **active members**
- Final salary benefit payments higher

Discount rate
- Reduces liability for **all members**
- Investment return does more work

Key assumption - mortality

Base mortality assumption
Specific to the Fund
Best estimate of today's mortality

Longevity analysis
Bespoke socio-economic analysis
Fund's own recent experience

Future changes in mortality
Called "improvements"...
but not always true

Uncertainty
Covid mortality
Covid morbidity
What's next?

How is mortality changing?

Mortality Improvements in the 21st Century

Source: Barnett Waddingham calculations based on Office for National Statistics data for England and Wales and Continuous Mortality Investigation Ltd (CMI) methodology

First recorded UK Covid death 30 January 2020

100,000 UK Covid deaths by 22 January 2021

124,000 deaths above 5 year average E&W (to November 2021)

Impact of Covid-19
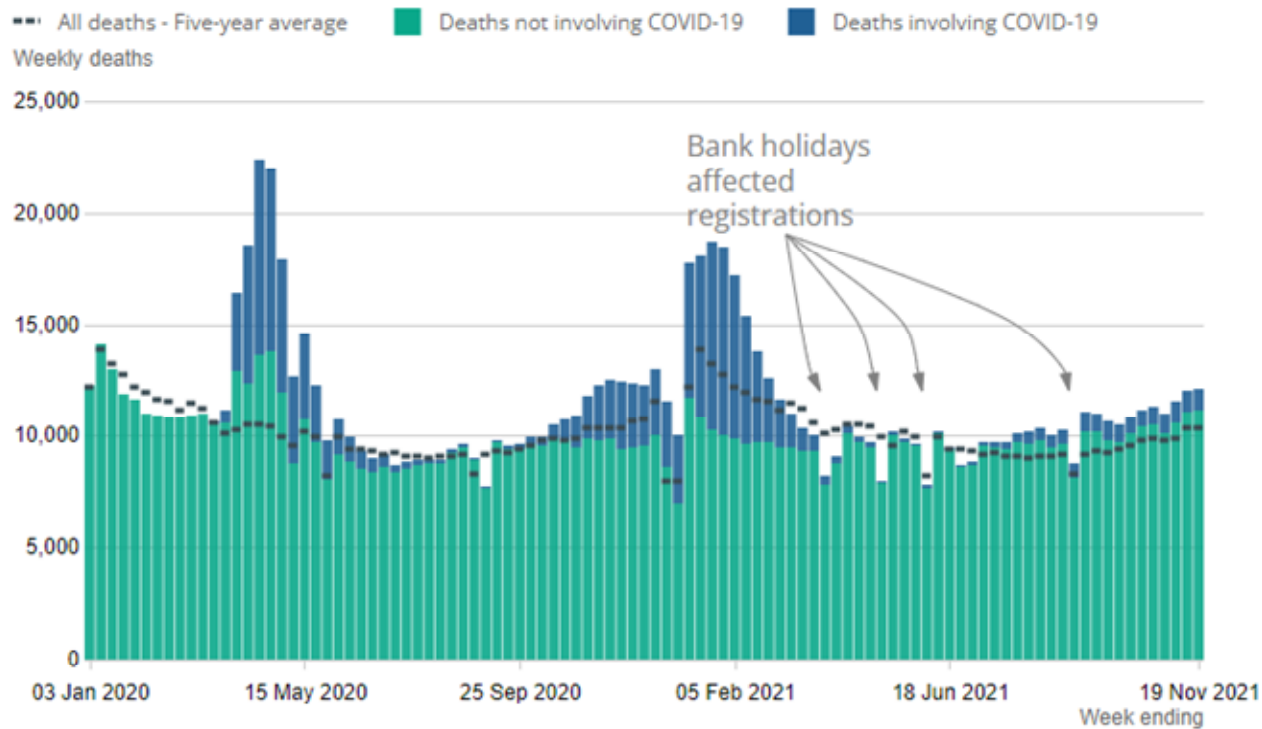
Source: Office for National Statistics – Deaths registered weekly in England and Wales

How to value assets

3

Valuing assets for each employer

Assets at the **start** of the period

Plus **contributions** paid in

Minus **benefits** paid out

Investment return – gain or loss

Assets at the **end** of the period

Employer contributions

4

Setting the contribution rates

Funding strategy

- Employer covenant
- Employer circumstances
- Funding strategy statement

Primary rate

- Employer's share of cost of new benefits
- Over a period of time
- Current employees only

Secondary "rate"

- Adjustment to remove a deficit or surplus
- Over a period of time

Looking ahead to key issues

5

Wider key issues

Covid
- Short and long term impact
- Mortality and morbidity
- Demographic changes

Climate emergency
- Working with investment advisers
- Scenario analysis

Future inflation
- Long term inflation
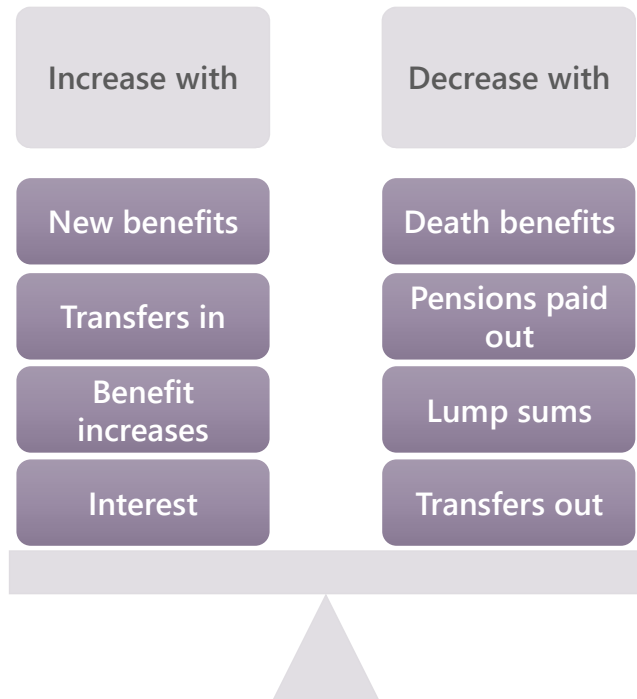- Employee participation

THANK YOU

Regulatory information

The information in this presentation is based on our understanding of current taxation law, proposed legislation and HM Revenue & Customs practice, which may be subject to future variation. This presentation is not intended to provide and must not be construed as regulated investment advice. Returns are not guaranteed and the value of investments may go down as well as up.
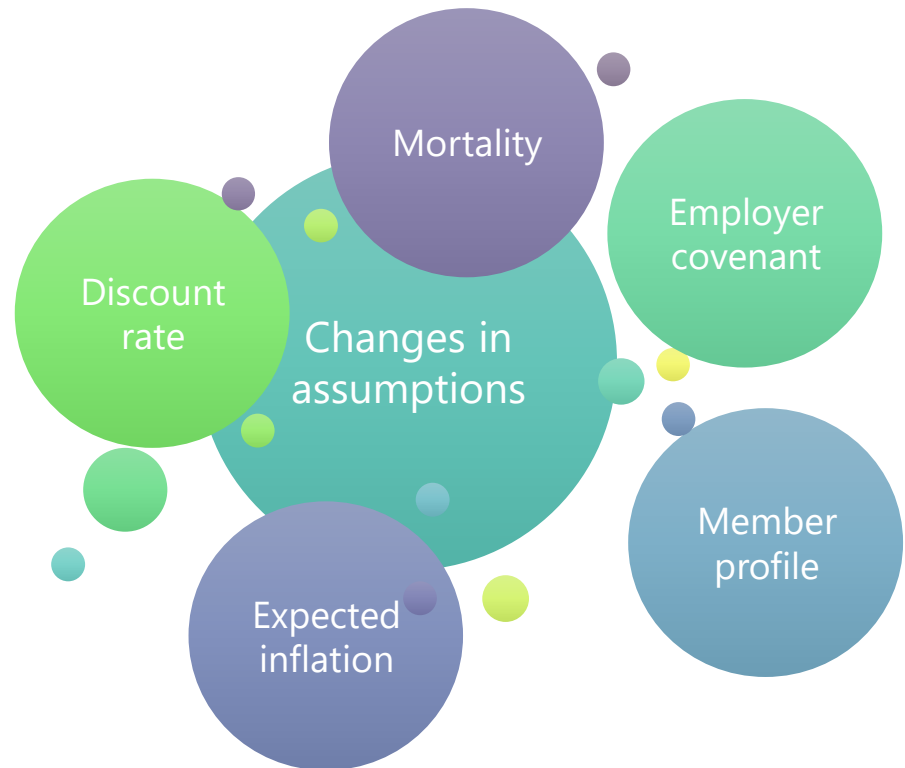
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How do liabilities change over time?

Underlying liabilities

Increase with	Decrease with
New benefits	Death benefits
Transfers in	Pensions paid out
Benefit increases	Lump sums
Interest	Transfers out

Actuarial value of liabilities

Mortality

Discount rate

Changes in assumptions

Employer covenant

Expected inflation

Member profile

How do employer assets change over time?

Employer cashflows

Assets increase with	Assets decrease with
Employer additional conts	Pensions paid out
Employer normal conts	Lump sums
Employee conts	Death benefits
Transfers in	Transfers out

Fund-related changes

Actuarial experience

Pooling

Asset smoothing

Expenses → Employer asset share ← Investment return on Fund's assets