

NOTICE
OF
MEETING

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BERKSHIRE PENSION FUND PANEL

will meet on

MONDAY, 22ND JANUARY, 2018

at

4.00 pm

In

COUNCIL CHAMBER - TOWN HALL, MAIDENHEAD,

TO: MEMBERS OF THE BERKSHIRE PENSION FUND PANEL

COUNCILLORS JOHN LENTON (CHAIRMAN), DAVID HILTON (VICE-CHAIRMAN), GEOFF HILL AND RICHARD KELLAWAY

ADVISORY MEMBERS: SUNYIA SARFRAZ, MARK BUTCHER, CLLR GLENN DENNIS, CLLR STANTON, CLLR WORRALL, CLLR LAW, PATRICK FULLER AND ASIA ALLISON

Karen Shepherd – Service Lead Democratic Services
Issued: 12/01/2018

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

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.

Recording of Meetings – The Council allows the filming, recording and photography of public Council meetings. This may be undertaken by the Council itself, or any person attending the meeting. By entering the meeting room you are acknowledging that you may be audio or video recorded and that this recording will be available for public viewing on the RBWM website. If you have any questions regarding the council's policy, please speak to the Democratic Services or Legal representative at the meeting.

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 PART I</u> To approve the Part I minutes of the meeting held on Monday 18 December 2017.	7 - 8
4.	<u>INTERNAL AUDIT REPORT - PENSION GOVERNANCE 2017-18</u> To Consider the report.	9 - 22
5.	<u>GOVERNANCE COMPLIANCE STATEMENT</u> To Consider the report.	23 - 34
6.	<u>PENSION POOLING</u> To Consider the report.	35 - 40
7.	<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 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."	

PART II - PRIVATE MEETING

<u>ITEM</u>	<u>SUBJECT</u>	<u>PAGE NO</u>
8.	<u>MINUTES PART II</u> To approve the Part II minutes of the meeting on Monday 18 December 2017. <i>(Not for publication by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972)</i>	41 - 44
9.	<u>PENSION POOLING</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>	45 - 98

MEMBERS' GUIDE TO DECLARING INTERESTS IN MEETINGS

Disclosure at Meetings

If a Member has not disclosed an interest in their Register of Interests, they **must make** the declaration of interest at the beginning of the meeting, or as soon as they are aware that they have a DPI or Prejudicial Interest. If a Member has already disclosed the interest in their Register of Interests they 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 the discussion or vote at a meeting.** The speaking time allocated for Members to make representations is at the discretion of the Chairman of the meeting. In order to avoid any accusations of taking part in the discussion or vote, after speaking, Members should move away from the panel table to a public area or, if they wish, leave the room. If the interest declared has not been entered on to a Members' Register of Interests, they must notify the Monitoring Officer in writing within the next 28 days following the meeting.

Disclosable Pecuniary Interests (DPIs) (relating to the Member or their partner) 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 licence 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.

Any Member who is unsure if their interest falls within any of the above legal definitions should seek advice from the Monitoring Officer in advance of the meeting.

A Member with a DPI should state in the meeting: ***'I declare a Disclosable Pecuniary Interest in item x because xxx. As soon as we come to that item, I will leave the room/ move to the public area for the entire duration of the discussion and not take part in the vote.'***

Or, if making representations on the item: 'I declare a Disclosable Pecuniary Interest in item x because xxx. As soon as we come to that item, I will make representations, then I will leave the room/ move to the public area for the entire duration of the discussion and not take part in the vote.'

Prejudicial Interests

Any interest which a reasonable, fair minded and informed member of the public would reasonably believe is so significant that it harms or impairs the Member's ability to judge the public interest in the item, i.e. a Member's decision making is influenced by their interest so that they are not able to impartially consider relevant issues.

A Member with a Prejudicial interest should state in the meeting: ***'I declare a Prejudicial Interest in item x because xxx. As soon as we come to that item, I will leave the room/ move to the public area for the entire duration of the discussion and not take part in the vote.'***

Or, if making representations in the item: 'I declare a Prejudicial Interest in item x because xxx. As soon as we come to that item, I will make representations, then I will leave the room/ move to the public area for the entire duration of the discussion and not take part in the vote.'

Personal interests

Any other connection or association which a member of the public may reasonably think may influence a Member when making a decision on council matters.

Members with a Personal Interest should state at the meeting: ***'I wish to declare a Personal Interest in item x because xxx'. As this is a Personal Interest only, I will take part in the discussion and vote on the matter.***

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Agenda Item 3

BERKSHIRE PENSION FUND PANEL

MONDAY, 18 DECEMBER 2017

PRESENT: Councillors John Lenton (Chairman), David Hilton (Vice-Chairman) and Richard Kellaway

Advisory Members: Councillor Dennis, Councillor Law, Councillor Stanton, Mark Butcher.

Officers: Philip Boyton, David Cook, Kevin Taylor, Pedro Pardo, Rob Stubbs and Alison Alexander.

APOLOGIES

Apologies for absence were received by Councillors Hill and Worrall.

It was noted that the Pension Fund Manager was currently on long term sick leave.

An Investment Working Group advisor had requested to be released from their duties due to an illness in their family. The Panel thanked him for his support and wished him all the best in the future.

DECLARATIONS OF INTEREST

There were no declarations of interest received from Panel Members and Advisory members.

It was noted that pension fund officers had an interest in the Pooling item.

MINUTES

Resolved Unanimously: that the Part I minutes of the meeting held on 13 November 2017 were approved as a true and correct record.

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 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 returned to Part I after the Part II discussions.

INTERNAL AUDIT REPORT - PENSION GOVERNANCE 2017-18

Item deferred.

GOVERNANCE COMPLIANCE STATEMENT

Item deferred.

PENSION POOLING

The item was discussed under Part II where it was agreed that it would be brought back to the next Panel meeting.

The meeting, which began at 4.30 pm, finished at 6.40 pm

CHAIRMAN.....

DATE.....

Title: Internal Audit Report – Pensions Governance 2017/18
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 – 18 December 2017
Responsible Officer(s): Kevin Taylor, Deputy Pension Fund Manager
Wards affected: None

REPORT SUMMARY

1. This report brings to Members' attention the results and outcomes of an annual Internal Audit Report concerning Pensions Governance.
2. Many of the issues identified have been dealt with although a few remain outstanding. A copy of the audit report can be found at Annex 1 with further minor concerns being identified in Annex 2.
3. A verbal update will be provided at the meeting.

1. DETAILS OF RECOMMENDATION(S)

RECOMMENDATION That Panel:

notes the Internal Audit Report on Pensions Governance.

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

The Pension Panel acts as the Scheme Manager for the Berkshire Pension Fund and needs to consider and keep under review its governance and administration practices and standards to ensure that it is compliant with Scheme Regulations and the requirements of The Pensions Regulator.

Internal Audit are requested to review annually the Fund's compliance with governance and administration requirements set out in Scheme Regulations and in guidance issued by the Pensions Regulator.

It should be noted that of the 29 moderate concerns raised in the 2016-17 governance audit only 5 remain but 2 additional concerns have been raised. Officers are taking action to resolve these issues. In addition there are 5 minor

concerns that have been raised for which Officers are again taking action to resolve.

With the pending pooling arrangements with the Local Pensions Partnership (LPP) likely to come into effect from 1 April 2018, the future governance of the Berkshire Pension Fund is in question so Members should note that some of the outcomes of the audit report are dependent upon the steps still to be taken with regard to the Fund's proposed partnership with LPP.

3. KEY IMPLICATIONS

- 3.1 The Administering Authority is required to maintain the Pension Fund in accordance with Scheme Regulations and Codes of Practice issued by The Pensions Regulator. Failure to do so could damage the reputation of the Royal Borough as the Administering Authority to the Berkshire Pension Fund.

4. FINANCIAL DETAILS / VALUE FOR MONEY

None

5. LEGAL IMPLICATIONS

The Administering Authority is required to govern and administer the Pension Scheme in accordance with the Public Service Pensions Act 2013 and associated Local Government Pension Scheme Regulations. Failure to do so could lead to challenge.

6. RISK MANAGEMENT

Table 1: Risk Analysis

Risks	Uncontrolled Risk	Controls	Controlled Risk
Pension Scheme not governed in line with legislation	Medium	Internal and External Audits	Low

7. POTENTIAL IMPACTS

Failure to comply with Pension legislation could result in the Administering Authority being reported to the Pensions Regulator where failure is deemed to be of a material significance.

8. CONSULTATION

Not applicable

9. TIMETABLE FOR IMPLEMENTATION

Immediate

10. APPENDICES

Annex 1 - Internal Audit Report (9028)
Annex 2 – Minor concerns

11. BACKGROUND DOCUMENTS

None

12. CONSULTATION (MANDATORY)

Berkshire Pension Fund and Pension Fund Advisory Panels

INTERNAL AUDIT REPORT (9208)

**Pensions Governance
2017/18**

Draft Report Distribution

Name	Title
Nick Greenwood	Pension Fund Manager
Kevin Taylor	Deputy Pension Fund Manager

Additional Circulation of Final Report

Name	Title
Alison Alexander	Managing Director
Steve Mappley	Insurance and Risk Manager
Rob Stubbs	Deputy Director and Head of Finance
External Audit	KPMG

Auditor

Madeline White, Lead Specialist Level 2

Report Approved by

Catherine Hickman, Lead Specialist – Audit and Investigation

1. INTRODUCTION

1.1 This audit has been undertaken as part of the approved Annual Internal Audit Plan 2017/18, in accordance with the:

- Audit Charter
- Audit Protocol
- Agreed Terms of Reference previously issued

1.2 The format of this report is based on the Lean Systems Thinking Methodology. Management is asked to specify and explain the countermeasure to the concerns raised, as detailed in the Management Action Plan.

2. EXECUTIVE SUMMARY & CONCLUSIONS

AUDIT OPINION

Based upon our review of the controls in place within Pension Governance, we have concluded that controls are:

**Substantially Complete and Generally Effective
2nd Highest out of 4 Audit Opinions**

- Most key Treatment Measures are in place and these operate effectively.
- The majority of residual risks have been reduced to an acceptable level.
- There are a small number of unacceptable financial implications.
- The majority of concerns are of a predominately moderate impact/likelihood.

(Risk management processes are good and controls are adequate although only partially effective).

- 2.1 The principal objective of this Audit was to conclude whether the risk management process is sound and that treatment measures identified for risks PEN001, PEN002, PEN003 and PEN009 as detailed in the Council's Corporate Risk Register relating to Pensions Governance are adequate and effective
- 2.2 The Royal Borough of Windsor and Maidenhead (RBWM) is the administering authority for the Berkshire Pension Fund. However all pension funds in England and Wales are being pooled in order to make cost savings and improvements to investments .
- 2.3 Whilst the Berkshire Pension Fund has not yet formally joined a pool a letter of intent has been sent to the Local Pensions Partnership (LPP) to become a full partner alongside Lancashire County Council and the London Pension Fund Authority. As a full partner investments would be pooled and pension administration amalgamated. This would be effective from 1st April 2018 if a full partnership is agreed.

- 2.4 As a result, the future governance of the fund may be affected i.e. the establishment of a single Pension Board made up of each of the 3 partners rather than individual Boards. Consequently, a number of the findings within this review have arisen due to the impending amalgamation.
- 2.5 This apart, it is pleasing to note that of the 29 moderate concerns raised in the previous audits undertaken in 2015/16 and 2016/17 only 5 have been raised again as moderate concerns within this review.
- 2.6 There are 7 concerns identified in this Audit Report which are all classified as moderate concerns. There were 5 minor concerns that were discussed at the exit meeting.

Audit Opinion

The opinion stated in the audit report provides management with a brief objective assessment of the status of current Treatment Measures which have been put in place to reduce identified risks to the operation or strategy under review. It is not a statement of fact.

In reaching the Audit Opinion for this audit, the majority of the criteria for the relevant definition apply.

AUDIT OPINION DEFINITIONS
<p>Complete and Effective</p> <ul style="list-style-type: none">• All necessary Treatment Measures are in place and are operating effectively.• Residual risks have been reduced to an acceptable level• There are no unacceptable financial implications.• Concerns reported are minor. <p>(Risk management processes are strong and controls are adequate and effective).</p>
<p>Substantially Complete and Generally Effective</p> <ul style="list-style-type: none">• Most key Treatment Measures are in place and these operate effectively.• The majority of residual risks have been reduced to an acceptable level.• There are a small number of unacceptable financial implications.• The majority of concerns are of a predominately moderate impact/likelihood. <p>(Risk management processes are good and controls are adequate although only partially effective).</p>
<p>Range of Risk Mitigation Controls is incomplete and risks are not effectively mitigated</p> <ul style="list-style-type: none">• Not all key Treatment Measures are in place and / or do not operate effectively• Residual risks have not all been reduced to an acceptable level• There are some unacceptable financial implications associated with more than one risk mitigation control or because of a lack of risk mitigation control.• There are a number of concerns that are predominantly of a major impact/likelihood. <p>(Risk management processes and controls are adequate but not effective in mitigating the identified risks).</p>
<p>There is no effective Risk Management process in place</p> <ul style="list-style-type: none">• There are no appropriate Treatment Measures in place.• Residual risks remain at an unacceptable level• Reported concerns are predominantly of a catastrophic or major impact/likelihood. <p>(Risk management processes and controls are weak).</p>

**Management Action Plan
Pensions Governance - 2017-18**

Please complete the Management Action Plan

For any one Concern, you may decide upon one or more countermeasures

PLEASE COPY AND PASTE THE TICK SHOWN INTO THE APPROPRIATE COUNTERMEASURE(S) CELL(S)

Ref.	Concern	Risk	Finding	COUNTER MEASURE				Counter Measure Action / Explanation	Responsible Officer	Target Date	Date: Transfer or Terminate
				Treat	Tolerate	Transfer	Terminate				
1	Conflict of Interest may arise which results in the judgement of other members present being influenced.	Moderate	Declaration of Interests not seen for the substitute Scheme Employer members. o/s Report 9161 TCR 2016/17 Concern 10	✓				The structure of the Pension Board has been discussed at previous meetings with particular regard to having formal substitutes, the outcomes of which have yet to be minuted. Will be raised at next meeting of the Board.	Kevin Taylor Deputy Pension Fund Manager	30/11/17	

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2	Without a review of specific competencies and the technical skills required, the Pension Fund Panel and Advisory Panel may be unable to: a) fulfil all areas identified in their Terms of Reference. b) demonstrate that Members can fulfil their responsibilities .	Moderate	Training records including personal training needs analysis have not been completed for the Pension Panel and Advisory Panel o/s Reports: 2011/12 (Concern 1) 2012/13 (Concern 2) 2013/14 (Concern 2) 2014/15 (Concern 2) 2016/17 (Concern 7)	✓				Ongoing issue.	Nick Greenwood Pension Fund Manager	31/3/18	
3	The Pension Board members may not be able to fulfil all areas of their responsibilities .	Moderate	E-Learning Toolkit has not been completed by one Board member (Employer Representative , Reading BC) o/s Report 9161 TCR 2016/17 - Concern 6	✓				Board member has extensive knowledge of the LGPS as a senior officer at Reading BC. However, he does need to complete, and evidence that he has completed, the TPR toolkit. To be followed up at next Pension Board meeting.	Kevin Taylor Deputy Pension Fund Manager	30/11/17	

4	Officers may be referring to out of date guidance	Moderate	<p>The Traffic Light Framework referred to within the Reporting Breaches guidance d/d 11/15 is not:-</p> <p>a) included as an Appendix to the document</p> <p>b) detailing the date compiled and date approved by and by whom.</p> <p>c) available on the Berkshire Pension Fund website as quoted in the guidance.</p> <p>Reworded Concern17 Report 9161</p>	✓				<p>Document reviewed and updated to:</p> <p>a) Include a template traffic light register as an appendix to the document;</p> <p>b) To include date approved and reviewed in the footer of the document;</p> <p>c) to remove reference to website in the guidance.</p> <p>Updated version now available on website.</p>	Kevin Taylor Deputy Pension Fund Manager	31/10/17	
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5	There is a risk of a failure to report breaches of law to the Pension Regulator is a "civil offence" i.e. non-compliance Public Service Pension Act 2013 and Local Pension Scheme Regulations.	Moderate	Training has not been delivered to the Head of Finance (RBWM) and the Monitoring Officer (RBWM), in respect of Reporting Breaches o/s Report 9161 TCR 2016/17 - Concern 18	✓			Training given on 2 November 2017 to s151 Officer and Monitoring Officer. Awaiting email confirmation that training has been received from both officers.	Kevin Taylor Deputy Pension Fund Manager	30/11/17	
6	Legal and financial implications could be incurred by the Pension Fund	Moderate	Evidence has not been seen that the Pension Team hold signed Service Level Agreements from all the Admitted Bodies o/s Report 9161 TCR 2016/17 - Concern 20		✓		This concern is to be tolerated at present pending forthcoming discussions to be held with Local Pensions Partnership (LPP) with regard to the potential future amalgamation of administration services. It should be noted that although certain employers have not completed and signed off an SLA all scheme employers are monitored by the Fund in line with the requirements of the SLA and so where employers are identified as			

								underperforming steps are taken to resolve those issues as they arise.			
7	Members, officers and the general public are referring to out of date information. Governance is weakened if the Constitution does not contain correct information	Moderate	The Constitution does not reflect the change of membership of the Pension Panel and Advisory Panel from 16 to 17 which was agreed at the Pension Panel meeting held in June 16.	✓				Constitution document updated in September 2017.	Mary Kilner Head of Law and Governance	30/9/17	

Governance and Administration of Berkshire Pension Scheme 2017/18

Minor Concerns

Ref	Concern	Cause	DATE MANAGEMENT INFORMED
a)	Conflicts and disputes may arise which could affect the Pension Fund if the Administering Authority cannot demonstrate members have received the guidance document detailing responsibilities and requirements of the Board/Panel and member	Confirmation of receipt of handbook not seen for the following Pension Board Members:- a) Alan Cross b) Neil Wilcox c) Andy Walker d) Surjit Nagra e) Terry Baldwin f) Jeff Ford A completed members log book recording receipt of the Members handbook has not been seen O/S Report 2012/13 (Concern 17), 2013/14 (Concern 12) 2014/15 (Concern 6) 2015/16 (Concern 12)	12/10/17
b)	Officers will not be assured that they are referring to current requirements	The Investment Statement Strategy has not been dated or details date of approval	12/10/17
c)	Officers and the General Public will be referring to out of date documentation.	The Statement of Investment Principles dated 4/15 is still located on the website.	12/10/17
d)	Officers and the General Public may be referring to out of date documentation.	Compliance statement has not been reviewed/updated since 5/15 version	12/10/17
e)	Members/ Pensioners/ Employers may be referring to out of date information. Raised as minor TCR Governance report 9161 2016/17	The following policies available on the website do not appear to have been regularly reviewed:- a) Cash Management policy 4/15* b) Due Diligence 1/15* c) Governance Compliance Statement 5/15* d) Investment Philosophy 4/14 e) Investment Principles 4/15* f) Reporting Breaches	

e)		<p>11/15* g) Managing Risk 12/15* h) Employer Guide to Contribution Returns 4/14*</p> <p>In addition those policies/statement above marked * do not show the date the document was approved and by whom i.e. Panel.</p>	
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Title: Approval of Governance Compliance Statement
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 – 18 December 2017
Responsible Officer(s): Kevin Taylor, Deputy Pension Fund Manager
Wards affected: None

REPORT SUMMARY

1. This report presents updates to the Administering Authority’s Governance Compliance Statement required by Regulation 55 of the Local Government Pension Scheme Regulations 2017.

1. DETAILS OF RECOMMENDATION(S)

RECOMMENDATION: That Panel notes the report and:

i) Approves the amendments made to the Governance Compliance Statement and agrees to the updated version being published on the Pension Fund website.

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

- 1.1 Attached at Annex 1 is a tracked copy of the Administering Authority’s Governance Compliance Statement last reviewed in May 2015.
- 1.2 The updated version reflects a number of changes required following amendments to the Council Constitution updating the membership structure of the Pension Panel, Advisory Panel and Pension Board.

3. KEY IMPLICATIONS

3.1 Not applicable

4. FINANCIAL DETAILS / VALUE FOR MONEY

4.1 Not applicable

5. LEGAL IMPLICATIONS

5.1 Publication is a statutory requirement.

6. RISK MANAGEMENT

6.1 Not applicable as publication is a statutory requirement.

7. POTENTIAL IMPACTS

7.1 Not applicable.

8. CONSULTATION

8.1 Not applicable.

9. TIMETABLE FOR IMPLEMENTATION

9.1 Not applicable

10. APPENDICES

10.1 Annex 1 – Tracked version of the Governance Compliance Statement.

11. BACKGROUND DOCUMENTS

11.1 Regulation 55 of the Local Government Pension Scheme Regulations 2013.

[Annex 1](#)



**GOVERNANCE
COMPLIANCE
STATEMENT**



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INTRODUCTION

This document details the compliance of the Royal Borough of Windsor and Maidenhead, as the administering authority of the Royal County of Berkshire Pension Fund, with the guidance issued for governance of the Local Government Pension Scheme by the Secretary of State for Communities and Local Government. It has been prepared as required by Regulation 55 of the Local Government Pension Scheme Regulations 2013.

The Regulations require the administering authority to prepare this written statement setting out whether or not it delegates its functions or part of its functions to a committee, a sub-committee or an officer of the authority.

Where the administering authority does delegate all or part of its functions the statement must include the terms, structure and operational procedures of the delegation, the frequency of any committee or sub-committee meetings and whether such a committee or sub-committee includes representatives of Scheme employers and members, and if so, whether those representatives have voting rights.

In addition, the administering authority must state the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not comply, the reasons for not complying.

The administering authority must also set out details of the terms, structure and operational procedures relating to the local pension board established under regulation 106 of the Local Government Pension Scheme Regulations 2013 as inserted by the Local Government Pension Scheme (Amendment) (Governance) Regulations 2015.

This governance compliance statement must be published by the administering authority, kept under review and amended following any material change to any matters included within, once any consultation has been concluded.

STRUCTURE

The Royal Borough of Windsor & Maidenhead (RBWM) has been designated as the administering authority to the Royal County of Berkshire Pension Fund in accordance with Part 1 of Schedule 3 of the Local Government Pension Scheme Regulations 2013.

For the purposes of managing the Pension Fund, RBWM delegates its powers under the Constitution of the Council where it sets out the functions of the Royal County of Berkshire Pension Fund Panel (hereinafter referred to as 'the Main Panel'), the Royal County of Berkshire Pension Fund Advisory Panel (hereinafter referred to as 'the Advisory Panel') and the Berkshire Pension Board (hereinafter referred to as 'the Pension Board'). As such several principles have been set out to ensure compliance with the scheme regulations.

- i) The management of the administration of benefits and strategic management of fund assets.

Compliant – The Constitution of the Council defines the responsibilities of 'the Main Panel' to manage the Pension Fund.

ii) Representatives of Scheme employers and Scheme members should sit on 'the Advisory Panel' to underpin the work of 'the Main Panel'.

Compliant – Membership of 'the Advisory Panel' includes five Elected Members from RBWM, one Elected Member from each of the other five Berkshire Unitary Authorities, ~~three other Scheme employer two Admission Body~~ representatives, two union representatives, and two members to represent the active, deferred and retired Scheme members.

iii) The structure of 'the Main Panel' and 'the Advisory Panel' should ensure effective communication across both levels.

Compliant – 'The Advisory Panel' meets concurrently with 'the Main Panel' with both Panels receiving the same information.

iv) At least one seat on 'the Main panel' should be allocated for a member of 'the Advisory Panel'.

Compliant – All five seats on 'the Main Panel' are allocated to the five RBWM members of 'the Advisory Panel'.

v) The structure of 'the Pension Board' must consist of an equal number of Scheme member and Scheme employer representatives all of whom have voting rights.

Compliant – Membership of 'the Pension Board' consists of ~~one Independent Chairperson (who does not have a right to vote)~~, ~~3~~ ~~three~~ Scheme member representatives and ~~3~~ ~~three~~ Scheme employer representatives.

REPRESENTATION

All key stakeholders should be afforded the opportunity to be represented with 'the Main Panel', 'the Advisory Panel' and 'the Pension Board'. To ensure compliance a number of principles have been identified.

The key stakeholders are:

i) Scheme employers.

Compliant – The six Berkshire Unitary Authorities and up to ~~three~~ ~~two~~ of the other Scheme employers are represented on 'the Advisory Panel'. In addition ~~3~~ ~~three~~ Scheme employer representatives make up membership of 'the Pension Board'

ii) Scheme members (including deferred and retired members).

Compliant – 'The Advisory Panel' has two representatives from the major trades unions and makes provision to have two representatives from the active, deferred or retired Scheme membership. In addition 3 Scheme member representatives sit on 'the Pension Board'

iii) Independent Professional Observers.

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Document created May 2015
Date last reviewed November 2017
Approved by Pension Panel Governance Compliance Statement (05/15)

Compliant – An Independent Adviser attends each meeting of 'the Main Panel' and 'the Advisory Panel'. Independent Advisers are also required to attend meetings of 'the Pension Board' as may be requested by the Chairperson.

iv) Expert advisers (on an ad-hoc basis)

Compliant – Expert advisers are invited to meetings of 'the Main Panel' and 'the Advisory Panel' as required. Independent Strategy Advisers attend meetings of the Investment Working Group. In addition expert advisers are required to attend meetings of 'the Pension Board' as may be requested by the Chairperson.

v) Where lay members sit on either 'the Main Panel' or 'the Advisory Panel' they are treated equally in terms of access to papers, meetings and training and are given full opportunity to contribute to the decision making process with or without voting rights. No lay members sit on 'the Pension Board'.

Compliant – Members of both 'the Main Panel', 'the Advisory Panel' and 'the Pension Board' are treated equally in respect of access to papers, meetings and training. All members are given full opportunity to contribute to the decision making process although only members of 'the Main Panel' have voting rights.

SELECTION AND ROLE OF LAY MEMBERS

Members of 'the Main Panel', 'the Advisory Panel' and 'the Pension Board' need to be fully aware of the status, role and function that they are required to perform.

Compliant – Bodies nominating individuals for membership of 'the Main Panel', 'the Advisory Panel' or 'the Pension Board' are periodically reminded that it is their responsibility to ensure that all members are aware of their responsibilities. The Chair of 'the Main Panel' will remind members of both 'the Main Panel' and 'the Advisory Panel' of their responsibilities as required. The Chair of 'the Pension Board' will remind members of 'the Pension Board' of their responsibilities as required. Each set of papers for every Panel/Board meeting contains a reminder to members of their duty in respect to potential conflicts of interest. Members are expected to declare conflicts of interest and abide by RBWM's rules on conflicts of interest.

VOTING

The policy of the administering authority on voting rights must be clear and transparent and include justification for not extending voting rights to each body or group represented on 'the Main Panel', 'the Advisory Panel' or 'the Pension Board'.

Compliant – The Constitution of RBWM sets out the terms of reference and voting rights of 'the Main Panel', 'the Advisory Panel' and 'the Pension Board'.

TRAINING / FACILITY TIME / EXPENSES

i) In relation to the way in which statutory and related decisions are taken by RBWM, a clear policy on training, facility time and reimbursement of expenses in respect of members involved in that decision making process must be made.

Compliant – All members of 'the Main Panel' and 'the Advisory Panel' are entitled to attend or request training. Members of 'the Pension Board' are required to have a working knowledge of the LGPS regulations and other associated legislation as it relates to the governance and administration of the Scheme and so must commit to undertaking the relevant training in order to achieve this requirement. All members of ~~'the Main Panel, 'the Advisory Panel s/ and 'the Board'~~ are entitled to request the use of facilities belonging to RBWM in respect of their ~~respective duties duties as members of 'the Main Panel', 'the Advisory Panel' and 'the Pension Board'~~ and reasonable expenses incurred ~~in relation to their membership of the Panels/Board~~ will be reimbursed upon request.

ii) Any policy must apply equally to all members of the Panels/Board.

Compliant – No distinction is made between members of ~~'the Main Panel', 'the Advisory Panel' or 'the Board'~~. ~~However, the Independent Chairperson of 'the Pension Board' is appointed under contract and so in addition to the reimbursement of reasonable expenses also receives payment for chairing meetings of 'the Pension Board' at a rate of £125 per hour. In addition the Chairperson receives an annual fee of £250 for use of IT systems.~~

MEETINGS (frequency/Quorum)

i) RBWM will hold meetings of 'the Main Panel' at least quarterly.

Compliant – Meetings are held quarterly. ~~To be quorate two members are required to attend.~~

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ii) RBWM will hold meetings with 'the Advisory Panel' at least twice a year synchronised with the dates for meetings of 'the Main Panel'.

Compliant – Both ~~p~~Panels meeting concurrently

iii) RBWM will hold meetings of 'the Pension Board' ~~aligned so far as possible to ahead of each~~ meetings of 'the Main Panel' and 'the Advisory Panel'.

Compliant – 'The Pension Board' meets quarterly at a satisfactory and mutually agreed date. ~~ahead of each meeting of 'the Main Panel' and 'the Advisory Panel'. To be quorate at least 50% of the Board Members must be present and both Scheme Member and Scheme Employer Representatives must be in attendance.~~

iv) Where lay members are included in the formal governance arrangements RBWM will provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.

Compliant – 'The Advisory Panel' has four lay members. ~~Also Scheme employer road shows are held on an ad-hoc basis to explain current issues. An annual Scheme employer meeting is held in March/April with an annual meeting is held for Scheme employers and Scheme members meeting being held in November. In addition pension surgeries and employer training events are held throughout the year.~~

ACCESS

Subject to any rules in RBWM's Constitution, all members of 'the Main Panel', 'the Advisory Panel' and 'the Pension Board' will have equal access to committee papers, documents and advice that falls to be considered at meetings of the Panels/Board.

Compliant – All members of 'the Main Panel', 'the Advisory Panel' and 'the Pension Board' have equal access to Panel/Board papers, documents and advice that falls to be considered at Panel/Board meetings.

SCOPE

RBWM will take steps to bring wider Scheme issues within the scope of their governance arrangements.

Compliant – Wider Scheme issues are considered by 'the Main Panel', 'the Advisory Panel' and 'the Pension Board' on a regular basis.

PUBLICITY

RBWM will publish details of their governance arrangements in such a way that interested stakeholders can express their interest in wanting to be part of those arrangements.

Compliant – The Governance Policy Statement is published on the Royal County of Berkshire Pension Fund website (www.berkshirerpensions.org.uk) and is available on request from the Pension Manager.

| Approved by The Berkshire Pension Fund Panel on

Report Title:	Pension Investments Pooling
Contains Confidential or Exempt Information?	NO - Part I covering report YES - Part II Appendices 1 and 2. 'Not for publication by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.'
Member reporting:	Councillor Lenton, Chairman Pension Fund Panel
Meeting and Date:	Pension Fund Panel - 18 December 2017
Responsible Officer(s):	Alison Alexander, Managing Director & Rob Stubbs, Deputy Director and Head of Service
Wards affected:	All

www.rbwm.gov.uk



REPORT SUMMARY

- 1 Local Government Pension Scheme Asset Pooling is a government requirement under the LGPS (Management and Investment of Funds) Regulations 2016. The regulations provide for Secretary of State intervention if pooling is not embraced sufficiently by pension funds, which could include a direction to join a pool.
- 2 It is proposed that the Royal County of Berkshire Pension Fund join the Local Pensions Partnership (LPP) an FCA regulated Company, which is the collaboration of the Lancashire County Council and London Pension Fund Authority funds. LPP 'drive to achieve economies of scale and efficiencies for the benefit of their new members, focusing on managing assets and liabilities (risk) together in order to improve long term fund performance, stabilise contributions and reduced deficits'.
- 3 Governance will be provided through the Berkshire Pension Fund Panel and associated panels. Under pooling, the investment strategy will remain the responsibility of the Berkshire Pension Fund, with LPP being responsible for the appointment of fund managers and the management of the investments of the pension funds in the pool to deliver on the Berkshire Pension Fund's investment strategy.
- 4 At its meeting on 13th November 2017, the Pension Fund Panel agreed to enter into a memorandum of understanding with LPP with a view to joining as a full service client initially.

1 DETAILS OF RECOMMENDATION(S)

RECOMMENDATION: That the Pension Fund Panel notes the report and:

- i) Approves the pooling of 100% of Berkshire's assets with Local Pensions Partnership including the management of legacy assets until such times as they mature and become poolable.
- ii) Agrees the LPP cost for the delivery of Asset and Liability management (ALM) services.

- iii) **Agrees the ALM risk management services annual charge detailed in part II Appendix 1.**
- iv) **Approve implementation costs as detailed in part II Appendix 1.**
- v) **Authorises the Deputy Director and Head of Finance in conjunction with the Chairman of the Pension Panel to undertake work to secure the most appropriate governance model and report back with options for approval.**

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

- 2.1 In 2015 the Government announced that they wanted the 89 Local Government Pension Scheme funds to pool their investments into larger pools in order to achieve savings in investment management costs. The LGPS (Management and Investment of Funds) Regulations 2016 were laid in September 2016, and came into effect on 1st November 2016, with Regulation 8 providing for Secretary of State intervention if it is deemed the regulations and guidance have not been implemented properly by a pension fund.
- 2.2 The objective of pooling the assets is to achieve savings over the longer term from both lower investment management costs and more effective management of the investment assets. The pool will look to deliver the savings based upon the collective buying power the pool provides. Local accountability will be maintained as the Berkshire Pension Fund Panel will remain responsible for strategic decisions including asset allocation. The pooling of assets will only affect the implementation of the investment strategy in terms of manager appointments.
- 2.3 The government expectation is that all LGPS Pension Funds will join a pool, with the LGPS (Management and Investment of Funds) Regulations 2016 providing for Secretary of State intervention if they do not. Therefore if the Berkshire Pension Fund decided not to join the Local Pensions Partnership, it would have to find an alternative pool to join or risk being directed to do so by the Secretary of State.
- 2.4 There have been eight pools established for the 89 LGPS funds and the Pension Fund looked at joining other pools with the final decision to pool with the Local Pensions Partnership being chosen.

Table 1: Options

Option	Comments
Join LPP as a full service client from April 2018 and seek to conclude the issue of shareholding within 18 months. Recommended option.	This would ensure the government requirement for commencement of pooling of assets by April 2018 is achieved.
Do not join LPP but seek an alternative pool to join. Not recommended.	Review of, and discussions with, the potential pools found that LPP was the most suitable pool for the Berkshire Pension Fund to join.
Do not agree to join any pool. Not recommended.	This will likely result in Secretary of State intervention.

3 KEY IMPLICATIONS

- 3.1 The estimated costs of transitioning assets will be covered by the pension fund to ensure that no individual employer is disadvantaged by additional costs. Other costs include the legal and administrative costs involved in transitioning assets into LPP.
- 3.2 Whilst estimated costs are detailed within the Business Case – Pensions Pooling, Appendix 1, and were taken from the LPP Proposal, Appendix 2, the actual asset transition costs will not be known until the transitions happen. They will be dependent on the market conditions at the time of transition. The transition of assets is expected to begin in April 2018 and take up to 18 months to complete, although illiquid alternative assets such as private equity may need a longer transition timetable.
- 3.3 Table 2 details the key implications of Pensions Investment Pooling.

Table 2: Key implications

Outcome	Unmet	Met	Exceeded	Significantly Exceeded	Date of delivery
Pooling of assets commence	All assets remain un-pooled	Processes are in place for assets to commence pooling in April 2018	Assets begin pooling from 1 April 2018		April 2018

4 FINANCIAL DETAILS / VALUE FOR MONEY

- 4.1 Although pension pooling is a Government requirement, the financial modelling detailed in the Business Case demonstrates that there are saving opportunities in the region of £25m over 10 years for the Berkshire Pension Fund in entering into the Local Pensions Partnership.

5 LEGAL IMPLICATIONS

- 5.1 The Royal Borough will engage appropriate legal advice when entering in to the Advisory and Management Agreement.
- 5.2 The Monitoring Officer for the Royal Borough has written to the other Berkshire Monitoring Officers confirming the decision on pension pooling lies with the Berkshire Pension Fund Panel.

6 RISK MANAGEMENT

- 6.1 A full risk log has been created and is monitored. Any new risks will be added as appropriate.

Table 3: Impact of risk and mitigation

Risks	Uncontrolled Risk	Controls	Controlled Risk
Staff retention	Staff members may decide to leave as result of the changes	Ensure constant engagement through regular communications, staff sessions.	Staff retention is achieved.
Failure to meet DCLG imposed deadline of April 2018.	Secretary of State could use powers of intervention.	Provide appropriate detail for BPPF to approve options in December meeting.	April 2018 commencement of pooling of assets is achieved.

7 POTENTIAL IMPACTS

- 7.1 At this time it is not believed an EQIA needs to be completed, however if that situation changes once the legal due diligence continues, one will be completed at that time. The outcome of which will be reported to the BPPF.

8 CONSULTATION

- 8.1 This is a government requirement, however the Berkshire Pension Fund Panel and Advisory Panel have been kept up to date with the development of the project at each meeting. Both the Pension Fund Panel and the Pension Fund Advisory Panel have reviewed the memorandum of understanding at its meeting on 13th November 2017.
- 8.2 Consultation will be carried out with staff affected under Transfer of Undertakings (Protection of Employment) Regulations 2016.

9 TIMETABLE FOR IMPLEMENTATION

- 9.1 To show the stages and deadlines for implementing the recommendations.

Table 4: Implementation timetable

Date	Details
13 November 2017	Memorandum of Understanding agreed.
18 December 2017	Business Case approved by BPPF.
December 2017 and ongoing	Detailed work on asset classification and mapping.
December 2017 and ongoing.	Communication with all stakeholders.
January 2018	TUPE Consultation with affected staff.
January 2018 onwards	Legal agreements drawn up.
April 2018	Commencement of pooling of assets.

- 9.2 Implementation date if not called in: April 2018

10 APPENDICES

10.1 Appendices attached to the report are:

- Appendix 1 – Business Case – Pensions Pooling (Part II)
- Appendix 2 – Local Pensions Partnership Proposal for ALM services (Part II)
- Appendix 3 – Letter from Marcus Jones MP to Cllr Lenton

11 BACKGROUND DOCUMENTS

11.1 The following background documents have been sent to panel members:

- Memorandum of Understanding
- Berkshire Pension Advisory Panel chronology

12 CONSULTATION (MANDATORY)

Name of consultee	Post held	Date sent	Commented & returned
Cllr John Lenton	Chairman, Berkshire Pension Fund Panel and Berkshire Advisory Panel.	13/12/17	
Alison Alexander	Managing Director	13/12/17	13/12/17

REPORT HISTORY

Decision type: Key decision	Urgency item? No
Report Author: Rob Stubbs, Deputy Director and Head of Finance	



**Department for
Communities and
Local Government**

Marcus Jones MP
Minister for Local Government

**Department for Communities and Local
Government**

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Our Ref: 3527594

01 DEC 2017

Dear Councillor Lenton,

Thank you for your letter of 20 October. I am sorry to hear that you did not receive my previous letters.

I am delighted to hear that The Royal County of Berkshire Pension Fund will be joining the Local Pensions Partnership.

I hope you will pass on my personal appreciation and thanks for all the hard work and dedication by elected members and officers across the funds who have been involved.

Yours sincerely,

Marcus Jones

MARCUS JONES MP

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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Agenda Item 9

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