

BERKSHIRE PENSION BOARD

TUESDAY, 25 FEBRUARY 2020

PRESENT: Nikki Craig, Alan Cross (Chairman), Jeff Ford, Arthur Parker, Barry Stratfull and Tony Pettitt

Officers: Andy Carswell and Kevin Taylor

INTRODUCTION AND APOLOGIES

Apologies were received from Neil Wilcox. Barry Stratfull was attending as a substitute.

It was unanimously agreed by members that Barry Stratfull, who had completed the basic training requirements, should be formally adopted as the scheme employer substitute member.

DECLARATION OF INTEREST

None.

MINUTES

RESOLVED UNANIMOUSLY: That the Part I minutes of the meeting held on November 20th 2019 be approved as an accurate record.

Arising from the minutes, Kevin Taylor confirmed that the separation concept had been circulated. The Board was told that the second phase included the requirement for each administering authority to have a named officer for all LGPS activity. There would also be a requirement for the annual governance compliance statement to be updated, and for appropriate training to be provided to the administering authority's Section 151 officer. It was noted there would be a requirement for each Fund to produce a policy on the representation of scheme members on its committees, which explained members' voting rights. Key individuals would be required to have an appropriate level of understanding and training; there was an expectation that Board members would have a higher level of understanding compared to Panel members.

It was noted that not all members of the Board had access to the Part II minutes and agenda items. It was agreed that this would be rectified as soon as possible.

ACTION TRACKER

Kevin Taylor suggested that the training policy be reviewed outside of the meeting. It was suggested that a more substantial action tracker might be beneficial.

There were no items to add to the tracker and its contents were noted.

SCHEME AND REGULATORY UPDATE AND INTEGRATED RISK MANAGEMENT

Kevin Taylor introduced the item and advised members that he had recently attended a meeting at the actuary's office, where the LGA had been present to give an update and overview on the LGPS. He highlighted the main items that were discussed.

Regarding McCloud, Kevin Taylor reminded members of the background and advised that the case had recently been considered and ruled upon by the Supreme Court. As a result of their

judgement, there would be a need for all Public Service Pension Schemes to be revised with a need to revisit leavers back to April 2014 and to review pay records. Kevin Taylor advised that whilst for those employers using i-Connect much of the required data will have been received there may still be a period for which some manual research would be required. A national working party had been established and this, along with the Scheme Advisory Board, was looking into the situation. Kevin Taylor stated that how it would be dealt with needed to come from national guidance.

It had been suggested that some of the regulations needed to be updated. These included extending the two year period for payment of a death grant and the removal of the five year limit for payment of contribution refunds.

Kevin Taylor mentioned New Fair Deal, which related to groups of staff being TUPE transferred to a new private contractor but retaining their membership of the LGPS. Kevin Taylor explained that this matter was still on the agenda but not currently of high priority. Kevin Taylor also advised that national guidance on responsible investment was to be produced by the Scheme Advisory Board and MHCLG.

Members were told that a cost cap had been introduced to the scheme in 2014 which intended to keep the cost of the scheme within a two per cent tolerance either up or down. The cost cap mechanism has been put on hold pending the outcome of the McCloud remedy.

Regarding the investment and valuation update, members were told that investment returns had been good during the last valuation period. Although the Berkshire Pension Fund's funding level had improved, it was still towards the bottom end of the LA funding "league table". This was not likely to improve the Fund's position with regard to the Government Actuary's Section 13 report.

One further change to regulations concerned exit surplus payments. Kevin Taylor explained that a previous change to regulations had exposed Funds to having to make payments to exiting admission bodies where they were found to be in surplus, without taking account of any shared pension risk between the letting authority and their chosen service provider within the service contract provisions. Regulations had been amended to allow an administering authority to consider these arrangements and give discretion to the administering authority when deciding whether an exit surplus should be paid.

ADMINISTRATION REPORT

Members were advised that the report was due to be considered at the next Panel meeting and covered the quarter up 31 December 2019. The large number of deferred members compared to active members was noted, and it was explained that this was likely due to outsourcing of services. Jeff Ford highlighted that West Berkshire Council was the largest single employer but had never been represented on the Board.

Kevin Taylor explained that the Fund had a work-plan to on-board all scheme employers to i-Connect by March 2021. It was intended to have all employers with 50-100 scheme members on-boarded by March 2020, with employers with 10-50 scheme members on-boarded by March 2021. Currently around 84 per cent of member records were administered through i-Connect.

PART 1 MINUTES FROM PANEL MEETING 16 DECEMBER 2019

Members noted the contents of the minutes of the Panel meeting held on 16 December 2019.

DATA QUALITY EXERCISE YEAR 2

Kevin Taylor told members that there was a requirement for Funds to review and update the quality of its data. The Berkshire Pension Fund's common data had a 99 per cent accuracy rate, and 92.4 per cent of its records had been completed without a single fault being recorded. This still meant that more than 7,000 records needed to be reviewed, with errors predominantly relating to members' home addresses. The Fund had engaged a company to track the missing records and around half of these had already been found. Kevin Taylor advised that it was not possible to compare and contrast with other councils locally, although it was hoped that a national benchmark would be produced. Kevin Taylor stated his belief that the Berkshire Pension Fund would compare favourably if this were to be done. Scheme Specific data was also of a high standard of around 99%.

RISK ASSESSMENT REGISTER EXCEPTIONS REPORT

Members were advised that cyber security had been tested and the disaster recovery software had worked properly. Further testing was planned and the results would be known in due course.

LOCAL PENSION BOARD WORKPLAN 2019-20

Members considered the individual sections of the workplan.

REVIEW OF DECLARATIONS OF INTEREST

Members agreed that they would update their declarations of interest and inform the relevant officers.

REVIEW OF TERMS OF REFERENCE

Alan Cross told members that the original Terms of Reference had got rid of the section pertaining to the individual chair of the Board; however throughout the Terms of Reference there were still some references to the chair stating they had powers to make certain decisions. Alan Cross proposed that these be deleted from the Terms of Reference.

It was also suggested that section 23 should be amended to clarify that "The Pension Board should report any concerns over a decision made by the Pension Fund Panel to the Pension Fund Panel subject to the agreement of at least 50% of voting Pension Board members providing that all voting members are present, and the 50% consensus is reached without the chairman's casting vote."

It was agreed that more work should be done on the Terms of Reference outside of the meeting, and proposals should be circulated amongst members via email.

REVIEW OF CODE OF CONDUCT

Alan Cross stated his belief that an assessment of a Board member's suitability ought to be carried out prior to any reappointment as worded needed review. He also stated his belief that the chairman of the Board should not be allowed to be involved in any political activity, in a similar way to senior LA officers, which was agreed by the Board.

FUNDING STRATEGY STATEMENT

Kevin Taylor advised that the Panel would consider the proposed amendments to the strategy statement at a forthcoming meeting. The actuary would need to have an input into the final report, once the figures and statistics from the triennial valuation exercise were finalised.

It was noted at table 3.25 that the deficit recovery timetables had been reduced by three years in all instances except for the one relating to colleges, which had reduced by six years.

GOVERNANCE COMPLIANCE STATEMENT

It was suggested that bullet point iii under the heading of Structure should be amended to say "The Advisory Panel *normally* meets concurrently with the Main Panel with both Panels receiving the same information." It was also suggested that the statement should make clear that it was the Panel's responsibility to ensure that LPPI met its responsibilities.

It was agreed that the regulations regarding the makeup of the quorum of the meeting should be visited outside of the meeting. Alan Cross stated that any changes in the quorum needed to be put forward by the Board before they were confirmed at Panel. Tony Pettitt said that words to this effect were included within the Terms of Reference, but conceded that it was ambiguously worded.

INVESTMENT STRATEGY STATEMENT

Kevin Taylor told members that any changes to the wording of the statement would be assessed by a representative from the LPPI. It was hoped that this would be done prior to the next Panel meeting.

PENSION FUND BUSINESS PLAN 2020-21

Members were advised that the figures included in section 7 of the report needed to be updated. Nikki Craig stated that the reference to performance-related pay on page 11 should be deleted as there was no such thing at RBWM any more. She said the word 'postponed' on page 12 relating to PASA accreditation should be deleted and replaced with a date in the future; and the date of the last review on page 13 should also be removed.

ACTUARIAL VALUATION 2019

Kevin Taylor informed members that the funding level had improved from 73 per cent to 78 per cent; the employer primary rate had increased by 1.1 per cent; and assets and liabilities had both increased. There had been a slight improvement in funding levels and contribution rates. The discount rate had been set at 5.3 per cent. However the deficit remained at £597million, the same level as in 2016. The overall picture was more favourable compared to previous years, but it was not anticipated that the Fund would be in a position to reach 100 per cent funding until 2040. Kevin Taylor advised that the Government Actuary had come to discuss the 2016 figures with the Fund and that they may do so again upon receipt of the results of the 2019 valuation.

LOCAL GOVERNMENT ACT 1972 - EXCLUSION OF THE PUBLIC

RESOLVED UNANIMOUSLY: That the motion to exclude the public for the remainder of the meeting be approved.

MINUTES

(Not for publication by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972

RESOLVED UNANIMOUSLY: That the Part II minutes of the meeting held on November 20th 2019 be approved as an accurate record.

LPPI INVESTMENT PERFORMANCE REPORT

(Not for publication by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972

The item was deferred as the LPPI had not yet sent a copy of the report.

AOB

(Not for publication by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972

There were no other items of business to discuss.

The meeting, which began at 1.00 pm, finished at 3.23 pm

CHAIRMAN.....

DATE.....