



BERKSHIRE PENSION BOARD

THURSDAY, 24TH NOVEMBER, 2016

At 1.00 pm

in the

MINSTER COURT - 22-30 YORK ROAD MAIDENHEAD,

SUPPLEMENTARY AGENDA

PART I

<u>ITEM</u>	<u>SUBJECT</u>	<u>PAGE NO</u>
15.	<u>BERKSHIRE PENSION PANEL MINUTES</u> To note the Part I minutes of the Berkshire Pension Panel meetings of 12 September 2016 and 7 November 2016 (To Follow).	3 - 6

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Agenda Item 15

BERKSHIRE PENSION FUND PANEL

MONDAY, 7 NOVEMBER 2016

PRESENT: Councillors John Lenton (Chairman), Geoff Hill and David Hilton.

ADVISORY MEMBERS: Councillors Dennis, Worrall, Law, Stanton. Mrs Nicholls and Mrs Smith.

INDEPENDENT ADVISER: Mr Dhingra.

OFFICERS: Mr Greenwood, Mr Taylor, Mr Pardo, Mr Stubbs and Mr Cook.

APOLOGIES

Apologies for absence were received by Cllr Rankin, Cllr Collins and Cllr Usmani.

DECLARATIONS OF INTEREST

There were no declarations of interest received.

MINUTES

The Part I minutes of the meeting held on 12 September 2016 were approved as a true and correct record subject to Mr Dhingra was not in attendance and Mr Boyton was in attendance.

Cllr Stanton asked for clarification on 'outside pooling' with regards to local investments. The Panel were informed that the Government had not yet set guidelines; however assets such as local property investments were outside pooling. Local could also include investments in neighbouring authorities.

THE LOCAL GOVERNMENT PENSION SCHEME (MANAGEMENT AND INVESTMENT OF FUNDS) REGULATIONS 2016

The Panel considered the report providing an update on The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 which came into force on 1 November 2016.

The Panel were informed that the main changes were the removal of statutory limits for investment in types of investments, the requirement to publish an Investment Strategy Statement by 1 April 2017 and the power for Secretary of State to intervene with the Fund's Investment Strategy.

The statement must set out the maximum percentage of the total value of all investments of fund money that it will be invested in particular investments or classes of investment. The Panel had agreed such limits at its meeting on 11 April 2016. It was noted that the 7% limit on Global Infrastructure approved on 11 April should have read 10%

It was noted that the regulation also made reference to the need to publish the authority's approach to pooling investments, including the use of collective investment vehicles; pooling was an agenda item for consideration at this meeting.

Resolved unanimously: that the Panel noted the report.

PENSION RISKS OF DELIVERING SERVICES DIFFERENTLY

The Panel considered the report that summarised the potential pension risks of scheme employers transferring the delivery of services to the private sector and the impact this could have on the Pension Fund.

It was felt that the Panel needed to be made aware of the risks to the Pension Fund as more authorities outsourced their services and how important it was that S151 officers were aware of the risks when contracts were awarded.

Cllr Hill mentioned that RBWM were currently in the middle of a transformation programme that included joining Community Interest Companies rather than outsourcing services.

The Panel were informed that when staff were subject to a TUPE transfer pensions were not usually included, however the Best Value Staff Transfers (Pension Direction) 2007 ensured that transferred staff either had continued access to the LGPS or to an alternative comparable pension scheme. Due to the difficulties in joining a comparative scheme so far transferred staff remained in the LGPS.

The admission agreements when transferring functions could be either 'open' or 'closed' but experience showed that they tended to be closed. This meant that only those individuals employed by the letting authority at the point of the service transfer retained the right to contribute to the LGPS. No new employees appointed by the admission body could join the scheme. The implications for this was that the number of active members reduced over time and thus the level of contributions to the Fund was reduced whilst the pension liability increased. Ultimately employers would have to pay more or there would need to be a change to the benefit structure of the scheme.

As part of the service tender process, the letting authority was also required to provide details of the pension costs associated with becoming an admission body to the Pension Fund, this included details of a bond or indemnity to protect the Pension Fund against costs arising as a result of the admission agreement terminating early. There was a trend that the letting authorities would limit the amount required for this bond and thus retain the pension risks.

Cllr Hilton mentioned that as RBWM will be moving a large percentage of staff to AFC and Optalis what were the implications. The Panel were informed that the deficit that stood with RBWM before any transfer would remain with the borough and thus there could be fewer active scheme members left with the responsibility of a large deficit.

Cllr Stanton asked what happened to staff being moved to a community interest company and was informed that if they had a closed agreement there would be no new members joining the Fund.

The Pension Fund Manager reiterated the need for this issue to be raised as a matter of urgency as local authorities looked to outsource services. Following a request from Advisory Panel Members it was agreed that a briefing note / guide to the implications would be produced and that this should include a financial implications graph to highlight the problem.

Cllr Hilton asked if the current value of the Fund was sufficient to cover liabilities and was informed that seven years of low interest had increased the level of liability. Investments were sufficient to meet current liabilities the problem was the three-way pension admission agreement.

Cllr Law asked if CIC should offer a LGPS to new employees and was informed that this would increase their liability.

Cllr Law asked if the liability risk placed on local authorities outweigh the benefits of joining a CIC. The Panel were informed that CIC were required to give a bond however these were insufficient and thus the risk was retained by the local authority.

Resolved unanimously: that the report be noted, that a briefing guide be produced and that Optalis be used as an example to show the implications of an admitted body joining the LGPS on a “closed” basis.

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 whilst discussion takes place on following items on the grounds that they 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 4.00 pm, finished at 5.40 pm

CHAIRMAN.....

DATE.....

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