

NOTICE
OF
MEETING

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BERKSHIRE PENSION FUND PANEL

will meet on

MONDAY, 13TH FEBRUARY, 2017

at

4.00 pm

In

ASCOT AND BRAY - TOWN HALL,

TO: MEMBERS OF THE BERKSHIRE PENSION FUND PANEL

COUNCILLORS JACK RANKIN, JOHN LENTON (CHAIRMAN), GEOFF HILL,
DAVID HILTON (VICE-CHAIRMAN) AND JOHN COLLINS

ADVISORY MEMBERS: CLLR KHAULA USMANI (SLOUGH), CLLR GLENN
DENNIS (READING), CLLR STANTON, CLLR WORRALL, SUE NICHOLLS, CLLR
LAW, ENGIN ERYILMAZ, JOHN RALFS, MARK BUTCHER AND ASIA ALLISON

Karen Shepherd - Democratic Services Manager

Issued: 03/02/2017

Members of the Press and Public are welcome to attend Part I of this meeting.

The agenda is available on the Council's web site at www.rbwm.gov.uk or contact the
Panel Administrator David Cook (01628 796560) david.cook@rbwm.gov

Fire Alarm - In the event of the fire alarm sounding or other emergency, please leave the building quickly and calmly by the nearest exit. Do not stop to collect personal belongings and do not use the lifts. Congregate in the Town Hall Car Park, Park Street, Maidenhead (immediately adjacent to the Town Hall) and do not re-enter the building until told to do so by a member of staff.

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AGENDA

PART I

<u>ITEM</u>	<u>SUBJECT</u>	<u>PAGE NO</u>
1.	<u>APOLOGIES</u> To receive any apologies for absence.	
2.	<u>DECLARATIONS OF INTEREST</u> To receive any declarations of interest.	5 - 6
3.	<u>MINUTES</u> To approve the Part I minutes of the meeting held on 16 January 2017.	7 - 10
4.	<u>INTEGRATED RISK MANAGEMENT</u> To consider the report.	11 - 16
5.	<u>ACTUARIAL VALUATION 2016</u> To consider the presentation.	17 - 20
6.	<u>LOCAL GOVERNMENT ACT 1972 - EXCLUSION OF THE PUBLIC</u> To consider passing the following resolution:- "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 the grounds that it involves the likely disclosure of exempt information as defined in Paragraphs 1-7 of part I of Schedule 12A of the Act"	

PART II - PRIVATE MEETING

<u>ITEM</u>	<u>SUBJECT</u>	<u>PAGE NO</u>
7.	<u>MINUTES</u> To approve the Part II minutes of the meeting held on 16 January 2017. <i>(Not for publication by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972)</i>	To Follow
8.	<u>ACTION TRACKING</u> To consider the report. <i>(Not for publication by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972)</i>	21 - 22

MEMBERS' GUIDANCE NOTE

DECLARING INTERESTS IN MEETINGS

DISCLOSABLE PECUNIARY INTERESTS (DPIs)

DPIs include:

- Any employment, office, trade, profession or vocation carried on for profit or gain.
- Any payment or provision of any other financial benefit made in respect of any expenses occurred in carrying out member duties or election expenses.
- Any contract under which goods and services are to be provided/works to be executed which has not been fully discharged.
- Any beneficial interest in land within the area of the relevant authority.
- Any license to occupy land in the area of the relevant authority for a month or longer.
- Any tenancy where the landlord is the relevant authority, and the tenant is a body in which the relevant person has a beneficial interest.
- Any beneficial interest in securities of a body where
 - a) that body has a piece of business or land in the area of the relevant authority, and
 - b) either (i) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body **or** (ii) the total nominal value of the shares of any one class belonging to the relevant person exceeds one hundredth of the total issued share capital of that class.

PREJUDICIAL INTERESTS

This is an interest which a reasonable fair minded and informed member of the public would reasonably believe is so significant that it harms or impairs your ability to judge the public interest. That is, your decision making is influenced by your interest that you are not able to impartially consider only relevant issues.

DECLARING INTERESTS

If you have not disclosed your interest in the register, you **must make** the declaration of interest at the beginning of the meeting, or as soon as you are aware that you have a DPI or Prejudicial Interest. If you have already disclosed the interest in your Register of Interests you are still required to disclose this in the meeting if it relates to the matter being discussed. A member with a DPI or Prejudicial Interest **may make representations at the start of the item but must not take part in discussion or vote at a meeting.** The term 'discussion' has been taken to mean a discussion by the members of the committee or other body determining the issue. You should notify Democratic Services before the meeting of your intention to speak. In order to avoid any accusations of taking part in the discussion or vote, you must move to the public area, having made your representations.

If you have any queries then you should obtain advice from the Legal or Democratic Services Officer before participating in the meeting.

If the interest declared has not been entered on to your Register of Interests, you must notify the Monitoring Officer in writing within the next 28 days following the meeting.

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Agenda Item 3

BERKSHIRE PENSION FUND PANEL

MONDAY, 16 JANUARY 2017

PRESENT: Councillors Lenton (Chairman), Hill, Collins, Rankin and Hilton.

ADVISORY MEMBERS: Cllr Law, Cllr Usmani, Cllr Stanton, Mr Ralfs and Mr Butcher.

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

APOLOGIES

Apologies for absence were received from Cllr Worrall, Sue Nicholls, Mrs Arialmaz and Mr Dhingra.

DECLARATIONS OF INTEREST

The Pension Fund Manager declared an interest in items 14 and 15.

There were no other declarations of interest received.

MINUTES

The Part I minutes of the meeting held on 7th November 2016 were approved as a true and correct record subject to 'if' being added before 'however these were Insufficient' on page 11.

ATTENDANCE OF PENSION BOARD CHAIR

The Panel were requested to agree to the attendance of the Berkshire Pension Board Chairman at Part II meetings of the Berkshire Pension Fund Panel.

Resolved unanimously: that the Panel notes the report and:

i) Agrees to the attendance of the Chair of the Berkshire Pension Board at Part II meetings of the Berkshire Pension Fund and Pension Fund Advisory Panels.

ADVISORY PANEL APPLICATIONS

The Panel considered the report regarding two applications received to be members on the Berkshire Pension Fund Advisory Panel.

The Panel were informed that following the transfer out of the Thames Valley Probation Trust to the Greater Manchester Pension Fund it was agreed that the composition of the Advisory Panel should be amended so that three non-unitary authority employer representatives could sit on the Advisory Panel. It had been agreed that due to the number of scheme members from academies it would be appropriate to invite a scheme member from the overall academy membership to sit on the Advisory Panel.

John Ralfs attended the meeting and informed the Panel that he currently worked for the Langley Academy Trust where he was responsible for finance, facilities, ICT and health and safety.

Mark Butcher attended the meeting and informed the Panel that he was a deferred member and that he was experienced with attending similar panel meetings as a representative of UWL during 2008-10. He had also been a member of the Investment Panel advising the

Royal Borough of Kingston Pension Fund during 2014 and 2015. Mr Butcher was a qualified accountant.

Both applicants CV's were noted under confidential meeting, Part II.

Resolved unanimously: that the Panel notes the applications and approved the appointment of Mr Ralfs and Mr Butcher to the Berkshire Pension Fund Advisory Panel.

INTERNAL AUDIT REPORT

The Panel considered the report that provided members' with an update on the Internal Audit Report commissioned by the Berkshire Pension Board to determine whether RBWM as the Administering Authority of the Berkshire Pension Fund was compliant with The Pension Regulator's Code of Practice No.14 concerning Governance and Administration of Public Service Pension Schemes.

The Panel were informed that an audit opinion of substantially complete and generally effective (2nd highest Audit opinion) was received. The Administration of the Fund was compliant with Code of Practice 14 and most of the actions highlighted in the audit were resolved, an amended action plan had been attached to the report.

Cllr Stanton felt that page 26 paragraph 2.3 of the agenda where the audit mentioned 20 concerns gave the wrong impression of a good audit return.

It was noted that the Fund was also audited by KPMG as part of the Council's external audit of accounts.

Resolved unanimously: that the Panel note the Internal Audit Report on compliance with the Pensions Regulator Code of Practice 14.

INVESTMENT GOVERNANCE

The Panel were informed that at its meeting on 11 April 2016 the Panel approved the scheme of delegation as set out in Annex 1. The Borough's Constitution sub committee had requested that the Panel confirm the scheme of delegation due to a formatting error that had been amended to show that on agenda page 37 the top four actions had been delegated to officers.

With regards to 'Emergency action to terminate a mandate, redeem a pooled holding or reduce exposure to one or more asset classes and to take any other action necessary to secure/recover Pension Fund Assets' the Panel requested that the delegated actions be amended to say that the Berkshire Pension Panel Chairman should be the first consultee and if not available that at least one Member should be consulted.

Resolved unanimously: that the Panel confirms the scheme of delegation set out in Annex 1 and as amended above that Scheme of Delegation Emergency power delegated actions be "the Chairman or in his absence the Vice Chairman plus one of the other delegates"

STEWARDSHIP REPORT

The Panel considered the latest Stewardship Report that provided an update of stewardship of the Pension Fund for the period 1 July 2016 to 30 September 2016 (pages 7 to 9 updated to 31 October 2016).

The Panel were informed that agenda page 39 provided a list of Key Financial Indicators and that page 40 had been left blank pending the arrival of the actuary's report.

Cllr Law mentioned that the West Berkshire finance team had raised concern that we were anticipating increased employer contributions but confirmation would not be in time for the budget build. The Panel were informed that the Heads of Finance had already been provided with the predicted numbers.

Cllr Stanton asked if there was any indication of the increase and was informed that this would be around 14.5 % contribution rate but the question was how quick this should be implemented. For Local Authorities there was an expected 6 or 7 % increase to cover past deficits. The Chairman requested that a draft report be circulated to the Panel as soon as possible.

Cllr Law asked how the increases could be staggered over years and was informed that there could be a straight increase, an increase over 3 years or over 6 years. Local authorities had been consulted and two favoured 3 years whilst two favoured 6 years.

The Panel were informed that on agenda page 45 an extra column had been added to show 12 month currency returns in US Dollars due to the drop in sterling post Brexit.

In response to further questions the Panel were informed that the value of the Fund would be slightly lower in US dollars and that academies now had the majority of employers whilst local authorities had the most scheme members.

With regards to I-Connect it was noted that Reading BC had approved implementation whilst West Berkshire had taken a step backwards. It was confirmed that I-Connect would work with academy systems and that when RBWM implemented I-Connect 12 academies installed the system.

Resolved unanimously: that the Panel notes the report and:

- **The investment performance and asset allocation of the Fund**
- **All areas of governance and administration as reported**
- **All key performance indicators**

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 6.00 pm

CHAIRMAN.....

DATE.....

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Title: Integrated Risk Management
Contains Confidential or Exempt Information?: <i>NO - Part I</i>
Member reporting: Councillor Lenton, Chairman Berkshire Pension Fund and Pension Fund Advisory Panels
Meeting and Date: Berkshire Pension Fund and Pension Fund Advisory Panels – 13 February 2017
Responsible Officer(s): Nick Greenwood, Pension Fund Manager
Wards affected: None

REPORT SUMMARY

1. Panel will receive a presentation from Lincoln Pensions with the conclusion of an Integrated Risk Management study they have undertaken on behalf of the Pension Fund.
2. The output of this study has been used by the Actuary to better reflect the underlying employer covenant risks within the Fund.

1. DETAILS OF RECOMMENDATION(S)

RECOMMENDATION: That Panel notes the report.

2. REASON(S) FOR RECOMMENDATION(S) AND OPTIONS CONSIDERED

Background

The Pensions Regulator issued a major piece of new defined-benefit (“DB”) regulatory guidance in December 2015, “Integrated Risk Management”. Whilst this is guidance rather than a code of practice it will be considered by the Regulator to be best practice and hence the Fund should make every effort to comply with this guidance.

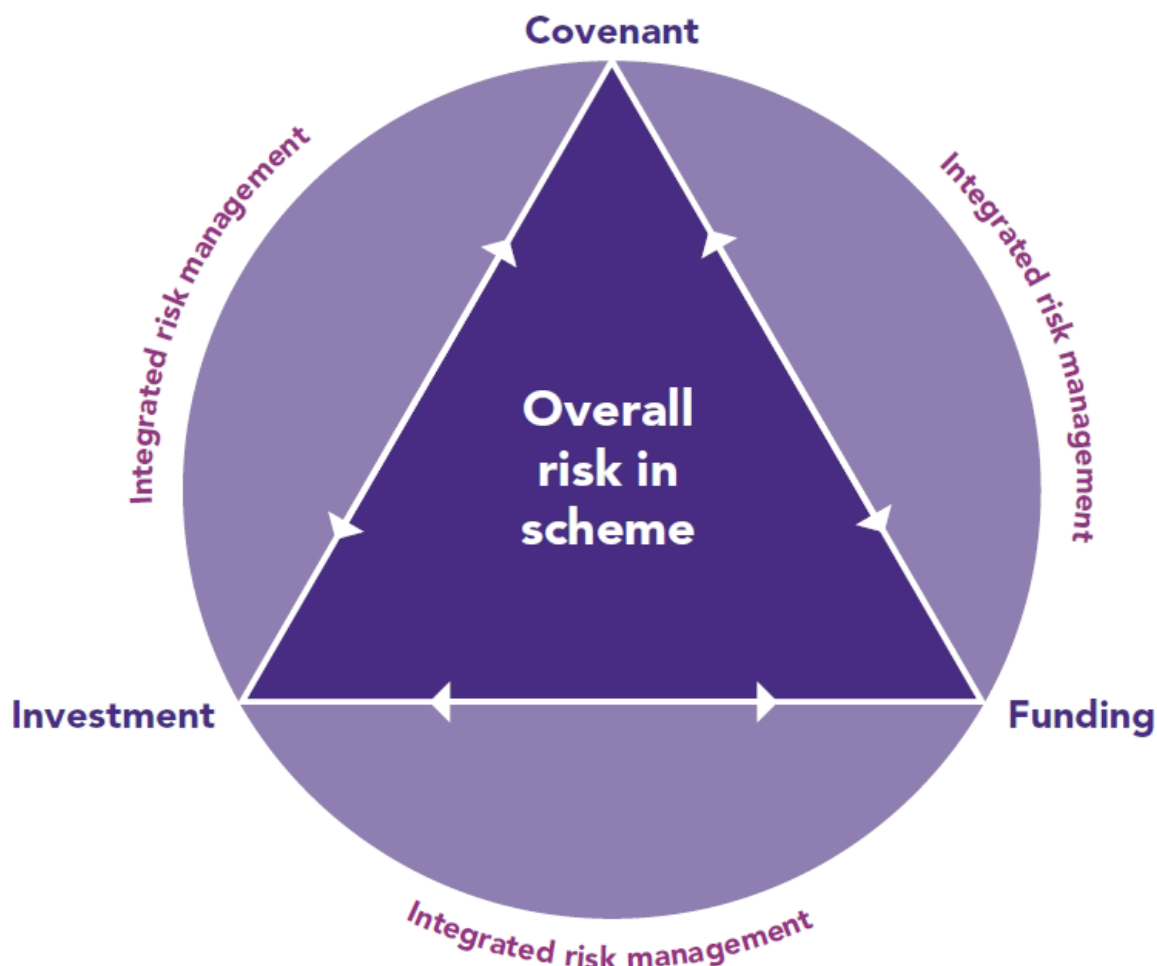
Integrated Risk Management

Integrated Risk Management (“IRM”) is a risk management tool that helps the Pension Fund Panel identify and manage the factors that affect the prospects of meeting the Pension Fund’s objective (namely that of being able to pay benefits as they fall due), especially those factors that affect risks in more than one area. The overall strategy the Panel has in place to achieve this objective will be dependent on the Fund’s and employers’ circumstances from time to time.

The output of an IRM approach informs Panel, Officers, Actuary and employer discussions and decisions (including employer contribution rates) in relation to their overall strategy for the scheme. This encompasses risk capacity, risk appetite and contingency planning as well as the assumptions to be used for calculating the scheme’s liabilities, funding level and any recovery plan.

IRM is a method that brings together the identified risks the scheme and employers face to see what relationships there are between them. It helps prioritise them and to assess their materiality. It can take many forms but should involve an examination of the interaction between the risks and a consideration of ‘what if’ scenarios to test the scheme’s and employer’s risk capacities. Quantification of risks may help these considerations but the rigour of quantification should be proportionate to the risk and resources available.

If the three fundamental risks to DB schemes are illustrated as a triangle with employer covenant, investment and funding risks at each corner, and each edge of the triangle examines the relationship between two risks bilaterally (for example, the right edge examines the relationship between covenant and scheme funding), IRM is the surrounding circle that encompasses all these risks together. IRM investigates the relationships between these risks (the triangle edges) all together, examines their interrelationship and seeks to understand how risk at one corner of the triangle might affect the other two.



The Fund has a comprehensive risk register (considered by Panel on January 18th 2016) which focusses on both operational and strategic risks albeit largely from the Borough’s point of view. The idea of Integrated Risk Management is to pull the strategic risks together to be able to identify the interplay between the 3 key strategic risks identified above from the viewpoint of the Fund – for instance if the economy goes into recession what is the potential impact on employers’ ability to pay contributions, the impact on investment returns and funding levels feeding back to the impact on contributions levels and the ability of employers to pay them (etc., etc.).

The Fund has already commissioned a piece of work from BDO looking at the “expected loss” from an admitted body ceasing to be an admitted body but has yet to review the knock-on effects on investment or funding which would be the output of any IRM work.

Lincoln Pensions a company that has extensive experience of undertaking IRM work for large private sector pension funds were commissioned to undertake an IRM project for the Fund which is expected to deliver the benefits of:

- Meeting the Regulator’s guidance as would be expected of a pension fund of our size

- Address the funding strategy/investment strategy requirements (which have to be documented and published as The Funding Strategy Statement and Investment Strategy Statement)
- Provide a robust primary evidential document that the Scheme Actuary can consider as part of the 2016 triennial actuarial valuation (which sets employer contribution rates from 2017/18 to 2019/20), this is particularly relevant to discussions over the appropriate discount rate.
- Deliver more effective risk management, contingency planning and monitoring arrangements.

3. KEY IMPLICATIONS

- 3.1 Whilst not mandatory Integrated Risk Management is considered to be best practice by the Pensions Regulator. This study has been used as documentary evidence by the Actuary to justify a reduction in the “risk premium” attached to the unitary authorities relative to other employers.

4. FINANCIAL DETAILS / VALUE FOR MONEY

- 4.1 This study cost approximately £50,000 or roughly £250 per active employer in the Fund.

5. LEGAL IMPLICATIONS

- 5.1 None – Integrated Risk Management is “best practice” in the eyes of the Pensions Regulator

6. RISK MANAGEMENT

- 6.1 Integrated Risk Management is, as its name implies, a tool for managing risks.

7. POTENTIAL IMPACTS

- 7.1 Lower contribution rates for certain employers than would have otherwise been the case.

8. CONSULTATION

- 8.1 N/A

9. TIMETABLE FOR IMPLEMENTATION

- 9.1 N/A

10. APPENDICES

- 10.1 None

11. BACKGROUND DOCUMENTS

11.1 None

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Title: Actuarial Valuation 2016
Contains Confidential or Exempt Information?: <i>NO - Part I</i>
Member reporting: Councillor Lenton, Chairman Berkshire Pension Fund and Pension Fund Advisory Panels
Meeting and Date: Berkshire Pension Fund and Pension Fund Advisory Panels – 13 February 2017
Responsible Officer(s): Nick Greenwood, Pension Fund Manager
Wards affected: None



REPORT SUMMARY

1. Representatives from Barnett Waddingham, Actuary to the Fund, will present the results of the 2016 Triennial Actuarial Valuation to Members.
2. Members will have the opportunity to raise questions with Barnett Waddingham.

1. DETAILS OF RECOMMENDATION(S)

RECOMMENDATION: That Panel notes the report.

2. REASON(S) FOR RECOMMENDATION(S) AND OPTIONS CONSIDERED

- 2.1 It is a statutory requirement that the Pension Fund is actuarially valued every three years.
- 2.2 The valuation calculated the net present value of the Fund's obligation to pay benefits and compares this value to the value of the Fund's assets.
- 2.3 The ratio of the Fund's assets to liabilities is known as the funding ratio.
- 2.4 The triennial actuarial valuation is used by the Actuary to determine employers' contribution rates – the future service contribution rate (to pay for benefits accrued in the period) and the deficit recovery rate (to recoup the shortfall between assets and liabilities over an agreed period).

3. KEY IMPLICATIONS

- 3.1 In an environment of low interest rates and flat markets (the investment return achieved in 2015/16 was 0.5%) it is anticipated that the discount rate used to value liabilities will have fallen thereby increasing their net present value and the funding ratio to have also fallen. Future Service Contribution rates will rise (as investment returns are expected to be lower for longer) as will deficit Recovery Contribution rates due to the fall in the funding ratio.

4. FINANCIAL DETAILS / VALUE FOR MONEY

- 4.1 Employers will be advised of their contribution rates as soon as the actuarial valuation is completed.

5. LEGAL IMPLICATIONS

- 5.1 Under the Local Government Pension Scheme Regulations the Fund is required to have an actuarial valuation every three years.

6. RISK MANAGEMENT

- 6.1 N/A – an actuarial valuation is a statutory obligation.

7. POTENTIAL IMPACTS

- 7.1 Employers' contribution rates will be affected by the outcome of this valuation.

8. CONSULTATION

- 8.1 Lincoln Pensions (Integrated Risk Management study) and Berkshire Treasurers have held discussions with the Actuary regarding the valuation.

9. TIMETABLE FOR IMPLEMENTATION

9.1

Table 5: Insert title

Date	Details
31 March 2017	Latest date for publication of the actuarial valuation and the Rates and Contributions certificate
1 April 2018	Implementation of new contribution rates

10. APPENDICES

10.1 None

11. BACKGROUND DOCUMENTS

11.1 None

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Agenda Item 8

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

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