

BERKSHIRE PENSION BOARD

THURSDAY, 30 NOVEMBER 2017

PRESENT: Tony Pettitt (Chairman), Alan Cross (Vice-Chairman), Ford, Pettitt (Chairman) and Wilcox

Officers: Andy Carswell and Kevin Taylor

INTRODUCTION AND APOLOGIES

The Chairman welcomed everyone to the meeting.

There were no apologies for absence.

DECLARATION OF INTEREST

Kevin Taylor declared an interest in the item on Pension Pooling, as an officer of the Berkshire Pension Fund. He was informed that this would not preclude him from speaking on the item.

MINUTES

The Part I minutes of the previous meeting were agreed as an accurate record.

SCHEME AND REGULATORY UPDATE

There were no updates for members.

INVESTMENT FUND POOLING UPDATE

Kevin Taylor informed members that members of the LPP were invited to the most recent meeting of the Berkshire Pension Fund Panel, when the item was discussed. Members were informed that a Borough Project Board, overseen by the Managing Director, had been set up to help the pooling process. Members were informed that not to pool was not an option, as the letter of intent with regards to pooling still stood. A memorandum of understanding was agreed and signed off at the last Pension Fund Panel meeting.

Kevin Taylor informed members that Berkshire would be an equal partner with the other two funds that were being pooled together, even though it was the smallest entity. There would be a total of £13billion in the pooled fund, of which Berkshire would contribute £2billion. However not all assets would be able to be pooled immediately. Members were informed that a business case still needed to be completed and put forward. Final discussions on this were scheduled to take place at an extraordinary meeting of the Pension Fund Panel on December 18th. Kevin Taylor informed members that, under the terms of the memorandum of understanding, the process of TUPE transferring staff to LPP would begin in April. However this process would not be completed until October at the earliest.

Kevin Taylor confirmed that the management of assets would be pooled, but those assets would remain as Berkshire's assets and Berkshire would retain liability for them. As a result Berkshire would still need to compile its own annual report on accounts, in addition to LPP producing one. A separate report on accounts still needed to be compiled, which would be done by LPP rather than existing officers. The ultimate aim was for all funds to be brought under the LPP umbrella, but local offices would remain open in order to assist with management. However this would be reviewed over time and when jobs within the LPP became available, they could potentially be based elsewhere.

STEWARDSHIP REPORT

Members were informed that only one major issue had been identified in the most recent Stewardship Report, relating to scheme members having achieved under the 90 per cent target for moving across to iConnect. This was attributed to Academy conversion dates being pushed back, which then caused problems between separate iConnect accounts between payroll and admin. Kevin Taylor stated that it had been necessary for this to be flagged up in the report, but that it would not cause any ongoing problems. Kevin Taylor also stated that the figures in the report made it clear that iConnect was a positive way forward.

The Vice Chairman asked for greater clarity on the statistics given in figures 1.4 and 1.5. It was suggested that the responsible officer could attend the next panel meeting in order to give a presentation to members. The officer would also be able to provide an answer to a query from Jeff Ford regarding an increase up to 15 per cent, relating to liquidity.

Members were informed that target solvency figures were re-aligning and improving, going from 73 per cent in March 2016 to a current rate of 77-78 per cent.

It was noted and accepted that some investment opportunities were being missed due to staffing levels, and there being a focus on Pooling. The last Investment Working Group had had to be cancelled, so no decisions relating to investments could be made.

The contents of the report was noted by members.

PENSION PANEL MINUTES

The contents of the minutes were noted.

ACTION TRACKER

It was agreed that item 14 could be removed from the Action Tracker. There were no items to add to the Tracker. The contents were noted by members.

Action: To remove item 14 from the Tracker.

REVIEW OF BOARD TERMS OF REFERENCE

Members were reminded that the Terms of Reference were last reviewed and signed off as agreed in January 2017.

Jeff Ford asked about the one-year term of office for members. The Chairman stated that appointments were open-ended once they had been formally agreed; however it was noted that employers reserved the right to change their representative.

Alan Cross asked about substitute members, stating that the Terms of Reference were worded in such a way as it appeared that substitutes were allowed. However it was unclear whether any substitutes attending meetings would have the same ability to participate in meetings, and vote if necessary, even though they would receive the same levels of training as a full member. It was therefore deemed necessary to review the definition of the term substitute.

Regarding the section on quorate meetings, it was agreed that the Chairman's presence did not affect whether or not a meeting was quorate. It was agreed to amend this Term of Reference to reflect that 50 per cent of Board representatives, with at least one member from each group, were required to be present in order for the meeting to be quorate.

Action: To review points 9 and 17 in the Terms of Reference and amend as necessary.

REVIEW OF FUND'S ANNUAL REPORT AND ACCOUNTS

Members were informed that comments about the report made at a previous meeting of the Berkshire Pension Fund Panel had been acted on, with the result that the Annual Report was approved by the Panel and subsequently published.

It was noted that the size of the administration team had increased as a result of vacancies being filled, in order to provide support as the number of scheme employers had also gone up.

Jeff Ford queried the contents of the graph referring to undecided leavers. Kevin Taylor said this referred to a number of different factors, with the major one being when the vesting period changed from two years to three months. Most of the people referenced were those who had failed to claim a refund, and it was not possible for these monies to be written off.

Jeff Ford queried the figures relating to supply and services. Kevin Taylor said that these figures would be looked into as they had been queried previously.

Members were reminded that the report was appended by the Communication Strategy and the Governance Compliance Statement, the latter of which was subject to a further review by a Service Legal Agreement.

REVIEW OF AUDIT REPORTS

Members were informed that the audit had identified seven areas that required treatment, while further minor concerns had been identified at an exit meeting. This was a reduction from 29 areas of concern that had been identified at the previous audit.

It was agreed that the section on named substitutes be removed, on account of the amendment to the Terms of Reference that had been agreed earlier in the meeting. It was also agreed that the section on proxy voting rights be amended, to reflect the fact that any proxy would need to declare any interests at the start of the meeting in the usual way. Conflicts of interest could be identified on an ad hoc basis at individual meetings.

Regarding member training, it was accepted that Councillors elected to the Pension Fund Panel would require some form of training; however this could not be done until each Councillor's competencies had been identified. Members were informed that it had not been ascertained how other local authorities had managed to get around this problem. Kevin Taylor said that once pooling had been implemented, it was likely that the roles of Pension Fund Panel members would change. It was anticipated that the role of the Panel would also change, to monitor LPP's activities and hold them to account.

The traffic light framework on reporting breaches had been updated so it was in line with requirements. Training on reporting breaches would be given to the necessary officers in the new year.

Regarding Service Level Agreements, it was noted that these were held in respect of most scheme employers. However this situation would be monitored during the Pooling process.

It was noted that the Constitution had been updated and amended since the time of the audit report.

It was noted that the audit had graded the governance as being the second highest out of four possible grades, and it was hoped that the highest possible score could be achieved by the time of the next audit. The Chairman stated that it was worth noting the improvements that had been made since the previous audit.

REVIEW OF PENSION ADMINISTRATION STRATEGY

The contents were noted by members.

TRAINING REQUIREMENTS

It was noted that since the publication of the paper, Jeff Ford had completed his training on issues relating to the public sector and Neil Wilcox had completed some of the training and the paper needed to be updated accordingly.

It was agreed that a short training presentation relating to stakeholder consultation and communication would take place prior to the next meeting. Members were requested to contact the Chairman and/or Vice Chairman to raise any other topics they wanted to receive training on before future meetings.

PRUDENTIAL SALARY SACRIFICE SHARED COST AVC PLAN

Kevin Taylor informed members that Prudential had offered existing and future AVC scheme members the opportunity to use a salary sacrifice scheme, as opposed to the existing AVC contribution deduction from pay system. This would create significant savings on National Insurance for employees and employers. Kevin Taylor stated his belief that the proposal should be adopted. Members were informed that West Berkshire Council had agreed to adopt this scheme, and meetings with Royal Borough members were scheduled to take place. News on any developments would be circulated through a newsletter.

NEW OR AMENDED RISKS

Members were informed that no new risks had been identified.

The Chairman informed members about his attendance at the Pension Board Chairs' Seminar, which he said had been useful. The Chairman said the key learning he took away from the event related to Data Protection regulation, and the requirements in place on all handlers of personal and sensitive data, as the risks associated with non-compliance were substantial. The Chairman stated his belief that early non-compliance with the regulations could lead to legal precedents being set, and felt that the risk register should be updated to include what work was being undertaken to ensure compliance.

It was confirmed that RBWM, as the data handler, was the administering authority rather than the Pension Fund. Discussions regarding data handling, how it was stored and what data was held, were taking place between the Pension Fund and the GDPR team at RBWM. Members were informed that the deadline for compliance with the regulations was May 1st 2018.

IDENTIFIED OR REGISTERED BREACHES

Members were informed that consideration was being given to a potential breach. It was not yet known if it was significant enough to warrant a full investigation. Members were informed that it related to an employer's performance in providing data, which impacted on the Pension Fund's ability to produce benefit statements on time.

ANY OTHER BUSINESS

Kevin Taylor raised an item on the Governance Compliance Statement, relating to compliance with scheme regulation. The most recent audit indicated that the Governance Compliance Statement appeared not to have been updated since it was first created in May 2015. Kevin Taylor informed members that he had suggested some amendments to this document, which were due for consideration at the Extraordinary meeting of the Pension Fund Panel on December 18th. These proposed amendments were circulated amongst members prior to the

meeting. The Chairman said that the proposed amendment to the document relating to frequency of meetings and quorum should be altered to reflect the further amendments that were made earlier in the meeting. It was also agreed that Board meetings should be held ahead of the main Pension Fund Panel meetings, wherever practically possible.

It was agreed amongst members that the next Board meeting would take place on February 21st.

LOCAL GOVERNMENT ACT 1972 - EXCLUSION OF THE PUBLIC

RESOLVED UNANIMOUSLY: To agree the motion.

The meeting, which began at 1.15 pm, finished at 4.00 pm

CHAIRMAN.....

DATE.....