BERKSHIRE PENSION BOARD

THURSDAY, 27 MAY 2021

PRESENT: Alan Cross (Chairman), Nikki Craig, Jeff Ford, Arthur Parker (Vice-Chairman), Julian Curzon and Kieron Finley

Also in attendance: Ian Coleman

Officers: Kevin Taylor, Philip Boyton and Fatima Rehman

INTRODUCTION AND APOLOGIES

Apologies were received from Tony Pettitt, with Kieron Finlay and Julian Curzon as prospective substitute employer board members.

DECLARATIONS OF INTEREST

Although no formal declarations of interest were declared, it was noted that the Chairman received an exit package when he left Reading Borough Council in 2018 and so these details would be contained in the data submitted by Reading Borough Council to MHCLG in response to their request for exit payment information.

MINUTES

RESOLVED UNANIMOUSLY: That the minutes of the meeting held on March 4th 2021 be approved, subject to the following changes:

- 'Late submissions' rather than 'late payments'
- 'Very low perceived risk' rather than 'no perceived risk'

Jeff Ford asked if the Head of Pension Fund was appointed, and Nikki Craig, Head of HR, Corporate Projects and IT (at RBWM), said the recruitment process had ended and a public announcement would be made once the HR processes had completed. The successful candidate was due to start on 1 September 2021.

SCHEME AND REGULATORY UPDATE

Kevin Taylor, Pension Services Manager, introduced the item.

a. Exit reforms

The £95,000 exit cap was revoked and the MHCLG was considering what actions could be taken regarding exit costs and payments within the public sector. On 9 April 2021, a letter was sent to local authorities requesting exit payment data as scheme employers of the Pension Fund. All local authorities in England and Wales were required to provide information on all exits from 2014 to date, so that the MHCLG could better understand the implications of potential regulatory change. The cap was an attempt to restrict "excessive" payments; however, it was identified that many average salary employees, as well as high earners, would be unintentionally caught in the cap. There was also unresolved conflict between the regulations.

Arthur Parker asked if the results of the consultation were published. Kevin Taylor said he had not seen any information, but it would be interesting to know how swiftly government would implement this, as the government still intended to have an exit limit despite the original cap having been revoked. The Chairman asked if local authorities were given the form to fill in and Arthur Parker said that a notification was sent to authorities regarding the format of the consultation that was responded to. The letter in the report suggested authorities would need to respond by May 2021, but this had not happened as the final form was not sent in time to achieve this.

Kevin Taylor said the borough had received a request for information and was collating this. Nikki Craig said an email on 25 May 2021 was received from South East Employers (SEE), who had made representations to MHCLG along with the Local Government Association (LGA) regarding the requirement to provide information from 2014. SEE's email said the MHCLG intended to send a letter setting out the finalised exit pay reporting requirements on 26 May 2021. It would be sent to Chief Financial Officers and it was highly likely that councils would be notified of the revised requirements before the SEE had site of the letter. The letter was likely to set a reduced reporting requirement of two years and sections where a short commentary on exit decisions could be given. A short extension to the deadline was being considered.

b. TPR Code of Practice

Kevin Taylor said an internal audit was undertaken almost three years ago to review the administering authority's alignment to the Pensions Regulators code of practice 14 on administration and governance. The results from the audit were very good, but the Pensions Regulator was now consolidating the codes of practice into one code. Another internal audit may need to be undertaken once the new code was published. The Chairman said it was good practice to revisit the code on a periodic cycle and asked what resource would need to be put into place for the review. Kevin Taylor said documentations would need to be revisited and changed, such as the Members Handbook.

c. Written Ministerial Statement dated 13th May 2021 on McCloud and the LGPS

Kevin Taylor said an announcement was made on 13 May 2021 by Luke Hall, Minister of State for Regional Growth and Local Government, expressing the progression on the requirements and outcomes of McCloud. Further details would be forthcoming with a consultation, and outcomes would be published later in the year, with guidance from the government and other parties. This would create considerable work and resource for the administration team.

Jeff Ford asked if the original date had been moved back. Kevin Taylor explained that the original underpin protection applied to anyone in the scheme on 1 April 2012 who was within 10 years of retirement. The Chairman said whilst it was a significant issue, the overall amount for the Local Government Pension Scheme (LGPS) was not expected to be large. Kevin Taylor said that the Fund actuary has already taking into consideration the potential impact of McCloud on the Fund and it was expected that the outcomes would not be significant for the Fund.

PART I COMMITTEE PAPERS FOR 14 JUNE 2021

The Chairman said the papers were emailed to the those present and were not published in the agenda as they were draft documents. The final version would be in the public domain once published in readiness for the next Pension Committee meeting on 14 June 2021.

5Ai. Draft Employer Flexibilities Report

Kevin Taylor said the report came to fruition following legislation amendments to the LGPS in September 2020 to give employers greater flexibility on how they dealt with exit costs when they left the scheme. The impact would be greater on private companies who joined the scheme under contract to other authorities but would have less impact on unitary authorities, town, and parish councils as 'scheduled bodies'. When employers leave the scheme the Fund actuary has to undertake a cessation valuation and identify whether a deficit exited that required the exiting employer to make an exit payment to the Pension Fund. This could be a considerable amount that could be difficult for the employer to pay as a one-off amount and therefore employer flexibilities have been introduced. Payments could either be made in line with a deferred debt or debt spreading arrangement subject to the administering authority's establishing policies to support the approach. The Fund actuary had produced the draft policies as well as proposing changes to the Funding Strategy Statement (FSS).

5Aii. Draft FSS

The Chairman said sections 3.12 to 3.14 were similar and should be consolidated, and section 5.4 needed to comment on the 2019-22 period. The Chairman asked when the next FSS was due to be reviewed and Ian Coleman said it was due after the next actuarial valuation at the latest. This would be late 2022, though anything that needed to be reviewed would be done so at any stage.

5Aiii. Draft Contribution Review Policy

The Chairman said this appendix was a new policy and Kevin Taylor said this set out what the options would be and the processes that would have to be undertaken. The Chairman commented that an organisation that received an adverse audit report may also trigger a contribution review and could be added to the report. Ian Coleman said the recommendations were from the actuary and if issues arose, they would be changed. It was agreed for the comments from the Board to be given back to the actuary.

The Chairman asked if there were circumstances where the cost responsibility could be shared through mutual agreement and Kevin Taylor said the purpose of the policies was to avoid shared costs as the employer was responsible for the liabilities that they build up. The ‘new’ options available reduce the risk of an exiting employer not being able to afford any exit payment identified by the actuary thereby reducing the risk of other scheme employers having to meet a part-share of those costs.

By giving options to recover post-exit liabilities potentially benefited the Fund and other employers and allow employers to meet costs they might not otherwise be able to pay.

5Aiv. Draft Debt Spreading Agreement (DSA) and Deferred Debt Agreement (DDA) Policies

Berkshire Pension Fund Committee would be asked to agree the drafts on 14 June 2021. Significant changes were not anticipated but would be implemented if they arose and would be brought the report back to the Committee for further approval. The Chairman asked if employers had a say in the policy and Kevin Taylor said a policy was needed that could then be put forward for consultation. The Chairman asked if there was a deadline, which there was not (at present).

5Bi-iv. Draft Deloitte ISA260 Final Report for 2019-20 Audit; ISA260 Report 2019-20; Draft Audit Progress Matrix; Draft Audit Planning Report 2020-21

Ian Coleman said the reports covered Deloitte’s final report on the 2019-20 audit, a planning report for the 2020-21 fund audit and an agreed action plan on addressing the issues raised in Deloitte’s 2019-20 audit report. The Chairman said the Fund had legacy historic alternative investment the valuation of which had been difficult due to the impact of COVID-19. Ian Coleman said the Fund was not unique in continuing to have alternative investments, which were affected by the collapse in the Stock Market in March 2020. The investments were valued once a year resulting in some lagged pricing. The known values as at 31 March 2020 were inevitably different to those identified once the re-valuations had taken place. However, the large variation in the valuations from 31 March 2020 to the date that the accounts were completed was a direct result of the impact of COVID-19. In normal circumstances this should not be the case and it is anticipated that in future years such large variances will not been seen.

Julian Curzon asked for an example of bespoke events and investments and Ian Coleman said these were not quoted on the stock exchange, such as the Milltrust investment in agricultural holdings in Australia and New Zealand. Additional bespoke valuations were needed for each of these funds that were costly, but it was hoped it would be smoother this year. Julian Curzon asked how historical valuations would apply for scheme employers who decided to leave during this turbulent period. Ian Coleman said individual investments in comparison to the total value of the Fund were insignificant and would not affect calculations for individual employers.

Jeff Ford asked if the super-user issue had been resolved to the satisfaction of the auditor as it seemed the software provider would need to update the system to accommodate this. Kevin Taylor said there would be a third independent person to review the audit files produced from the system and interrogate the files. They would need to see what input was made by the super users against their own records to ensure consistency. This was an issue raised by the auditor as Kevin Taylor and Phillip Boyton, Pension Administration Manager, were the super users of the system.

Julian Curzon asked if the £1.2 million loan was material. The Chairman said it was not an unusual amount for inter-local authority treasury activity but that there ought to be extra processes in place in transactions between the administering authority and Fund due to the perceived conflict of interest. Julian Curzon asked if there was a public scheme of delegation of limits and amounts that could be dealt with. Ian Coleman said there was an agreed treasury management policy that applied to the borough and pension fund accounts, which stated the process for lending and borrowing money, and who could borrow and lend. A separate treasury management strategy for the Pension Fund would be put together this year, which was good practice.

Ian Coleman said the auditor at the time could not find sufficient documentary evidence for why the loan was made overnight and repaid the following day (and who approved it for both authority and Pension Fund) and therefore better documentation was needed in future. Nikki Craig said the auditors presented the report at the Audit and Governance Committee where they thought the loan may have been done over the phone rather than in writing. The Chairman said it was normal for such treasury activities to be agreed by phone call, but they should subsequently be documented (particularly given the potential perceived conflict of interest).

Julian Curzon asked if the incomplete cashflows were irrelevant or technical. Kevin Taylor said the delay in cashflows for the reconciliations was because the Pension Fund accountant left in November 2019 and a replacement was not appointed until April 2020. There was a catch-up period and the reconciliations were not done monthly. The Chairman said it appeared to be an issue of resilience and Kevin Taylor said it was picked up by the auditors as key person risks.

The Chairman asked if it was custom and practice for the local authority and the Pension Fund to be on the same ledger and if that was being changed. Kevin Taylor said they had always been on the same ledger system but there was a project plan for both to have their own account on the ledger by April 2022. The Chairman asked if this was the norm in other authorities and Ian Coleman said it was the norm for larger funds. Arthur Parker asked if this was setting up a separate company or a separate general ledger from the main authority and Ian Coleman said it was a separate ledger account. The Chairman asked if this had implications on cash that legitimately needed to be moved between the authority and Pension Fund and Kevin Taylor said there would no longer be simple journal ledger transfers.

The Chairman said the authority's current audit response timeline was missing and Kevin Taylor said there was an updated version. Ian Coleman said the intention was for the report to be brought back to each meeting so that the progress could be seen against the issues raised by the auditors. The Chairman asked if the timeline would cause resourcing issues and Kevin Taylor said resources had been considered. The Chairman asked if the auditors saw the timeline and if they had any comments and Ian Coleman said the auditors saw the report.

ACTION: The timeline to be shared with the Berkshire Pension Board.

5Ci-ii. Draft Pension Fund Governance Progress Report; Draft Governance Progress Matrix

Ian Coleman said the report was received in the last two meetings and was updated for progress and would continue to come to the meeting until all actions were completed. The Chairman said there was provision for a trade union representative on the former Panel, but the post had not been taken up recently. However, the college representative had been taken up by Keiron Finlay, though both roles had been removed in the governance review with the Pension Board being a more appropriate place for them. The Chairman asked if the start date of the Head of Pension Fund could be given publicly once confirmed and Ian Coleman said it would.

5Di-ii. Draft Good Governance in the LGPS – Phase 3 Report to SAB; Hymans Robertson Report

Kevin Taylor said this was phase three of the good governance in LGPS project that was initiated in 2019 when the Scheme Advisory Board appointed Hymans Robertson to undertake the governance review. The consultations had been undertaken and proposals were being put forward on what steps needed to be taken nationally and how local authority Pension Funds should improve their governance. The borough was in a good position because of a recent external, independent review of governance of the Fund. The MHCLG was going to provide statutory guidance on how Funds needed to implement the good governance requirements.

Jeff Ford asked which version from the Good Governance report appendices would be used with the new Head of Pensions and asked if they would report to the S151 Officer or Chief Executive. Kevin Taylor said that in the managerial structure they would be reporting to the Head of Finance, who was the deputy S151 Officer. The Chairman asked if it was envisioned that the LGPS senior officer was then the Director of Resources or the Head of Pension Fund, and Ian Coleman said the discussion had not yet taken place and the appendices were options, and it remained to be seen which the MHCLG might see as acceptable.

The Chairman pointed out that there was no legal impediment for an individual being both the head of a paid service and the chief financial officer of the organisation, but it was now seen as poor practice. The Chairman felt example 5 for the organisational structure was problematic because the Head of Pension Fund role was somewhat split. He questioned how the Fund could be corporately represented if the role was tier 4, and Jeff Ford said the role appeared too low at tier 4.

The Chairman noted the report mentioned that senior officers needed to challenge advisors where appropriate to enable effective operation and said he would have a conversation with the officers to understand how this would happen.

5Ei-ii. Draft Administration Report; Draft Administration Report

Philip Boyton said the report was for Q4 from January to March 2021. Scheme membership increased across all status. Submissions through i-Connect showed the performance of all six unitary authorities in submission of their monthly files was 100%, an improvement on past quarterly reporting (that had been impacted by COVID-19). The pension team was working with academies, schools, and other employer types on file submission, and it is planned to onboard all outstanding employers with more than 10 active scheme members by 31 March 2022. The Chairman queried the processing of new Starters in relation to Slough and was advised that a process error had occurred that had subsequently been rectified (and the figures would need amendment).

Processing of retirement benefit payments within a 5 working day turnaround was tricky, with three Trainee Pension Administrators who were going through their own Personal Development Plans. Therefore, the key performance indicators were lower than desired; however, scheme members were not receiving late payment of their benefits.

The team were reviewing how to report events including, pension surgeries, presentations and employer meetings and training. The Board indicated that the focus should be on the number of members attending, whether virtually or in person, not event numbers. Stakeholder feedback was included in the report, following Jeff Ford’s suggestion during the previous meeting. The pension team communicated to all employers, informing them of their obligations and what the team needed for Year End 2021 processing. There was a pension increase programme that needed to be fulfilled for deferred and in payment scheme members. Annual Benefit Statements were made available online to all deferred scheme members on Monday, 12 April 2021 and Pension Increase Booklets were issued by post to all in payment scheme members prior to payment of April's monthly pension payment.

Jeff Ford asked if staff were going back into the office or continue to work from home. Philip Boyton said since working remotely, the team had identified more efficient ways of working and the offices were being attended by skeleton staff throughout the pandemic. Guidance was still to be given by the head of service regarding the return to offices, although the preference among team members was for a few days in the office each week.

Jeff Ford asked if all Year End 2021 returns were received from non i-Connect employers. Philip Boyton said there were three outstanding Year End 2021 returns, totalling approximately 50 scheme members, one of which was a late employer admission to the scheme. The requirements sent out on 8 February 2021 requested for Year End 2021 returns to be submitted by 30 April 2021, and there was a robust tracking system of when returns are received and processed. It is strongly anticipated Year End 2021 would be complete by 30 June 2021, including making available Annual Benefit Statements, but this is dependent on how quickly scheme employers reply to queries raised. Completion by 30 June 2021 would be two months ahead of the statutory deadline of 31 August 2021. The Chairman said this was better than usual and i-Connect was working.

The Chairman asked if there were still issues with collecting information on website views, and Philip Boyton said the borough changed web providers, and views were significantly less as users could choose if they wished to be tracked. The statistics were therefore not accurate. Nikki Craig said this was the same for all websites, where users are asked if they want to allow tracking as part of data protection. The Chairman suggested for data to be collected on how many users used at least one webpage.

The Chairman suggested an overall performance percentage for the four key performance indicators reported. Kevin Taylor explained that a green bar showing the average performance across a rolling 12 months used to be included and can be included again in future reporting. The Chairman was ambivalent about whether stakeholder feedback should be put into the public domain and Philip Boyton said there had been media coverage on Prudential, who also admitted to their failure to communicate with LG Pension Funds regarding their challenges. Prudential turned around the belated cases in 14 working days and assured they were on track with future claim requests received to disinvest funds within 14 working days of receipt.

The Chairman asked if the blank events and attendees' chart would be replaced, and Philip Boyton said they could show how each event was being delivered, the number of attendees, and the location of events. The Chairman said it would be beneficial to communicate the operation of events remotely and Philip Boyton said this is possible using a remote pension surgery that took place the day before at Reading Borough Council as an example. The team was able to reach out to more scheme members and the events were well attended.

Jeff Ford asked how many scheme employers were not on i-Connect and how many would be on board in a years' time. Philip Boyton said 178 were not onboard and would all be onboard by 31 March 2022. The Chairman asked how many scheme employers had less than 10 scheme members, and Philip Boyton said he did not have the figures on hand. The Chairman asked how academy and school i-Connect users could be increased and Julian Curzon said he was happy to speak to the employers.

The Chairman asked if Slough Borough Council did an externalisation or a lot of people left, and Philip Boyton said they had a restructure that resulted in new post numbers, which was the matching criteria for i-Connect onto the pension teams records. The 1,215 early leavers were a false figure between the production of the report and the additional work carried out to assist the employer in rolling back and Slough Borough Council re-uploaded. The Chairman requested for the report to reflect the genuine number of early leavers.

ANY OTHER BUSINESS

The Chairman said the events tracker had not been included this time and suggested a standing note under the AOB item to verbally note training issues that were either available to members or were taken up at meetings. He had attended a recent PSLA conference.

Kieron Finlay and Julian Curzon were formally proposed as Substitute Employer Members to Berkshire Pension Board, and the Chairman indicated that he had sent a message to Unison in an attempt to identify a suitable Scheme Member representative (in line with the Governance Review).

UNANIMOUSLY AGREED: That Kieron Finlay and Julian Curzon be substitute Members to Berkshire Pension Board.

The Chairman said Kevin Taylor could be contacted from Tuesday to Thursday, as he was flexibly retiring at the end of May. The Chairman said he would virtually attend the Berkshire Pension Fund Committee.

The meeting, which began at 11.00 am, finished at 1.07 pm

CHAIRMAN……………………………….

DATE………………………………..........