

BERKSHIRE PENSION FUND PANEL

MONDAY, 12 NOVEMBER 2018

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

Advisory Members: Councillor Worrall, Councillor Brooker, Councillor Law and Mr Butcher.

Officers: Philip Boyton, David Cook, Kevin Taylor and Rob Stubbs. Local Pension Partnership (LPP) representatives Chris Rule, Richard J. Tomlinson and Kevin Parkin. Andrew Harrison, Law Debenture. Investment Group Rohan Worrall and Aoifinn Devitt.

APOLOGIES

Apologies for absence were received by Cllr Jarvis.

DECLARATIONS OF INTEREST

Councillor Brooker declared a personal interest on the agenda items as he was a governor at schools that paid into the pension fund as this was not a Disclosable Pecuniary Interest he stayed and considered the items.

MINUTES

Resolved unanimously: that the Part I minutes of the meeting held on 17 September 2018 were approved as a true and correct record.

PENSION FUND PANEL WORK PLAN 2018-19

The Deputy Pension Fund Manager introduced the report which considered a number of Administering Authority policy statements for review as set out in the work-plan for 2018/19 approved by Panel at their meeting on 16 July 2018.

The Panel were asked to consider the items listed in appendix 1 to this report and suggest any amendments or approve the policy statements as required.

Resolved unanimously that: Panel notes the report and:

- i) Approves the policy statements set out in Appendix 1 to the report having put forward any suggested amendments to those policy documents.**
- ii) Request that officers produce and publish the approved policy statements on the Berkshire Pension Fund website.**

PASS-THROUGH ADMISSION AGREEMENTS

The Deputy Pension Fund Manager introduced the report regarding the risks of admitting private companies into the Pension Fund.

The Panel were informed that there was an increasing trend of private companies successfully bidding for local government contracts that can result in staff being TUPE transferred across to private companies which brought financial risks for the Pension Fund. The Panel were asked to consider so-called pass-through arrangements where the perceived financial risk is considered to be acceptable.

The Panel were informed that when it was decided to outsource a service a procurement exercise is undertaken and details of the potential pension costs should be included. This will normally involve the Fund actuary preparing a report at a cost of £1,580 plus VAT in which an employer contribution rate and any bond / indemnity level is set.

During this procurement process the financial risks associated with becoming an admission body under the LGPS Regulations need to be considered by all parties. The level at which the pension risks should be retained by the transferor scheme employer or transferred to the admission body should be decided.

There was no difference in the above undertakings for large transfers or the transfer of a small number of employees. Where a small number of employees is to be transferred a pass-through arrangement becomes a more viable option for all parties. The benefits of such an arrangement were detailed in paragraph 2.6 of the report but in essence pass-through works by agreeing a fixed employer contribution rate for the entire length of the service contract with all other pension risks (other than in most cases early retirement strain costs) being retained by the transferor scheme employer.

Cllr Hilton mentioned that if the arrangements were to be approved then there should be an upper limit on the number of employees transferred that would be delegated to officers. In response it was suggested that this could either be a financial limit or an employee number. Cllr Hilton felt that this decision should be up to the individual authorities within the scheme.

Cllr Worrall asked if other staff in the private company would be eligible to join the scheme and if the private company was sold would the pension be transferred. The Panel were informed that this would depend on if it was an open or closed agreement and that most would be closed. If the company was sold then TUPE still applied.

Resolved unanimously: that the Panel notes the report and:

- i) Approves the principle of pass-through where the risk to the Pension Fund is negated;**
- ii) Agrees to delegate responsibility to officers to consult with scheme employers and publish guidelines on the website.**

GAD SECTION 13 REPORT

The Deputy Pension Fund Manager introduced the report that provided an overview of The Government Actuary's report issued in accordance with Section 13 of the Public Service Pensions Act 2013.

The Panel were informed that the Section 13 report issued on 27 September 2018 was the first formal report of its kind and was based on the results of the 2016 triennial valuation of the LGPS Funds in England and Wales.

There had been a dry run based on the 2013 triennial valuation which highlighted two areas of concern for the Berkshire Pension Fund; Funding Level and Deficit Recovery Period, with both reporting 'amber'.

Officers had met the Government Actuary with the Fund's own Actuary to discuss these areas of concern. The Government Actuary appeared positive in that the Fund had undertaken the appropriate actions to increase employer contribution rates and that the funding level had improved since 2016. Given it was acknowledged that action had been undertaken it was a concern to the administering authority that the two issues were still mentioned throughout the 2018 report.

Cllr Hilton mentioned that the chart on agenda pack page 185 the 2016 long term cost efficiency measures showed that there was no authority with a required return higher than our 5%. The Panel were informed that the report did show the Fund to be in a good position and that the 5% return was due to a lower contribution rate requiring better returns from investments.

Cllr Hilton asked if the LGA had responded to the report and was informed that they would be in due course.

Resolved unanimously: that the Panel notes this report and:

- i) Considered the Section 13 reports attached to this paper.**

DATA QUALITY EXERCISE

The Deputy Pension Fund Manager introduced the report regarding an overview of The Pensions Regulator's requirements around data quality and accuracy.

The Panel were informed that with the introduction of the Public Service Pensions Act 2013 all public service schemes were required to keep specific data on members and beneficiaries and must be able to demonstrate that the data they hold is of the highest quality and standard. The Pensions Regulator was overseeing this requirement.

The appendix to the report set out the results of the first data quality exercise recently undertaken. Over 1.5m data items had been tested with a 98.85% pass rate being achieved. However, this still resulted in around 28,000 data items needing investigation. Whilst many of these items had already been amended or were under review it is apparent that the main area for concern is the current address file for scheme members particularly where they had moved and not notified the Fund of their new address.

The Chairman asked about the quality of data supplied to the administering authority and was informed that about half of the membership was now administered through I-Connect., The Pension Fund's data, however, can only be as good as the information supplied to it by Scheme employers and scheme members. Data checks are regularly undertaken and employers are chased for up to date data. With more scheme members receiving information by email and via online links picking up a change of address was becoming harder due to fewer items being sent by post and so fewer undeliverable items being returned to sender.

The Deputy Pension Fund Manager explained that the Pension Fund would be using a tracing service to locate 'lost' members. Cllr. Worrall asked why the Pension Fund should spend money tracing individuals who have failed to keep it informed of changes in address. The Deputy Pension Fund Manager explained that it is a requirement under Disclosure Regulations and is part of the Pension Regulator's focus on governance.

Resolved unanimously: that the Panel notes the report and:

- i) Monitors the quality of data through future administration reports, and**
- ii) Recognises the importance placed upon the Scheme Manager (Administering Authority) in meeting the standards imposed by the Pensions Regulator.**

ADMINISTRATION REPORT

The Deputy Pension Fund Manager introduced the latest Administration Report covering the period 1st July 2018 to 30 September 2018.

The following information was highlighted to the Panel:

- It was the first time that over 70,000 scheme member records were being administered.
- Data collection and quality was improved by using i-Connect.
- Officers were working with Bracknell Forest Council and Slough Borough Council to bring them on board with i-Connect.
- Working with Wokingham schools regarding i-Connect.
- Processing of starters and leavers targets were being met.
- Successfully issued Annual Benefit Statements to 98% of scheme members across all participating 257 scheme employers by the statutory deadline of 31 August 2018.
- Data quality, officers have reviewed the findings and are already taking action to resolve the data discrepancies found.
- Officers were meeting with Wokingham School Business Managers on 22 November 2018 regarding data matching.

Resolved unanimously: that the Panel notes the report and:

- I. **All areas of governance and administration as reported.**
- II. **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 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 5.10 pm

CHAIRMAN.....

DATE.....