

BERKSHIRE PENSION FUND PANEL

MONDAY, 19 OCTOBER 2020

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

Also in attendance: Cllr Lovelock, Cllr Ali, Cllr Kaiser, Alan Cross, Rothan Worrall, Keith Bray, Aiofinn Devitt, Andrew Harrison.

Officers: Adele Taylor, Ian Coleman, Kevin Taylor, Mark Beeley and Andrew Vallance

APOLOGIES

There were no apologies for absence received.

DECLARATIONS OF INTEREST

There were no declarations of interest received.

MINUTES

The Part I minutes of the meeting held on 22 June 2020 were approved as a true and correct record.

LAPFF UPDATE AND PRESENTATION FROM KEITH BRAY

The Panel received a presentation from Keith Bray regarding the Local Authority Pension Fund Forum (LADFF).

The Panel were shown what the role and structure of the LAPFF was and informed that the aim was to protect and enhance the value of their members shareholdings via engagement with companies in which they invest. There are a voluntary organisation with 81 LGPS funds and 6 LGPS Pools.

The Forum facilitated the commissioning of research and engagement with investee companies where there had been concerns raised at a top level. Advisory alerts to fund managers are raised and facilitated collaboration with other institutional investors.

Areas that they were currently looking at were climate change and other environmental issues as a major issues, plus other areas were contained on the presentation slide. With regards to the LGPS as an institutional investor the Panel were informed that the LGPS assets under management were £291 billion, it had 5.9 million members, 15,700 employers and was the 6th largest funded pension scheme in the world.

When a fund are making investments they should always take proper advice and act prudently, however schemes should consider factors that are financially material to the performance of their investments. The Panel were given examples of engagement that had taken place over the years, these are contained within the slides.

The LAPFF would remain a fund based organisation and would look to build upon relationships with the new LGPS Pools and would continue to engage with companies. With regards to value for money the Panel were informed that the fee for the Berkshire Fund this years would be £2,500 and not the £5,000 in the slides as there was only one quarter left.

Cllr Hilton mentioned that LPP supported the LAPFF. He asked if there were formal terms of reference for the LAPFF that would show their direction of travel. He also asked that if the Berkshire Fund had a different view on an item to the forum that they would be able to make their own representation. In reply he was informed that the LAPFF agenda was set by their members and members were entitled to take their own views. Any member can suggest change and bring issues forward. Each fund paid the same and had the same voting power. They had a constitution that could be made available.

Cllr Da Costa asked who brought this to the Panel and why, how would we get value out of the £10k subscription, what were the direction of travel on environmental and social issues and if we should go for a one year membership and review its value in a years' time. In response the Panel were informed that others had joined for one year and had subsequently remained as members, some members have left, some left and re-joined each for different reasons. With regards to climate and social issues this was currently at their forefront as shown in their latest quarterly report. The forum do not give investment advice but do offer advice on how you formulate your policies. Information about issues are provided to members but not where investments should be made.

The Chairman informed that this was an agenda item as it brought other pension bodies together and to ask the question is we wanted a voice with other bodies. It also helped us consider how we are running and managing our pension fund. The value for money will become apparent when we try it. We can review in a years' time.

Cllr Safder Ali asked if reasons were given why some funds had left and also why some had come back. He also agreed that membership should be reviewed in a years' time. The Panel were informed that it could be that a fund was looking to save money and nothing to do with the forums performance. Other reasons provided were changes in administration at organisations that mistook different forums that they were in and what each did when reviewing outside body memberships.

Adele Taylor, RBWM Director of Resources, mentioned that there had been a review of governance later on the agenda and this went hand in hand.

Cllr Da Costa asked if we had considered talking to Brunel and Cambridgeshire about investments. The Panel were informed that Governance papers would be considered later on the agenda and one recommendation is a recruitment whose role would be networking.

Resolved unanimously: that the Panel agreed to join LAPFF.

REVIEW OF PENSION GOVERNANCE

The Panel considered the report regarding the outcomes of an independent review of Pension Fund governance.

Ian Coleman, informed the Panel that following receipt of an adverse ISA260 report issued on 6 December 2019 by Deloitte, the Borough's external auditor, an independent review of governance was conducted. Chris Buss, an experienced S151 and pension fund manager, undertook the review. He was in attendance to present his review.

Chris Buss highlighted the key parts of the report. The first part of the recommendation looked at council governance and all recommendations in paragraph 13 have been included in another report on this agenda. the next section looked at the impact of pooling, more regard for responsibilities that remained with the authority needed due regard and were in the other reports recommendations as well.

The next section was with regards to an investment that had become worthless but was still in the accounts. This showed historical things such as a failure to declare interests, how

someone became a director and how they were removed, the minutes of the body making these decisions were not recorded.

The next section looked at the role of the independent advisors following pooling. This needed reviewing and rationalising. The last one was how assets were valued, especially how a particular asset had been valued.

The recommendations within the review were included in a later paper on the agenda.

Cllr Hilton mentioned that the comment that the fund was a reluctant pooler was strange as the Panel went to Oxfordshire and Buckinghamshire with the objective of pooling before it was mandatory. There was an issue between personalities with LPP but the Fund remained committed. We joined LPP out of choice and have developed a good relationship.

Cllr Bond mentioned that the report said there were concerns about 4 legacy assets but only 1 was mentioned in the report. He also asked about the actuary and taking audit work on trust, this asked a question about the role for councillors looking at audit reports as a form of governance, this would require appropriate training. Chris Buss mentioned that the comment about members came from the comments made at the Corporate O&S Panel and the reduced time to audit the accounts, he felt the audited accounts should come to members and not the draft version. With regards to training it was important that committee members had training to do their job. With regards to the legacy assets only one was looked at as per terms of reference of the review.

Cllr Da Costa mentioned that he had raised training at meetings. he asked if a list of all the items could be provided as a checkpoint of what areas had been dealt with. Chris Buss agreed and was pleased to see over half of them had already been addressed, officers may not agree with all of the recommendations.

Alan Cross mentioned that the Pension Board would also be looking at this report and felt it was the right direction of travel that would be kept under review.

Adele Taylor said that following the recommendations of this meeting there would be an action plan produced and monitored. Training for members was due to be discussed.

Cllr Lovelock asked how we would reassure members that this historic issues had not resulted in the Fund losing money. Chris Buss said that good governance may not have altered the decision to make particular investments. Cllr Da Costa mentioned that members needed reassurance about investments. Cllr Hilton mentioned that it was important to have the cash to pay pensions and the right investment strategy we had to be careful not to scare residents.

Cllr Kaiser asked how much had been written off by the assets. Chris Buss said that they were still trading and they could go up in value, they were purchased at £40 million and the accounts now valued them at £2 million at the time of the audited accounts. Cllr Hilton mentioned that it's the portfolio of investments that counted, the asset in question still had value and continued to trade.

Resolved unanimously that: The Panel noted the report and considered and noted the Independent Governance Report at Appendix 1.

PROPOSED GOVERNANCE RESTRUCTURE

The Panel considered the report regarding the proposed change to the governance structure of the Pension Fund.

Andrew Valance, RBWM Head of Finance, informed that the report was implementing some of the recommendations from the review into governance. It was recommended that the investment group should stop operating in its current form now that investments have been

pooled. The only decision making group would be the panel that would be renamed as a committee. There would be pre-panel briefing to discuss items not pooled. Operational decisions and emergency powers will be delegated to the S151 officer. The advisory panel would be reduced and a pension manager appointed.

Cllr Bond mentioned that the report did not precisely reflect the recommendations from Chris Buss such as he talked about reviewing the subcommittee. He also asked if terms of reference are being changed should we also look if a member of the public can ask a question at the meeting.

Cllr Da Costa agreed with the recommendations and asked are panel members trustees as this had liabilities, if there were any other items that needed to be added to the constitution, if the review of auditors report should be in the constitution, we should have mandatory training for members on the panel and if the quorum should include opposition members. He also asked why trade unions were being removed from the advisory panel.

Cllr Hilton mentioned that there is a lot of consultation and events were undertaken by the officers and questions can be asked at these events. He also mentioned that we did not choose our auditors.

Chris Buss said he was satisfied that everything that needed to be addressed from a governance view had been. The only reason why he recommended that the investment group be kept for two years was there were legacy assets but if they now come under LPP that is not required. With regards to trade union membership this should be on the Pension Board and not the Panel (Committee). You will see the audited reports as you look at the accounts. Mandatory training was not required in the constitution as this should be done already.

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

- i) Agrees to recommend to full Council the Constitutional changes as set out in Appendix 1 to this report; and**
- ii) Agrees to the appointment of a permanent Head of Pension Fund responsible for all aspect of Pension Fund management.**

PUBLIC SECTOR EXIT PAY REFORM – THE £95K CAP

The Panel considered the report for the current position regarding the Government's Public Sector Exit Pay Reform and the £95k Cap.

Kevin Taylor, Pension Services Manager, informed that Government first announced plans to cap exit payments in the public sector in 2015. Since then HM Treasury (HMT) launched a consultation in 2019 on draft regulations, guidance and Directions to implement the cap. HMT published its response to the consultation on 21st July 2020. This was designed to restrict exit payments to a £95k cap. Draft regulations are in place and from the 4th November 2020 they will come into force.

There will be a conflict were LGPS regulations say we must pay benefits currently laid out whilst the new exit regulations says there is a cap. For example for a redundancy the LGPS say we must pay a benefit (statutory redundancy and full pension) whilst exit reform regulations saying they must be restricted and thus there will be a conflict between the two sets of legislation.

Cllr Da Costa mentioned that before the regulations catch up there will be a period of time where people could be caught and there may also be an impact on our cash flow and liabilities. When will issues be able to be assessed. He was informed that guidance was due out in the next ten days. In the interim period there may need to be manual calculations. This could also impact future transformation plans.

The Panel noted the report.

RISK REGISTER – FULL REPORT

Item not considered.

ADMINISTRATION REPORT

Item not considered.

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 6.40 pm

CHAIRMAN.....

DATE.....