

## BERKSHIRE PENSION FUND PANEL

MONDAY, 22 JUNE 2020

PRESENT: Councillors David Hilton (Vice-Chairman), Julian Sharpe (Chairman), John Story, Simon Bond and Wisdom Da Costa

Advisory members: Cllr Law, Cllr Kaiser, Cllr Sa Finder Ali, Cllr Leake and Mark Butcher.

Officers: David Cook and Kevin Taylor. Local Pension Partnership (LPP) representatives Richard Tomlinson, Law Debenture: Andrew Harrison. Investment Group: Rohan Worrall and Aoifinn Devitt. Pension Board: Alan Cross.

### APOLOGIES

Apologies for absence were received by Cllr Lovelock

### DECLARATIONS OF INTEREST

Councillor Kaiser declared a personal interest as his wife received a pension from the fund as this was not a Disclosable Pecuniary Interest he stayed and considered the items.

### MINUTES

The Part I minutes of the meeting held on 16 December 2019 were approved as a true and correct record.

### PENSION FUND PANELS ANNUAL WORKPLAN

The Pension Services Manager introduced the report that detailed a number of Administering Authority policy statements for review as set out on the Panel's work programme.

The Panel were informed that the purpose of this paper was to identify for the Panel a number of policies for their consideration and review as set out in the work-plan for 2019-20 in order to meet certain Administering Authority statutory requirements set out in the Regulations.

Both appendices had tracked changes highlighting the proposed amendments. The Funding Strategy Statement had been updated following the 2019 triennial valuation, additions around admitted bodies and pension risks and the exit credit policy. The Business Plan was the annual update that would have gone to the March 2020 meeting had it not been cancelled due to Covid 19.

Cllr Da Costa asked who authorised the reports on the work programme and who reviewed the documents. He also formally proposed that the Panel obtain a statement and report on the valuations and liabilities with regard to Covid 19 for issuing to members and attaching to the reports. He requested that the Business Plan be revised to consider the known changes in cash flow due to deferment and investment issues, and reflect the covid situation in the Business Plan.

Cllr Da Costa also raised concern that the Governance Flowchart noted did not reflect the actual responsibility and authority levels. With regards to the External Audit he asked that the chart is updated with regard to responsibilities and flows Governance Structure Flowchart.

The Panel were informed that the administering authority were required to update and produce policies in line with regulations and this drove the work programme. The Pension Board had reviewed the reports and raised no concerns. With regards to Covid 19 emergency policies were in place and employers had been contacted; two had come back that there was a risk of a deferral of payments. The policies regarding this were on the website and regulations stipulated that all payments for this contribution period would have to be made by 31 March 2020.

Richard Tomlinson, LPP, informed that there had been a fall in the markets due to C-19 but there was now a recovery in market value. The portfolio will be a few percent down. They may be an issue in property if businesses ask for a rent break or if demand falls. This fund was not as exposed due to a larger percentage in the equity market. There was less concern from the investment side but more from the contribution side.

Cllr Hilton asked that under section 'Financial Risks' paragraph 5.3 why the discounts rates and liability figures had changes and was informed that this had been updated from the actuary after the valuation.

The Chairman said that with regards to the Business Plan he felt that there was no need to update for each potential individual event as there were business continuity policies in place.

Cllr Law said he understood why Cllr Da Costa was asking for a statement but did not feel the Business Plan needed changing in light of the current situation.

The Panel were informed that the Investment Strategy was due in September 2020 and this may be more relevant to Cllr Da Costa's concerns. It was noted that the IWG help produce the investment strategy and an investment training session could be provided if required.

**Resolved: That the Panel notes the report and:**

- i) Subject to any amendments being proposed, approves the policy statements set out in the appendices to the report as continuing to be fit for purpose.**
- ii) Request that officers produce and publish the approved policy statements on the Berkshire Pension Fund website.**

(Cllrs Hilton, Sharpe, Story and Bond voted for the recommendations. Cllr Da Costa abstained)

## **ADMINISTRATION REPORT**

The Pension Services Manager introduced the latest Administration Report for the period covering 1 January 2020 to 31 March 2020.

The Panel were informed that there were no significant issues within the report. The roll out of E-Connect had been delayed due to staffing issues caused by C-19 but will be completed by March 2021.

The Chairman asked if there had been any concerns with regards to the administration of the Fund caused by C-19. The Panel were informed that during lockdown homeworking was introduced and there had been no disturbance to usual workloads including pensions being paid. Staff had adapted very well.

Cllr Hilton mentioned that there was a decrease in active members and an increase in deferrals. He asked what would be the impact when cash flow became negative.

Richard Tomlinson, LPP, informed that every LGPS will be entering into negative cash flow and for this Fund this would be later than the average.

The report was noted.

## DATA QUALITY EXERCISE – YEAR 2

The Pension Services Manager introduced the report that provided an overview of The Pensions Regulator's requirements around data quality and accuracy and the findings of the data quality exercise.

The Panel were informed that this was the second year of the data quality exercise with 99% accuracy levels being met. There were over 1.5 million data items looked at as part of this review. Any concerns raised were being dealt with.

The Panel noted the report.

## RISK ASSESSMENT REGISTER- EXCEPTIONS REPORT

The Pension Services Manager introduced the report that provided Members with an exceptions report from the Risk Assessment Register.

The Panel were informed that a request had been made to the Borough's Head of HR, Corporate Projects and ICT for evidence on cyber security to be provided with regard to the Pension Fund's reliance on Borough ICT systems. The report would be brought back to Panel when available.

The Chairman said that the report was for exceptions and asked if the full risk register contained an item regarding global pandemics. The Panel were informed that an item could be added.

Cllr Da Costa asked how the Panel were to know the risk register was fit for purpose if only exceptions were reported and events such as the pandemic were not included. The Panel were informed that the full risk register was presented once per year as requested by the Panel. The administering authorities contingency plans were implemented for C-19. This reporting period covers the period January to March 2020.

Cllr Bond asked if the exception report were items that had changed or needed highlighting. The Panel were informed that if a risk was not reporting a 'Green' then it was brought to the Panels attention.

The Chairman asked if any of the reported exceptions were ongoing concerns and was informed that the loss of key staff, inability to return the funding level to 100% and the inability of scheme employers to meet their obligations remained long term concerns. Cyber security was expected to become 'Green' once the report had been presented to Panel.

Cllr Law mentioned that the return to 100% funding levels still had 20 years to go however he still expected employer contributions to increase when the actuary next reported.

Cllr Da Costa said that the Panel should consider future liabilities as some employers would find it difficult when contributions increased. The Panel were informed that there were only two things that could be done to offset the risk; either extend the recovery period or increase contributions. We were currently 78% funded with a 21 year recovery plan.

Cllr Da Costa asked if RBWM should make a statement about their liabilities especially given the financial situation.

The Director for Resources, RBWM, said that even if a S114 notice was issued the council would still maintain its obligation to pay its contributions. RBWM paid its contributions up front to help the Funds cash flow.

**Resolved unanimously: that the Panel:**

- i) Considers and notes the Risk Exception Report and puts forward any suggested amendments as may be felt necessary;**
- ii) Authorises Officers to update the Risk Assessment Register as agreed by Panel; and**
- iii) Approves publication of the final version on the Pension Fund website.**

#### EXTERNAL AUDIT PLANNING REPORT 2020

The Director of Resources introduced the report regarding the External Audit Plan for the Pension Fund for year ending 31 March 2020.

The Panel were informed that the report had been produced by RBWM's external auditors Deloitte and had been presented to the RBWM Corporate Services Overview and Scrutiny Panel.

Cllr Kaiser mentioned that two material issues had been identified that had a value of over £70m; management override of controls; and valuation of the longevity swap. The Panel were informed that officers met with the auditors on a regular basis and progress was going well. Cllr Kaiser suggested that Deloitte be invited to a future meeting.

Cllr Bond asked that if the governance review had been undertaken could they see the report. The Panel were informed that a governance action plan was in the process of being developed and approved. This was a separate report to the CIPFA review to governance for RBWM. Cllr Story recommended that the concerns raised by CIPFA be presented to Panel.

Cllr Law and Cllr Da Costa both mentioned that there was a delay between issues being raised and it being made available to Panel members. Cllr Da Costa also asked for the governance flow charts to be updated.

Cllr Hilton mentioned that one of the main issues was regarding the longevity calculations with people living longer and a wrong date being used. This was being updated.

Cllr Bond mentioned that the RBWM audit panel had been merged with the Corporate Services Overview and Scrutiny Panel and suggested that this panel be mentioned in the governance structure.

Cllr Da Costa mentioned that reassurance should be given to our scheme members especially given cash flow issues. The Panel were informed that scheme members benefits were guaranteed.

The report was noted.

#### LOCAL GOVERNMENT ACT 1972 - EXCLUSION OF THE PRESS AND 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 6.25 pm

CHAIRMAN.....

DATE.....