

## BERKSHIRE PENSION FUND PANEL

MONDAY, 18 JANUARY 2016

PRESENT: Councillors Lenton (Chairman), Hilton (RBWM), Tickner (Reading), Stanton (Wokingham), Worrall (Bracknell Forest), Law (West Berks) and Nicholls (Unison).

Independent Adviser to the Panel: Mr Dhingra

Officers: Mr Greenwood, Mr Taylor, Mr Brooker, Mr Pedro, Mr Boyton and Mr Cook.

### APOLOGIES

Apologies for absence were received by Councillors Hill, Love and Brooker.

### DECLARATIONS OF INTEREST

There were no declarations of interest received.

The Panel agreed to vary the running order of the agenda.

### LOCAL GOVERNMENT ACT 1972 - EXCLUSION OF THE PUBLIC

**RESOLVED: 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 items 5-8 on the grounds that they involve the likely disclosure of exempt information as defined in Paragraph 3 of part I of Schedule 12A of the Act.**

### MINUTES

The Part I minutes of the meeting held on 26 October 2016 were approved as a true and correct record with the alteration of Cllr Worrall's name on page 9.

### PENSIONS ADMINISTRATION

The Deputy Pension Fund Manager informed the Panel that the report under consideration covered the four areas where the administering authority had by statute to have policies; they were:

- Pension Administration Strategy (Annex 1)
- Administering Authority Decisions (Annex 2)
- Risk Assessment and Risk Register (Annex 3)
- Reporting of Breaches of the Law (Annex 4)

With regards to the Pension Administration Strategy the Panel were informed that the Pensions Regulator now had responsibility for ensuring that an Administering Authority of a Local Government Pension Fund was compliant with certain standards relating to all areas of governance and administration. Officers were seeking the approval of the strategy document (Annex 1) to support them in formulating and delivering to scheme employers, training with regard to their statutory obligations contained within the service level agreement.

Councillor Hilton asked for an update to the i-Connect. The Pension Administration Manager informed the Panel that RBWM had agreed to implement the system and inform the Berkshire Treasurers of progress; the Head of Finance informed that this would be done in a couple of weeks. Reading Borough Council was the only authority that had not expressed an interest. The Chairman asked Cllr Tickner if she knew why and was informed that she would make enquiries.

Cllr Law mentioned that the recommendation did not mention that I-Connect was a pilot and by agreeing to the document they would be agreeing to its implementation. Cllr Hilton responded that the policy was supporting the implementation of I-Connect; it would be for the other authorities to decide if they wished to install it.

As the recommendation was for the Panel to approve the strategy for implementation after consultation it was approved to change the recommendation to 'subject to changes made as a consequence of the consultation'.

With regards to Administering Authority Decisions (Annex 2) the Panel were informed that there were many occasions where the administering authority had certain discretion as to how the regulations could be applied.

Annex 2 to the report set out each of the individual regulations where an administering authority decision was required along with a brief explanation of what each regulation meant, policy options and a recommendation as to which policy should be adopted to each regulation.

The Panel considered each option contained in Annex 2 of the report page 39 to 49 of the agenda pack and all the recommended options within the report were approved.

With regards to the Risk Assessment and Risk register (Annex 3) the Panel were informed that the Scheme Manager had a legal duty to establish and operate internal controls and thus was recommending the appendix as an appropriate risk assessment and register. The document was in line with the RBWM register.

Cllr Stanton reported that he welcomed the document and asked if all major pieces of work had been risk assessed. The Panel were informed that they were and that they were being asked if they wished to see risk reported by exception or the whole register.

Cllr Tickner replied that she would like to see just the 'dashboard' for every meeting with further information being supplied on risks reporting 'Red'. The Panel were informed that during the summer consultants were being used to look at risk and get a dashboard focused on the Pension Fund rather than operational risks.

It was noted that 'Pooling' had not been added as a risk as there was insufficient information to put in mitigating actions.

It was agreed that the full list, as appended, would come to Panel for a final decision and that any further comments to be emailed to the Chairman and the Pension Fund Manager.

With regards to reporting breaches of the law (Annex 4) the Panel were informed that the document set out the reporting process. The Annex was noted and the Chairman said that any comments to be sent to the Deputy Pension Fund Manager.

**Resolved unanimously: That the Panel:**

- i. Considered the pension administration strategy at Annex 1 and agreed to its implementation from 1 April 2016 subject to changes made as a consequence of the consultation;**

- ii. **adopted the administering authority decisions matrix as set out in Annex 2;**
- iii. **noted the risk assessment and risk register as set out in Annex 3; and**
- iv. **accepted the guide to reporting breaches of the law including the traffic light framework for reporting breaches as set out in Annex 4.**

## PENSION ADMINISTRATION SOFTWARE TENDER

The Pension Administration Manager introduced the report that informed the Panel of the procurement of pension and payroll administration software.

The Panel were informed that the contract with *Heywood* Limited would end on 15 June 2016. Under the terms of the contract there was an option, at the Council's discretion, to extend for a further period of five years.

Although the functionality of *Heywood* package had served the administration team well for many years it was accepted that there now existed other suppliers that could deliver a software solution capable of administering the LGPS. There was also the issue that due to the number of changes to the LGPS that required software investment the costs had increased from £850k to over £1 million.

It was proposed that the tender criteria would be:

- Matching the Council's Specification
- In-house Demonstration
- Reference Site Visit
- Price

As previously discussed I-Connect was part of the administering authorities plans and thus moving away from *Heywood* would be an unknown that would need to be considered. There remained an option to extend the existing contract for five years.

The Chairman questioned that as there was uncertainty over pension fund pooling if it would be possible to extend the contract by just one or two years. The Panel were informed that this would be a variation in the contract and would require agreement with the supplier.

Cllr Law raised concern that the contract was due to end on 15 June 2016 and he felt there would be insufficient time to carry out the tender process, evaluation and implementation. Cllr Law also recommended seeing if it was possible to extend the contract.

It was agreed that officers would investigate if it was possible to extend the contract outside the permitted five years.

## STEWARDSHIP REPORT

The item was deferred.

## LGPS COLLABORATION

The Pension Fund Manager introduced the report that detailed the discussion on three potential investments pools as required in the Local Government Pension Scheme: Investment Reform Criteria and Guidance published by the Department for Communities and Local Government ("DCLG") in November 2015.

The report detailed the potential pools officers had identified; these were:

- LPFA/LCC

- South West
- Central, East South East
- Midlands
- Northern
- Wales
- Cumbria/Surrey/East Riding
- London Collective Investment Vehicle

The report detailed initial discussions that officers had with the South West Group and the LPFA/LCC Group. It was noted that by the 19<sup>th</sup> February the fund had to give a commitment to pooling and its proposed arrangements.

The Chairman reported that in principal they would say yes, the Panel would look at the proposals and would report back at its next meeting.

### INVESTMENT GOVERNANCE

The item was deferred.

### DEVELOPING MARKETS INVESTMENT STRATEGY

The item was deferred.

The meeting, which began at 4.00 pm, finished at 6.40 pm

CHAIRMAN.....

DATE.....