

BERKSHIRE PENSION BOARD

THURSDAY, 26 NOVEMBER 2015

PRESENT: Scheme Employer representatives: Cross, Nash, Webster Pearce (Chairman), Scheme Member representatives Pettitt, and Southwellr

Also in attend: Nagra and Baldwin.

Officers: Taylor and Cook.

APOLOGIES FOR ABSENCE

Apologies for absence were received from Inderpal Dhak and Andrew Walker. Surjit Nagra reported that she would be late.

DECLARATIONS OF INTEREST

There were no declarations of interest recieved. It was noted that Board members were required to submit their interest that would be placed on the Pension Fund's website (signatures would be redacted).

MINUTES OF LAST BOARD MEETING AND MATTERS ARISING

The minutes of the meeting held on 3 August were approved as a true and correct record.

Arising from the minutes the Board were informed that:

- The Pension Board Handbook had been produced and would be available in sections on the website; a hard copy was available upon request. The Deputy Fund Manager to email link when available and have as a future agenda topic.
- It was agreed that Members email The Deputy Fund Manager their biogs by the end of the month.
- It was agreed that the Pension Panel agenda be circulated to Board members and vice versa when published. This was to insure both Board / Panel members were kept informed and to reduce duplication of paperwork.
- When Board Members receive the Panel agenda if there was anything they wish to add to the Board agenda they should email the Chairman / The Deputy Fund Manager.
- Pensions Regulator's Code of Practice – The Deputy Fund Manager informed he proposed to do this at the next meeting.

SCHEME, LEGAL AND REGULATORY UPDATE

The Deputy Fund Manager introduced the report that informed of the Boards duty to maintain a working knowledge of the LGPS regulations and associated pension legislation. The report contained a table of current issues that were:

- Public Sector Exit Cap.

The Board were informed that the draft bill recommended that exit payments should not exceed a £95k threshold that applied to the total amount of pay received by an individual for loss of employment.

The Chairman informed that guidance would have to be produced and he was expecting a challenge to the 'pension promise' made to employees.

- Strengthening the incentive to save: a consultation on pension tax relief.

The Bill was being pushed back by a year; the idea of the Bill was to tax pension contributions but not to tax pension payments.

- Survey of ill health provisions and IDRP processes.

The Board were informed that there would be consultation on how ill health provision would be calculated and hopefully there would be something to report back at the next meeting.

- Pooled Investments.

The Board were informed that there a number of announcements and guidance released about pooled investments. It was proposed that the assets of the 89 local government pension funds in England and Wales were to be pooled into six new British Wealth Funds as parts of efforts to promote infrastructure investment. It was not clear how this would work with local strategies and how existing investments would be dealt with.

The Chairman informed that legislation was expected in April 2016 and would take about two years to implement. Although not currently a regulation the Fund should start thinking about governance and the introduction of pooling to protect members interests.

- Changes to State Pension and NI contributions.

The Board were informed that this would take effect from April 2016; the scheme member would have to pay 1.4% extra whilst the employer would be required to pay 3.4% more. There would also need to be a GMP reconciliation for every member to ensure any under / over payments have been rectified by March 2018.

(Surjit Nagra joined the meeting)

The Chairman reported that this update paper would be a regular agenda item.

Resolved: that the Pension Board note the updates.

REVIEW OF BERKSHIRE PENSION FUND PANEL MEETING OF 26 OCTOBER 2015 INCLUDING STEWARDSHIP REPORT

The Deputy Fund Manager informed that this agenda item contained the reports considered by the Berkshire Pension Fund Panel at their meeting on 26 October 2015. Kevin drew the Boards attention to the Stewardship Report the report that dealt with the stewardship of the Pension Fund for the period 1 June to 31 August 2015.

Some of the key highlights in the report and the discussion were:

- Membership continued to rise due to the auto enrolment process and it was noted that employees who had more than one job had to be enrolled for each role.
- Chart 4 showed the employers that had active members.
- Chart 6 showed notices of unsatisfactory performance. This related to late payment of contributions that were due by the 19th of the month; remedial actions were improving performance. In response to questions it was noted that fines could be issued by the regulator for non compliance and that the deadline for payment was a statutory requirement.
- i-Connect – to aid compliance it had been recommended that employers use i-Connect and RBWM had agreed to implement the system to demonstrate its worth. Wokingham BC have also agreed to implement the system

- It was noted that Bracknell and Reading were currently introducing new HR / Finance systems but after a few months of RBWM using i-Connect The Deputy Fund Manager would arrange a meeting with Bracknell, Reading and Slough. (NOTE since the meeting Slough BC have had discussions with a view to taking i_Connect in 2016).
- With regards to annual benefit statements the Board were informed that the Fund would have to report itself to the regulator as we were not compliant due to late returns from certain employers. The Fund had a duty to report itself and the regulator will review compliance next year; they also had the powers to investigate the employers who failed to comply. The chairman recommended that this be a future discussion item.
- It was recommended that the Stewardship report have background data added for trend analysis.

The Chairman asked if the board wished to comment / ask questions on any of the other Berkshire Pension Fund Panel reports.

Alan Cross reported that with regards to the Panel's minute point 85/14 and the question if the Panel invested in fossil fuels that Reading Council had received a motion from a Member of the Green Party. The motion had been put to Council and deferred to the authorities Policy Committee for consideration.

It was noted that the Panel were due to receive training on 18 January 2016 prior to their meeting and Board members were welcome to attend.

Under minute point 88/14 LGPS Investment Pooling, the Board were informed that they would also be included in the recipients of the Funds draft consultation response.

Resolved: That the Board note the Berkshire Pension Fund Panel's agenda and associated reports and that:

- **The Deputy Fund Manager arrange a meeting with Bracknell Forest Council, Reading Council and Slough Council with regards to implementing I Connect.**
- **Year End Returns (as reported in the Stewardship Report) be a future discussion item.**
- **Trend analysis be added to the tables in the Stewardship report.**

REVIEW OF ANNUAL REPORT AND ACCOUNTS 2014-15 AND EXTERNAL AUDIT REPORT

The Chairman reported that the Annual Report and Accounts 2014-15 and the External Audit report had already been approved by RBWM's Audit and Performance review Panel so it was on the agenda to note. This Board also had to produce an annual report that may be appended to the Annual Report and Accounts 2014-15.

Whilst discussing the report it was noted that the Pension Fund was currently going through an internal audit and the findings would be brought back to the Board. The Chairman recommended that the External Audit report would benefit from longer term trend analysis.

The Chairman informed that whilst the Annual Report was there as a statement of fact the Audit Report was there for assurance. He raised concern that the Audit Report did not test against compliance with LGPS Regulations, Pension Accounts and CIPFA accountancy disclosure guidance for local government pension investment funds.

It was also mentioned that the auditors needed to include in their report the Pension Boards governance role and that the Auditors should meet the Board as part of the audit process.

Resolved: That the RBWM S151 officer be asked to review and explain why / why not the auditors do not audit against compliance with LGPS Regulations, Pension Accounts and CIPFA accountancy disclosure guidance for local government pension investment funds.

RISK REGISTER

The Deputy Fund Manager informed the Board that Scheme Managers had a legal duty to establish and have in place internal controls and when appropriate action being taken to ensure that the Pension Fund complies with its strategic aims. The appendix to the report showed the identified risks and actions being taken; which included a RAG rating. There were currently no risks reported as Red.

During discussion on this item it was mentioned that it would be good to see how the risks and their RAG rating had been identified to ensure that the process was robust and that a scoring /risk matrix should have been included. It was noted that RBWM usually looked at probability and severity so it would be normal to have risk matrix.

The Chairman reported that CIPFA had produced a guidance note on managing pension risks and that some authorities have included costs against their risks as well as probability. It was noted that costs could be included in impact.

In response to a question why staffing levels were reported as Amber the Board were informed that there were currently staff vacancies being recruited to, however with all the changes in LGPS regulations the risk of vacancies had been identified.

Resolved: The Deputy Fund Manager to update document for further circulation

FORMAL ADOPTION OF TERMS OF REFERENCE

The Chairman reported that the attached Terms of Reference had been amended following discussions at the last Board meeting.

It was questioned that as the TOR said the Board should be chaired by an independent Chairman what would happen if the Chairman could not attend. The Panel were informed that the meeting would either be cancelled or become an informal meeting.

Resolved: That the Board adopt the terms of reference.

FORMAL ADOPTION OF CODE OF CONDUCT AND CONFLICTS OF INTEREST POLICY

The Deputy Fund Manager reported that comments from the last meeting had been added to the Code of Conduct and that Board members were required to return section C which would be displayed on the website with signatures being redacted.

Resolved: That the Board adopt the Code of Conduct and Conflicts of Interest Policy.

ADOPTION OF TRAINING PLAN

The Deputy Fund Manager informed the Board that they had an obligation to develop a training plan to meet their statutory requirements of ensuring all of its members are able to fulfil their obligations associated with their role.

The training plan had been redesigned following comments made at the previous Board meeting.

Resolved: That the Board approved its Training Plan, that The Deputy Fund Manager maintain a training log and circulate a template document,, that Board members inform The Deputy Fund Manager of any training completed and that Code 14 / future training be an agenda item at the next meeting.

ADOPTION OF BREACHES POLICY

The Deputy Fund Manager informed the Board that the report outlined the legal requirement of Board members to report breaches of the law and the report asked the Board to adopt a traffic light framework for recording breaches. The report had been updated following comments made at the last meeting.

In response to questions the Board were informed that any breaches should be reported to The Deputy Fund Manager who would inform RBWM's S151 officer and members had the right to go straight to the regulator. It was a requirement to record all breaches. It was agreed to amend action 6 of the procedure for reporting breaches of the law.

Resolved: That the Board accept the guide to reporting breaches of the law and to adopt a traffic light framework for recording breaches.

PENSION ADMINISTRATION STRATEGY

The Deputy Fund Manager reported that the strategy had been prepared to support the funds (administering authority's) strategic aim in servicing the scheme members. The document set out the aims of the administering authority and how these were to be achieved. If approved the document will be circulated to scheme employers for consultation designed to run alongside employer training.

Linked to this document would be the revised service level agreements that are to be agreed.

Alan Nash recommended that it would be useful to show where we are now, where we want to be and how we are to get there; this should be supported by KPI's in the Stewardship report.

Billy Webster reported that the document read like an operations manual rather than a strategic document; therefore there was a need to decide what it was for.

Terry Baldwin felt that the areas that required improvement, as identified in the Stewardship report, needed to be reflected in this document. The Deputy Fund Manager mentioned that the regulations did not give the administering authority the 'stick' to force these improvements all they could do was to impose additional costs occurred. Improvements required would be covered in the training to employers.

The Chairman commented that the document needed to be more strategic with targeted actions.

It was agreed that to help get the key messages to the right people who could affect performance then Board members would provide The Deputy Fund Manager with a list of appropriate officers in their organisation for Kevin to add to his distribution list.

Resolved: That the Board provide The Deputy Fund Manager with a list of key officers within their organisation to be added to a Pension Fund distribution list. The Deputy Fund Manager to update document for further circulation.

FUTURE WORK PROGRAMME 2015-16

The Chairman presented the reported that contained a work programme that had been developed for another Pension Board. The report was slightly out of date but it did show the type of strategic work plan that was required for the Board to fulfil its primary aim in helping the scheme manager to secure compliance with LGPS regulations and associated regulations / legislation.

As the Board only met four times per year it was important that there was a standard agenda with arising key issues being added appropriately.

It was recommended that items, such as the code of conduct, could be reviewed by email outside the meeting and that the agenda could be constructed with the 'must dos' at the start and the more information items towards the end.

It was recommended that once Board members had completed their training they could highlight areas that they feel should be on the work programme.

Resolved: That the Chairman and The Deputy Fund Manager provide a rolling work programme.

HOW DID WE DO?

The Chairman asked if there were any lessons to be learnt from the last meeting and this meeting; for example we had agreed that both the Panel and the Board would be emailed copies of the agendas when published rather than reproducing on each others agendas.

It was mentioned that once the work programme had been established the Board would be in a better position to answer this question as at this meeting there had been a number of follow up reports; the future question is going to be if these meetings are helpful or a burden.

FORWARD LOOK OF PENSION BOARD BUSINESS

It was agreed that the next agenda would contain:

- Scheme Fund Update.
- Berkshire Pension Panel Minutes
- Auditing.
- Code of Practice Training.
- Handbook Feedback.
- Budget – Cost of Board.
- Outline Annual Report.

DATES OF FUTURE MEETINGS AND AOB

The following future meeting dates were approved:

- 3rd February 2016 at 1.30pm.
- 28th April 2016 at 12.30pm.
- July TBC
- October / November TBC

The meeting, which began at 1.00 pm, finished at 3.30 pm

CHAIRMAN.....

DATE.....