

BERKSHIRE PENSION FUND PANEL

MONDAY, 16 JULY 2018

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

Advisory Members: Councillor Worrall and Councillor Law.

Officers: Philip Boyton, David Cook, Kevin Taylor and Rob Stubbs. Local Pension Partnership (LPP) representatives Chris Rule, Richard J. Tomlinson, Pedro Pardo and Martin Pattinson.

APOLOGIES

Apologies for absence were received by Cllr Alexander, Cllr Jones, Cllr Brooker, Mr Butcher and Mr Dhingra.

DECLARATIONS OF INTEREST

There were no declarations of interest received.

MEMBERSHIP AND STAFFING UPDATE

The Panel were informed that there had been changes to the Advisory Panel membership and that Cllr Jones, Cllr Brooker and Cllr Jarvis were new Members.

The Chairman mentioned that the Pension Fund Manager, Mr Greenwood, had left the organisation at the end of May 2018. It was resolved that the Panel thanked Mr Greenwood for all his work over the last eleven years.

The Deputy Pension Fund Manager informed that from 1st June 2018 pooling had taken effect and staff had been transferred to LPP. All investment officers had moved out of Berkshire whilst the administration team remained with the Royal Borough.

MINUTES

Resolved unanimously: that the Part I minutes of the meeting held on 21 May 2018 were approved as a true and correct record.

With regards to the College Funding Levels it was noted that there had yet to be discussions with the Ealing Pension Fund.

PRESENTATION BY LPP

Chris Rule, CIO & MD Investment Business, Richard J. Tomlinson, Head of Investment Strategy, Pedro Pardo and Martin Pattinson, Director of Client Relationships from the Local Pension Partnership (LPP) attended the meeting to give a presentation on pooling with the Berkshire Pension Fund.

It was noted that due to the need to discuss investments future presentation would be in Part II.

The Panel were informed that LPP aimed to be 'a leading pension services business' operating on a 'not-for-profit' philosophy and working in partnership with their clients and other customers. The LPP philosophy was to:

- Aligned interest with clients, employers and members.
- Strong governance.
- Scale through collaboration.
- Investment beliefs for long-term responsible investments.

The company was 2 years old, had 299 employees and managed assets over £16bn.

Cllr Law mentioned that there was the LPP Board and the LPPI Board. The Panel were informed that the LPPI Board was a subsidiary of the LPP Board and was regulated by the Financial Conduct Authority, this was the arm of the company responsible for investments. Details of LPP Investments Ltd were contained within the presentation on agenda pack page 15.

LPP Investments Ltd was a not for profit company and dealt with the strategic objectives and were responsible for investments. There were a number of fund vehicles that they managed and they would buy assets for the pooled pension funds.

The investment teams and structure were shown on agenda pack page 16. The Investment Committee Permanent members were Richard J. Tomlinson (Investment Director Head of Investment Strategy), Chris Rule (Chief Investment Officer and Managing Director Investment Business) and Tom Richardson (Chief Risk Officer).

Cllr Worrall asked who decided which asset class was used and was informed that there was a bottom up approach. Recommendations would be made to the investment committee after they had been to this Panel.

Cllr Law mentioned that the Fund's strategy recommended that 12% be invested into infrastructure and asked if this was the amount the investment team could use. The Panel were informed that the Berkshire Pension Fund set its investment strategy that would be benchmarked with tolerance levels either side.

The Panel were informed that the LPPI main product line was providing a full SAA investment management services to its clients. The delivery of this was via the following vehicles with a portfolio implementation of £15.6bn:

- Public Equity
- Private Equity
- Infrastructure
- Credit
- Legacy Assets
- Property Launching
- Total Return Launching
- Fixed Income

There was also the GLIL infrastructure vehicle that contact northern pooled assets that was aimed to go up to £2 billion and was now open to the other pooled funds to invest in if they wished. This was operated under LPP but may have investors added that LPP did not manage funds.

Cllr Worrall mentioned that the Government had specified that pension pooling had to be over a specific threshold that LPP had not met. The Panel were informed that the Minister had confirmed that there were no issues with LPP. They would continue to look to grow if this was beneficial to their clients.

It was questioned how the Global Equity Fund would benefit existing clients. The Panel were informed that any additional clients would help reduce costs and a business case always looks at the costs of delivery.

The Panel were also shown, on agenda pack page 19, the current Berkshire portfolio position. The review showed that limited actions would be required in the short term with regards to asset allocations. It was proposed to reduce public equity underweight by making an allocation to the LPPI Global Equities Fund of c.£120 million. Forecast for the portfolio suggested that existing commitments for infrastructure would eliminate the current underweight in the coming years and exposure to property would be increased via participation in the LPPI property pooled fund.

The Panel were also shown the proposed transition plan for assets that were suitable for pooling. Other assets would remain on the schemes balance sheet until they mature or were sold.

In response to questions the Panel were informed that the Total Return vehicle was to be launched in 2018 to allow the pooling of existing platform that had similar assets and it was felt best to create a new investment vehicle. It was noted that there was a difference in the current cash weighting in the presentation then that shown in the Stewardship Report because more cash assets had come in than expected and with officer illness and pooling it had been decided to wait for reallocation.

The Panel noted the presentation.

STEWARDSHIP REPORT

The Panel considered the report that report dealt with the stewardship of the Pension Fund for the period 1 April 2018 to 31 May 2018 (investment performance) and 1 April 2018 to 30 June 2018 (Administration).

Agenda pack page 32 showed the fund and Index returns to 31 May 2018. Overall the nominal returns were below where the Fund would like to be but over three years things looked healthy. Table 4 showed exception performance for those reporting 'amber' which were under review by officers and the IWG.

Cllr Law mentioned that the Fund had looked at investing into emerging markets and asked if there would be an investment vehicle for this. The Panel were informed that LPP were not against this and an amendment to the contract could be made if required. The class of investment vehicles could change overtime taking into account risk and exposure.

(LPP left the room for the remainder of the meeting)

The Panel considered the administration section of the report and were informed that section 2.1 showed scheme membership by status. Active membership had dropped as a number of RBWM employees had been transferred to Achieving for Children along with their pensions into a different fund.

It was noted that transactions by employers using i-Connect achieved a much higher performance rating. All key performance indicators were currently being met.

Section three of the report provided an update on progress with special projects. The project relating to Wokingham Schools was highlighted. There had been ongoing issues with the data supplied by those schools using the WBC payroll system provided by Selima. The Pension Fund had therefore undertaken a complete data matching exercise for Wokingham scheme members employed by maintained schools. A number of queries had been identified and the records would be up to date by year end 2018/19.

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.**

PENSION FUND PANEL WORK PLAN 2018-19

The Panel considered the report relating to the proposed 2018/19 work programme.

The Panel were informed that the Pension Fund Panel, as set out in RBWM's Constitution, retained its responsibilities as the Scheme Manager and was therefore responsible for ensuring that the Administering Authority fulfilled its statutory responsibilities in accordance with the Regulations and the Public Service Pension Act 2013. The proposed work programme was appended to the report.

Resolved unanimously: that Panel notes the report and:

- **Agrees a work-plan for the 2018-19 year in line with that set out in Appendix 1 to the report.**
- **Requests that officers keep the work-plan updated to ensure that Panel fulfils the statutory duties set out in the LGPS Regulations as required of an Administering Authority (Scheme Manager).**

INVESTMENT WORKING GROUP UPDATE

The Chairman informed that the Investment Working Group had held a meeting with LPP prior to this meeting. There would be an ongoing review of how the IWG and LPP work together during the initial stages of pooling.

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.

Resolved Unanimously: that the Part II minutes of the meeting on 21 May 2018 be signed as a true and correct record.

The meeting, which began at 4.00 pm, finished at 5.25 pm

CHAIRMAN.....

DATE.....