

BERKSHIRE PENSION FUND PANEL

MONDAY, 21 MAY 2018

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

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

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

APOLOGIES

Apologies for absence were received by Cllr Worrall and Patrick Fuller.

DECLARATIONS OF INTEREST

There were no declarations of interest received.

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

MINUTES

The Part I minutes of the meeting held on 22 January 2018 were approved as a true and correct record.

STEWARDSHIP REPORT

The Deputy Pension Fund Manager introduced the latest Stewardship Report covering the 6 months between 1 October 2017 to 31 March 2018.

Members were informed that the report was being presented as good governance required that the Pension Fund be reviewed by the administering authority on a regular basis. The Stewardship Report came in two main sections covering investment performance and asset allocation in section 1 and governance and administration in section 2.

The Deputy Fund Manager highlighted the following information from the report:

- Table 8A showed the transaction undertaken via i-Connect and when compared to table 8B non i-Connect users the benefits of the system was clear to see.
- With regards to key performance targets on communications Members were informed that Prudential had only recently contacted the administering authority to inform that they were deleting their communications strategy. As a result Prudential would no longer provide a one to one service and that they would no longer be attending pension surgery's. they would continue to provide information from their website and via the phone. If it was felt that another provider was required this would be brought to this Panel.
- Prudential had introduced Additional Voluntary Contribution (AVC), salary sacrifice. Advice on this would be via their website as officers were not permitted to provide financial advice.
- There was an ongoing with Wokingham Schools as their payroll provider, Selima, were still not providing the information required. Officers have put significant effort with those concerned to resolve the issues.

Cllr Stanton recommended that he Panel chairman should write to Wokingham's Chief Executive regarding the issues. The Deputy Pension Fund Manager mentioned that he was confident that they would meet the 2018 statement requirements.

Cllr Law questioned the Nominal Earnings Inflation Assumption for December 2017 being 4.2% and if this affected assumptions. The Panel were informed that we had operated on the basis of inflation plus 1.5% which gave the results. If the number increased there would be overall little impact as this only effected pensions tied to final salary.

Resolved unanimously: That 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.**

HOUSING ASSOCIATIONS FUNDING AGREEMENTS

The Deputy Pension Fund Manager introduced the report that highlighted proposals from Housing Solutions Limited (formerly Maidenhead and District Housing Association) and Bracknell Forest Homes to enter into Funding Agreements.

Panel were informed that the report also contained as appendices letters dated 13 February 2018 received from Devonshires Solicitors on behalf of Housings Solutions Limited and 27 April 2018 from Martin Huckerby on behalf of Bracknell Forest Homes. There was also a draft Funding Agreement appended to the report.

By entering a Funding Agreement the Pension Fund would be able to agree a deficit recovery period over which the pension liabilities pertaining to Housing Solutions Limited / Bracknell Forest Homes can be managed over a longer period of time without having to sell assets.

Cllr Hilton mentioned that this seemed like a logical solution and questioned if it would be good or bad if we ended up in the same position with Optalis and Achieving for Children (AFC). The Panel were informed that AFC had been transferred to Kingston's pension fund and that and that an agreement with Optalis had been established so that they continued to contribute until there was a need for cessation.

Cllr Hilton also mentioned that Housing Solutions had a good covenant due to their resources.

Resolved unanimously: That the Panel notes the report and:

- **Agrees in principle to entering into a Funding Agreement with Housing Solutions Limited and Bracknell Forest Homes; and**
- **Authorises Officers to instigate such an agreement in line with the requirements of the LGPS Regulations.**

BERKSHIRE PENSION FUND BUSINESS PLAN 2018-19

Deputy Pension Fund Manager introduced the report that presented the Pension Fund Business Plan for 2018/19 and medium term strategy for 2019 to 2022.

The Panel were informed that last year's plan had been updated with targets for the forthcoming year and LPP pooling. Section 2 of the business plan showed the revised mission statement that now included partnership working with LPP regarding strategic investment strategies being managed. The business targets for 2018/19 also mentioned that there would be work with LPP to become a partner.

Other changes were also highlighted to the Panel including:

- Agenda pack page 60 deletions to text had been shown.
- Agenda pack page 60 showed that GDPR compliance was in hand.
- Agenda pack page 63 regarding pooling the objective had now been met when the Panel agreed to join LPP.

The Panel considered the report and recommended the following changes and comments:

- With regards to pooling it should say that all investments would be pooled other than some legacy assets.
- Under timescale for pooling (page 65) change mid-2020 to mid-2020's.
- The partially achieved initiatives were down to Wokingham schools as per discussion in the Stewardship report.
- It was noted that the last three objectives (page 66) were on going due to costs and that they may either be deleted or we could ask LPP to review.
- With regards to cash flow it was expected that we would be negative in the next couple of years.

Resolved unanimously: That Panel notes the report and:

- **Approves the Business Plan and Medium Term Strategy (subject to amendments) and**
- **Authorises Officers to publish it on the Pension Fund website.**

COLLEGE FUNDING LEVELS

The Deputy Pension Fund Manager introduced the report that asked the Panel to consider the removal of the University of West London from the college pool and the associated amendment required to the Funding Strategy Statement.

The Panel were informed that as part of the valuation process it was identified that the funding deficit and proposed employer contribution rates for the college pool were higher than for any other individual or pooled employer with in the Fund.

It had been identified that the University of West London, which includes the liabilities for the former Thames Valley University, had a vastly different membership and liability profile to the other 4 colleges in the pool. If they became an exiting employer than they would be liable to pay £30 million to the fund.

It was proposed that officers engage with the actuary and officers of the University of West London to consider the option of either transferring all liabilities from the Berkshire Pension Fund to the Ealing Pension Fund or vice versa.

During discussion it was noted that there had yet to be discussions with the Ealing Pension Fund and that the actuary could declare that the UWL be removed form the fund.

Resolved unanimously: That Panel notes the report and:

- **Agree to the University of West London being removed from the college pool with the Funding Strategy Statement being amended as highlighted in Appendix 2 to this report;**
- **Requests that officers continue to investigate funding options with the colleges and in particular with the University of West London;**
- **Requests officers to engage with the actuary and officers of the University of West London to consider the option of either transferring all liabilities from the Berkshire Pension Fund to the Ealing Pension Fund or vice versa.**

GOVERNANCE ARRANGEMENTS - THE ROLE OF THE INVESTMENT WORKING GROUP

The Deputy Director and Head of Finance introduced the report that proposed governance arrangements for the Royal County of Berkshire Pension Fund (BPF). The BPF would begin pooling its investments with the Local Pensions Partnership (LPP) from 1 June 2018.

The Panel were informed that the role of the current investment working group would change as the BPF would no longer undertake its own investments or select fund managers. This would become the responsibility of LPP. There were a number of responsibilities that the BPF, and the Royal Borough of Windsor and Maidenhead as administering body, would retain.

The group would undertake more of a monitoring role as well as providing expert professional advice to the Pension Fund Panel. The newly named Investment Group would:

- Review the Fund's long term investment strategy and where necessary make recommendations to the Pension Fund Panel.
- Advise on strategic and/or tactical asset allocations proposed by LPP.
- Restrict and control the range of asset allocations used by LPP as set out in the Policy Portfolio.
- Consider appropriate risk management strategies to include the matching of pension liabilities with suitable investments and where necessary make recommendations to the Pension Fund Panel.
- Monitor and review the investment activity.
- Review and report on the performance of the Fund and where necessary make recommendations to the Pension Fund Panel.

It was proposed that Law Debenture be retained to advise on non-investment matters and avoid any conflict with the Panel and that the Investment Group would comprise of:

- Pension Fund Panel Chairman (Chair) and/or
- Pension Fund Panel Vice Chairman.
- One Advisory Pension Fund Panel member.
- Deputy Director and Head of Finance (s151 Officer).
- Not less than two strategic independent advisers appointed in accordance with arrangements determined by the Pension Fund Panel.

During discussion the Panel agreed that it would be better to undertake the additional costs of securing independent advisors to help the group undertake its role with LPP. It was felt that the group should also retain its role in producing the investment strategy.

The Chairman mentioned that the group may not retain investment responsibilities but it would continue to monitor investments. He would also like other boroughs to continue to work with the group.

The Panel supported the retention of two independent advisors being retained by the group as the better we were informed the better decisions would be made. It was noted that the retention of two would be a saving not being made via pooling, but it was the correct way forward to ensure the right bedding down process was undertaken.

Cllr Hilton mention that with regards to the report's recommendations should we also add a recommendation that the Investment Group should also make recommendations on legacy assets. The Head of Finance informed that they would not have that authority. Cllr Law mentioned that the only role would be to question LPP on their decisions if they did not conform with the Investment Strategy.

The Panel were informed that the only assets LPP would seek our consent on would be the consent assets. The Investment Group could ask LPP to look at legacy assets to see if they should be removed. We are joining LPP as a client and there needed to be mutual engagement for the relationship to develop.

With regards to the Investment Groups terms of reference on agenda pack page 99 it was agreed that the production of the Investment Strategy would be included and that point six would include 'final approval'.

With regards to the quorum the Chairman mentioned that the Investment Working Group always had two Panel members on it to be quorate and he felt that this should continue. For this to happen it was recommended that substitutes be available or that recommendations could be voted on by email. As the group were only making recommendations to the Panel it was questioned if they needed to be quorate.

Resolved unanimously: that the Pension Fund Panel notes the report and:

- **Agrees to the proposal for a revised investment group in light of pooling guidance.**
- **Agrees the terms of reference for the Investment Group and instructs the Deputy Director and Head of Finance to secure the terms of reference within the administering body's constitution.**
- **Agrees that the Deputy Director and Head of Finance in conjunction with the Chairman and Vice-Chairman of the Panel undertake the appointment of a second independent adviser with a final decision to appoint to be made at a future Panel.**

PENSION FUND POLICY DOCUMENT - INVESTMENT STRATEGY DOCUMENT

The Pension Fund Manager introduced the report that requested the Panel to approve for publication the Investment Strategy Statement.

The Panel were informed that the LGPS Regulations require the administering authority to publish a number of policy documents one of which is the Investment Strategy Statement. This statement had been prepared by the Pension Fund Manager and the Fund's Strategic Independent Adviser and circulated to Berkshire Treasurers.

The Chairman mentioned that an amended appendix had been circulated to the Panel and that 10% of the total fund were in global equities.

Resolved unanimously: that Panel notes the report and authorises the publication of the Investment Strategy Statement as amended by the Panel.

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, which began at 4pm, finished at 6pm

CHAIRMAN.....

DATE.....