

BERKSHIRE PENSION FUND COMMITTEE

MONDAY, 14 DECEMBER 2020

PRESENT: Councillors Ali, Lovelock, Alan, David Hilton (Vice-Chairman), Julian Sharpe (Chairman), Simon Bond, David Coppinger 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, David Cook and Andrew Vallance

APOLOGIES

Apologies for absence were received by Councillor Story. Councillor Coppinger attended as a substitute.

DECLARATIONS OF INTEREST

There were no declarations of interest received.

MINUTES

Resolved Unanimously: that the Part I minutes of the meeting held on 19 October 2020 were approved as a true and correct record subject to on page 8 'worthless' be changed to 'relatively worthless'.

PENSION FUND COMMITTEE TRAINING FRAMEWORK AND WORK-PLAN

The Committee considered the report regarding a Training Framework for Members of the Pension Fund Committee and Advisory Panel.

The Pension Services Manager informed that The purpose of the paper followed on from the independent review of governance of the pension fund. It became clear that there was a need to develop a training plan for members to follow. Officers had also reviewed and revised the work programme where there were a number of statutory policies that needed constant review and updates. The training framework and work plan were appended to the report. If the report was approved officers dates would be set for training.

Cllr Da Costa mentioned that this was a great step forward to help members make informed decisions. There was a detailed list of training that he was looking forward to undertaking.

Mr Cross asked if the Pension Board members could also be included in the training schedule and this was agreed. It was also suggested that any Zoom training is recorded so those who could not attend could access it.

Resolved unanimously: that Committee notes the report and:

- i) Subject to any amendments being proposed, approves the training framework and work-plan.**

PENSION FUND GOVERNANCE PROGRESS REPORT

The Committee considered the report regarding the progress following the recommendations made in an independent report presented to Committee on 19 October 2020 into the governance arrangements of the Pension Fund.

The Head of Finance informed that this was the first committee meeting since the constitutional changes made by Council in October 2020. Recruitment was underway for a permanent fund manager and he clarified that in the report it mentioned that advisors to fund would no longer be able to vote, he said they never had a vote.

Mr Cross said he would work with officers about taking a paper to the Pension Board if any of the advisory panel members that are no longer attend these meetings could be incorporated into the board.

Cllr Da Costa asked when it was expected that the Pension Board would have its full compliment of members and he clarified that the administering authority to the Fund was RBWM. He mentioned that there were currently no union representation on the board.

The Pension Services Manager reiterated that this Committee is made up of RBWM councillors and acted on behalf of the administering authority and thus the scheme employers. Meeting alongside this Committee was the Advisory Panel which was made up of elected members from the other scheme five unitary authorities. Following the independent governance review other employer representatives had been removed from the Advisory Panel as they were better suited to being on the Pension Board which was made up of equal numbers of employer and scheme member representatives. As mentioned a paper would be presented to the Board about its membership.

Resolved unanimously: that Committee

i) Notes the paper and progress matrix at Appendix 1.

APPROVAL OF ANNUAL REPORT AND ACCOUNTS 2019/20

The Committee considered the report that sought approval of the Fund's Annual Report and Accounts for the year to 31 March 2020.

The Head of Finance informed that the accounts were still under audit and it was anticipated that they would be presented to the new Audit and Governance Committee in February 2021.

The interim Pension Fund Manager informed that there were only a few issues outstanding mainly around valuations that had delayed the process. The pandemic had impacted the audit and had also made it longer to complete. A number of the funds were only valued once a year and that was often in December. The difference between the December valuation and March was usually negligible, however a number of funds had been impacted this year by the pandemic even though they were back on track. This had delayed the audit as it took longer to get the valuations. The majority of local authorities had not signed off their accounts. The Chairman thanked officers who had worked so hard on getting the accounts ready during this difficult time.

Cllr Da Coasta asked if the presented document had everything in it that we were required to publish by law. He also asked if the auditors would be looking at the current situation as well as the direction of travel. Would any identified weaknesses be brought back to the Committee. He was informed that there was more in the report then required by law and that any finding that the Committee were required ti review would be brought back.

Cllr Bond asked if the remainder of the timetable had been driven by the auditors as he recalled at the last audit meeting they discussed having a special meeting before February. He was informed that the timetable presenting the audited accounts was down to the auditor availability.

Resolved unanimously: that the Committee notes the report and:

- i) Authorises Officers to correct any identified typographical and drafting errors and to insert the Auditor's Report on receipt.**
- ii) Approves publication of the final version of the Fund's Annual report and Accounts.**

PUBLIC SECTOR EXIT PAY REFORM – ADMINISTERING AUTHORITY POLICY

The Committee considered the report that set out the current position with regard to the Government's Public Sector Exit Pay Reform.

The Pension Services Manager informed that the Government first announced plans to cap exit payments in the public sector in 2015. Since then HM Treasury 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.

In September 2020 the Government moved to bring the proposed reforms before both Houses of Parliament with The Restriction of Public Sector Exit Payment Regulations 2020 coming into force on 4 November 2020.

With effect from 4 November 2020 the £95k exit payment cap came into force meaning that the total value of exit payments made to a Local Government employee who is made redundant or retired early for business efficiency reasons must not exceed the cap.

The Committee were informed that the problem was that the Restriction of Public Sector Exit Payment Regulations 2020 were in direct conflict with the LGPS Regulations 2013 as you could not restrict payment of benefits of someone who has retired or made redundant due to efficiency savings.

The Local Government Association had issued guidance to administering authorities stating that an Administering Authority should without delay set a policy. There were currently 4 judicial reviews underway.

Cllr Da Costa said we could not pre-empt the judicial reviews but asked if the proposed policy was in line with current regulations. For the members we know will be impacted what information would we be giving them so they can consider their options. In response he was informed that the policy did set followed the exit payment regulations and not the LGPS regulations. If we continued with current regulations and that got rescinded then we would have to try and get back any payments made. So we will give them the choice and let them challenge. With regards to advice there have already been discussions with a number of people facing potential redundancies. The administering authorities responsibility is to determine that the correct amount of pension is paid. We also provide as much advice as we can.

Cllr Kaiser asked if the responsibility for following the rules was with the administering authority or the local authority who employs the individual, are local authorities aware of the current situation. He was informed that employers were aware of the current situation and we would say they can have a full pension but deferred benefit and they can challenge. If the policy is agreed we will not pay them their full unreduced pension and inform that this is the policy we will follow as the administering authority.

Cllr Hilton said that the proposal was the most logical you could make under the circumstances and thus we should approve it.

Mr Cross informed that the policy had been emailed to Pension Board members and he also felt it was the most appropriate given the circumstances.

(Cllr Coppinger had to leave the meeting to attend another council meeting)

Cllr Leake said that there was no realistic alternative to the suggested policy. It will be resolved one way or the other depending on either the judicial review or change in legislation. For those affected who have opted for a reduced pension or deferred benefits, when the issue is settled could they claim settlement for what they may be owed. Should a reserve fund be set up in case this happens. In reply he was informed that if the existing LGPS regulations are retained then they must be back paid any benefits / pension payments. Employers may wish to put in a reserves for any pension strain costs.

Cllr Da Costa said he agreed with the proposed policy. Cllr Bond said he also agreed but asked if the employers were aware of the strain cost. He was informed that they were as this was the first calculation undertaken to assess if they met the £95k cap.

Resolved unanimously: that the Committee

- i) Considers the report, attached Administering Authority guidance at Appendix 1 and Secretary of State letter at Appendix 2.**
- ii) Agrees to adopt a policy of least financial risk as set out at Appendix 3.**

RISK ASSESSMENT POLICY AND RISK ASSESSMENT REGISTER

The Committee considered the report regarding the current version of the Pension Fund's Managing Risk Policy and Risk Assessment Register.

The Pension Services Manager informed that the full policy is brought to the Committee every other meeting with exception reports being provided. The Committee were being asked to review and approve it is still fit for purpose.

Cllr W Da Costa asked how the register was created was it issues raised by auditors or common issues that was best practice to include. He was informed that it followed best practice as well as any issue from auditors. For example the issue regarding the exit cap had been added, this had not been raised by the auditors but was of concern. If internal or external auditor pick up anything it would be added to the register. Anytime a new risk is added it will be brought to Committee as part of the report.

The Committee were informed that cyber attack had been added as a medium risk. Officers and a couple of members had attended a recent webinar on the subject. Out of this there were a number of actions that would be brought forward with RBWM and link it with key areas that the pension regulator had identified.

Cllr Kaiser mentioned that his local authority had been subject to a two day persistent cyber attack so we had to also consider the possibility of an incident of attacks coming through other organisations systems.

Resolved unanimously: that the Committee

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

ADMINISTRATION REPORT

The Committee considered the report regarding the administration of the Pension Fund for the period 1 April 2020 to 30 September 2020.

The Pension Administration Manager informed that this was a standing quarterly report. He highlighted the following areas:

- 1.1 Scheme Membership was shown by active members, deferred and in payment. Deferred membership continues to be higher than active membership.
- 1.2 showed scheme membership by authority, you could see West Berkshire has an idea make up of membership.
- I-Connect, employers are now understanding the benefits with quicker data submission. The staffing issues in the report have been resolved.
- The four key performance indicators that are reported on are unfortunately off target mainly because of training coinciding with Covid – 19.
- Page 10 showed the three main methods of communication. Pension surgeries had been stopped until they were started again remotely.
- Website visits have dropped but this is in part due to statistics being affected by the new RBWM website and officers are looking into this.
- The 2020 data quality exercise have been received and recognised. Over 1.6 million data item items were reviewed.

Resolved unanimously: that the Committee notes the report and:

- **All areas of governance and administration as reported**
- **All key performance indicators**

PROCUREMENT OF EXTERNAL SERVICES

The Committee considered the report regarding the procurement exercise for the provision of actuarial and custodian services.

The interim Pension Fund Manager said that the report seeks approval to enter into a formal procurement exercise for the provision of actuarial and custodian services. Officers will report back to Members with options for the provision of each of the services at a future meeting once the procurement process has been completed. It also sought Members approval to extend the existing pension administration software contract for a further 5 years.

Resolved unanimously: that the Committee notes the report and:

- i) **Authorises Officers to enter into a formal procurement process for the provision of Actuarial services and Custodian services both of which are a statutory requirement of Local Authority Pension Funds.**
- ii) **Authorises Officer to enter into a 5-year extension to the existing pension administration software contract available under the provisions of the current contract.**

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 6.15 pm

CHAIRMAN.....

DATE.....

