# BERKSHIRE PENSION BOARD

## Monday 19 June 2023

Present: Alan Cross (Chair)

Present (virtually): Arthur Parker (Vice-Chair), Nikki Craig and Julian Curzon

Officers: Damien Pantling and Philip Boyton

Officers (virtually): Laurence Ellis

## Introduction and Apologies

The meeting was held in a hybrid format with the Chair, and Pension Fund Officers meeting in-person at Minster Court, while other members attended virtually.

Before starting on the agenda, the Chair, Alan Cross, asked for confirmation from members that they were happy for him to continue to chair the Board for the municipal year of 2023-24. They agreed.

**RESOLVED UNANIMOUSLY: That Alan Cross remain as Chair of Berkshire Pension Board for the municipal year of 2023-24**

The Chair, Board members and officers introduced themselves.

Apologies were received from Jeff Ford, employee representative.

## Declaration of Interest

No declarations of interests were made.

## Minutes

The Chair commented that there were some typos in which he emailed to the clerk, Laurence Ellis, Democratic Services Officer, outside of the meeting.

**RESOLVED UNANIMOUSLY: That the minutes of the meeting held on 13 March 2023 be approved as a correct record.**

## Board Governance Matters

The Chair proposed that the Board to appoint Julian Curzon, previously a substitute member, as a full scheme employer representative member of the Board. The Board agreed.

**AGREED UNANINMOUSLY: Julian Curzon to be appointed as a scheme employer representative on the Berkshire Pension Board.**

The Chair informed that there was a member vacancy and the plan was to seek interest in the position when sending out a members' newsletter in Autumn 2023 as well as some targeted communications towards one or two large employers, who had not previously provided Board members.

## Scheme and Regulatory Update

Philip Boyton, Deputy Head of Pension Fund Resources, informed that a written ministerial statement was published on 2nd March 2023, stating that the Pensions Dashboards Programme would require additional time to deliver the connection of pension providers and pension schemes. This was due to the pensions industry needing to connect a wide range of IT systems to the Pension Dashboards digital architecture. Central Government had amended regulations relating to the Pensions Dashboards Programme to allow a more flexible approach, rather than a set timeline, to ensure a more effective result. The statutory connection deadline was 31st October 2026. He also added that it was speculated that the Pensions Dashboards would go live on an earlier date.

When the Chair asked about the Pensions Dashboards going live in spite of connections not being completed, Philip Boyton replied that it would be the Berkshire Pension Fund which would complete the connection using scheme member data from its participating employers, and it could continue with its work. The Chair commented that for an individual with multiple pensions, their Dashboard would only be complete once the last employer had joined the programme.

On the McCloud Remedy, Philip Boyton reported that a supplementary consultation had been published from 30th May to 30th June 2023. Due to the scale and complexity of the McCloud Remedy, its effects would likely be felt for many years as well as there being a possibility of legal challenge to this rectification exercise.

Philip Boyton also reported that the national government's consultation and rectification of age discrimination in the LGPS (Local Government Pension Scheme) had been positively received, with the supplementary issues being better aligned with the LGPS and therefore placing it in alignment with other public service pension schemes. This would extend protections to individual scheme members rather than a particular employment as well as reduce administrative burden.

Central Government had acknowledged these legal challenges in the latest consultation; therefore, the Government was working with the LGPS to reach outcomes which provided the best scheme member experience as possible.

Philip Boyton then reported that a report had been commissioned on Sharia Law compliance. The Scheme Advisory Board had received legal advice which stated that opinion could be given on whether the LGPS was consistent with anti-discrimination and public sector equality duties. He added it was necessary to acquire an expert in Islamic finance to provide evidence of a range of issues from an Islamic perspective. The Scheme Advisory Board had commissioned expert advice on this with Amina Associates, with a report expected in about three months.

The Chair asked Nikki Craig, Scheme Employer Representative (and Assistant Director of HR Corporate Projects and IT at RBWM), whether employers that would know the proportion of their employees would be interested in this. She replied that most employers request protected characteristic information from employees but there would also be a 'prefer not to say' option. Employers would use this data to ensure equity and prevent discrimination.

Philip Boyton then informed that on 30th March 2023 the Chief Secretary to the Treasury had released a written ministerial statement confirming that the SCAPE Discount Rate had been adjusted to take into account the long-term GDP growth figures published by the OBR (Office for Budget Responsibility) in July 2022. Based on this, the SCAPE Discount Rate had changed from 2.4% above CPI (Consumer Prices Index) plus to 1.7% above CPI.

Philip Boyton explained that the SCAPE Discount Rate was used to set employer contribution rates in the unfunded public service pension schemes and the actuarial factors across all public service pension schemes. For LGPS Pension Funds, this meant that non-club transfer, interfund transfer calculations (transfers between Local Government Pension Funds) and all divorce transfer calculations needed to be suspended until new factors were issued. Club transfers (transfers between public sector pension schemes) did not need to be suspended. The Department of Levelling Up, Housing and Communities (DLUHC) had issued new factors on 1st June 2023. This meant LGPSes (including Berkshire Pension Fund) could undertake working through the cases which needed to be stockpiled. However, interfund transfer calculations had to remain on hold. Although the LGPS Pension Funds could calculate the transfer out value using new non-club transfer out factors, there were no factors for the receiving LGPS Pension Fund to use to convert the non-club transfer out value.

When asked about volumes from the Chair, Philip Boyton replied that the Pension Fund was able to identify inter-fund transfer calculations using a national LGPS England and Wales database. Non-club transfers out had been reduced significantly due to commentary around pension scams.

Philip Boyton advised that the Chancellor in his budget announcement on 15th March 2023 had announced plans to abolish the Lifetime Allowance (LTA) from 6th April 2024 through a future Finance Bill. This meant that the current LTA framework would remain in place from 6th April 2023, and the LTA for the financial year of 2023-24 would remain at £1,073,100. This meant LGPS Pension Funds needed to continue to conduct LTA checks when paying benefits.

Following the LTA checks for a benefit crystallization event which occurred in April 2023 there were no longer any 25% charges where any LTA excess was drawn as annual pension; or 55% chargers where any LTA excess was drawn as a lump sum. This was because, Philip Boyton explained, normal pay rules began to apply from 6th April 2023; therefore, payments had been treated as pension income. From this, the Pension Fund was no longer required to report LTA charges on a quarterly accounting for tax return. The maximum amount of tax-free lump sum that an individual could receive going forward was fixed at £268,275, which was 25% of the current LTA. Individuals with a protected LTA would still be able to receive 25% of that higher LTA figure.

Philip Boyton also advised that the Chancellor's budget announcement changed the Annual Allowance (AA). In summary, individuals of a pension scheme were only able to achieve a tax relief on pension contributions up to a maximum limit of £40,000 pounds, plus any unused Annual Allowance from a maximum of three previous financial years. For members of the LGPSes or any other public service pensions scheme, the Annual Allowance was not compared to total pension contributions paid during a financial year; but instead, the growth in the pension benefits from the start to the end of a financial year (known as a Pension Input Period).

Following the results of the government consultation, whereby the inflation element within pension growth calculations was removed, the chancellor also announced that there would be an increase to the Annual Allowance from £40,000 to £60,000 from 6th April 2023.

The Chair asked if this issue generally affected individuals who had a large pay rise. Philip Boyton confirmed this as well as individuals who chose to begin payment of Additional Voluntary Contributions.

## Risk Reporting

Damien Pantling, Head of Pension Fund, introduced the report which reviewed the risk register at every yearly quarter. From the review, 49 risks had been identified and some material changes had been noted since the last quarter. The decision by the Pension Fund Committee would be to approve the contents of the Risk Register, the mitigations around each risk and any changes since the last quarter.

## Good Governance

Damien Pantling explained the appendices in the report. Appendix one was the training framework, ensuring decision makers (i.e., the Pension Fund Committee) had the tools, knowledge and skills to make decisions. Appendix two was the updated governance with some amendments to promote better transparency for stakeholders.

The Chair asked if all positions on the Advisory Panel had been filled. Damien Pantling replied that all positions apart from one had been filled, and that West Berkshire Authority had yet to forward their member.

When the Chair asked about training, Julian Curzon, Scheme Employer Representative, said he would go through the training again as some of the content was irrelevant to LGPS. Damien Pantling requested for the information relating to all pensions training so that it could be catalogued. Julian Curzon agreed to do so.

**ACTION: Julian Curzon to forward details of his training to Damien Pantling.**

Nikki Craig asked if her training on pension scams had been recorded. Phillip Boyton replied that he could check on this, but nevertheless asked for completed training to be forwarded to him so that it could be catalogued.

The Chair commented that the Board would have to come back to this item to check if the new Councillors had completed basic training. Damien Pantling informed that a training framework would be published, followed by the publication of training records.

## Administration Report

Philip Boyton introduced the report. On Scheme Employer Key Performance Indicators (1.4 in the report), there were positive data results on the submission of data amongst the unitary authorities (with all recorded as 100%), with Academies/Schools not reaching the target. Philip Boyton mentioned that the Chair had been seeking resolutions to this. In addition, Philip Boyton stated that he had conversations with the Pensions Team's Communication Manager and Assistant Technical Analyst to improve communications with scheme employers to encourage them to submit data to i-Connect.

After the Chair commented on getting employers to submit their data to i-Connect, Philip Boyton replied that they could understand which employers had not submitted their data and therefore focus on them.

Continuing with the report, Philip Boyton informed that no new employers were on-boarded to i-Connect in the last quarter, but some that had completed their year-end, such as the Pioneer Education Trust in the process of being onboarded to i-Connect.

On Stakeholder Feedback (1.7 of the report), on 18$^{th}$ January 2023, some feedback was received on the aggregation of scheme member benefits moving away from Berkshire Pension Fund to another LGPS Pension Fund. He explained that there was a scheme member who had intended not to aggregate within 12 months of joining the other LGPS Pension Fund but had not told his new employer. As a result, the deferred benefits which were held by Berkshire Pension Fund were automatically aggregated over into the new LGPS Pension Fund. This had a detrimental impact on the scheme member's benefits because they re-joined the scheme with the other LGPS Pension Fund on a lower final salary, and therefore, reducing their benefits value. The individual scheme member had asked the other LGPS Pension Fund to request the Berkshire Pension Fund to accept repayment of the interfund transfer it had paid. Phillip Boyton informed that Berkshire Pension Fund declined to accept the repayment as it had acted in accordance with the LGPS regulations.

In response to comments on the Chair on the issue, Philip Boyton stated that there was no standard which LGPS Pension Funds follow to provide their information; instead, each fund could do it in whatever way they wanted.

Nikki Craig asked how much communication to the scheme member had been enacted to remind them on the transfer to other LGPS Pension Fund. Philip Boyton replied that the responsibility of reminding scheme members of transfers rested with the other LGPS pension fund as the transfer was going out of the Berkshire Pension Fund. When asked by the Chair on the Berkshire Pension Fund's communication with the scheme member, Philip Boyton replied that it would have been to provide them with the details of their deferred benefits when they left and their options around transfer. He added that Berkshire Pension Fund had a process of sending one reminder to the scheme member (when the transfer was into the Fund).

Damien Pantling highlighted a couple of changes to the report. In 1.1 (Scheme Membership), the Pension Fund now disclosed the total cost per scheme member. He explained that the Pension Fund sought to expand these in future quarters. In 1.3 (Scheme Employers), the number of total scheme employers was illustrated as well as a note on any discrepancies.

The Chair asked what the volume of scheme employers with a small number of employees had used the CSV option. Philip Boyton replied that it was very small.

## Responsible Investment

Damien Pantling gave the update for the first quarter of the financial year of 2023. Referring to appendix two, he informed that the Pension Fund had very strong ESG (environmental, social and governance) credentials whereby it had more Green (renewable energy generation, clean technology, and decarbonising activities) than brown investments (extraction, transportation, storage, supply, and generation of energy from fossil fuels) as well as a generally better ESG score than the index as a whole.

Regarding appendix one, Damien Pantling informed that the Pension Fund was required to consider climate risk relating to its ability to pay pensions in the future. The main focus was on transition and physical risk as a result of climate change. The conclusion from the report was positive whereby the Pension Fund would resilient enough in all scenarios based on tests and modelling by the Pension Fund's Scheme Actuary.

Due the complexity of this, Damien Pantling informed that a training session had been arranged for Committee members at 1:00pm on 19th June 2023.

The Chair asked about the risks listed in the report by Barnett Waddingham (BW) and their comparison to the Pension Fund's perception of the risks. Damien Pantling replied that the Pension Fund had generally picked up the risks which were listed (employer covenant, investment, inflation, mortality, legislative, reputational and operational) albeit more condensed. He suggested to incorporate the risks listed by BW into the Risk Register.

**ACTION: Damien Pantling incorporate the risks listed from Barnett Waddingham into the Risk Register**

When Chair asked about the projection graphs, Damien Pantling replied that BW used figures from the Bank of England to formulate the report and it did not necessarily reflect their thinking. He explained that the reason there was a peak in 2030 and then a decline was because the Pension Fund had a drastic shift in asset prices at that time.

The Chair then asked if there was a date for climate risk reporting, referring to the DLUHC consultation. Damien Pantling replied that the Pension Fund was still waiting on this, and it was expected to be implemented in 2024.

The Chair asked the Board for approval for the papers in the report to be forwarded to the Pension Fund Committee, to which it accepted.

Part I Any Other Business

No additional business.

Local Government Act 1972 - Exclusion of the Public

**RESOLVED UNANIMOUSLY: That under Section 100(A)(4) of the Local Government Act 1972, the public be excluded from the remainder of the meeting on the grounds that discussions involve the likely disclosure of exempt information as defined in Paragraphs 1-7 of Part I of Schedule 12A of the Act.**

The meeting, which began at 11.00 am, finished at 12.24 pm

Chair……………………………….

Date…………………………….........