

BERKSHIRE PENSION FUND COMMITTEE

MONDAY, 6 DECEMBER 2021

PRESENT: Councillors Julian Sharpe (Chairman), David Hilton, Shamsul Shelim and Simon Bond.

Also in attendance: Cllr W Da Costa, Cllr Brook, Mr Cross, Cllr Kaiser. Rothan Worrall, Aiofinn Devitt and Andrew Harrison.

Officers: Damien Pantling, David Cook, Philip Boyton, Andrew Vallance and Kevin Taylor.

APOLOGIES

Apologies for not being able to attend in person were received by Cllr W Da Costa. He attended virtually as a non voting member.

DECLARATIONS OF INTEREST

There were no declarations of interest received.

MINUTES

Resolved unanimously: that the Part I minutes of the meeting held on 15th November 2021 were approved as a true and correct record.

RENEWAL OF LAPFF AND PIRC MEMBERSHIP

Members considered the report regarding the renewal of memberships to the Local Authority Pension Fund Forum and the Pensions & Investment Research Consultants Limited.

The Head of Pension Fund informed members that members agreed to join the Local Authority Pension Fund Forum (LAPFF) in October 2020 and the Pensions & Investment Research Consultants Limited (PIRC) in March 2021 and requested that officers return with a further report prior to their consideration of both memberships being renewed. The report provided an outline of the benefits of membership and asked for delegated authority for officers to renew future membership.

The Chairman asked if membership had been beneficial and was informed that the benefits were shown in paragraphs 2.8 and 2.11 including engagement and activism on issues relating to ESG issues and benchmarking with other funds.

Cllr Hilton mentioned that he had not been able to attend all the conference calls arranged but they were beneficial as was the paperwork issued. Both organisations were excellent value for money.

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

- i) Agrees to renew the Fund's membership of the LAPFF;**
- ii) Agrees to renew the Fund's membership of PIRC; and**
- iii) Delegates authority to officers to approve future annual contracts for LAPFF and PIRC.**

PENSION FUND GOVERNANCE PROGRESS

The Committee considered the report regarding an update on governance arrangements.

The Head of Pension Fund informed members that the report provided an update on 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 and also the external auditor's report from 2019/20. All the actions in the action plan had either been completed, were due to be completed in the next quarter or had been added to the annual work programme. This would be the last update report to members unless there were any material changes.

Cllr Hilton said that for those actions not yet completed dates were given when they would be and members were kept up to date. The Investment Strategy was now out of date and needed a review as did the Funds constitution he was glad that the new Pension Fund Manager was now in place to progress the actions.

Mr Cross said that the Pension Board had also received the report and approved the actions and that although there was no longer a need for regular reporting we should keep an eye on progress and emerging issues.

Resolved unanimously: that Pension Fund Committee:

i) Notes the report and agrees to sign off all remaining items in both progress matrices at Appendices 1 and 2 as being completed subject to the 4 outstanding items contained within the independent governance progress matrix at Appendix 1 where dates for action have been confirmed.

RESPONSIBLE INVESTMENT UPDATE

The Committee considered the report regarding an update on responsible investment.

The Pension Fund Manager informed members that they agreed a Responsible Investment policy on 22 March 2021 supported by several values, principles, and priorities. The Fund later released an Environmental, Social and Governance public statement clarifying its commitment to long-term responsible investment of pension savings. Whilst responsible investing had always been a guiding principle in the Fund's investment approach, the decision to pool funds with LPPI from 1 June 2018 enabled more active monitoring and consolidation of its responsible investment outcomes.

This was the first time a report was brought to members in the public domain and was supported by four appendices:

- LPPI Net-zero 2050 commitment
- Responsible Investment Report Q3 2021
- Responsible Investment Dashboard Q3 2021
- Active Engagement Report Q3 2021

LPPI had taken an active decision to declare a 2050 net-zero carbon emission Commitment and had joined the Institutional Investors Group on Climate Change. The report recommended that the Fund take an approach that rather than a commitment to net-zero by 2050 at this time, it would be prudent to commit instead to staying updated on best practice in responsible investment, holding LPPI to account on their RI and net-zero commitments, and reviewing the appropriateness of a net-zero commitment at regular intervals.

Cllr Brock noted that Lancashire had set up a task and finish group to help keep abreast of developments, he was waiting to see the terms of reference but recommended that between meeting we read the policy. Aiofinn Devitt replied that the task and finish group was set up to

recognise the policy needed to be evolved as standards moved forward. Work had been done expanding the policy and working with LPPI.

Cllr Hilton mentioned that a task and finish group was worth considering as it would bring members together in a different setting. Well written terms of reference were important. The Chairman also said that any group should not be politicised, members may have different views but they should be able to work together. Cllr Da Costa said he would welcome the opportunity to review the TOR.

Members agreed that consideration to setting up a task and finish group should be undertaken in the new year.

Resolved unanimously: That the Pension Fund Committee notes the report and:

i) Acknowledges LPPI's commitment to net-zero carbon emissions by 2050 as an asset manager.

ii) Acknowledges the Fund's RI dashboard, RI report, active engagement report and achievement of associated outcomes.

iii) Considers the options for a net-zero asset owner commitment and sets up a task and finish group.

RISK REGISTER

The Committee considered the report regarding the Fund's Risk Register.

The Pension Fund Manager informed members that at the Committee's request he had agreed to review the Pension Fund's risk register and to bring a revised and updated version to the upcoming meeting for Members' consideration and approval. This report provided Members with that updated version of the risk register prepared in line with the 2018 CIPFA framework "Managing risk in the Local Government Pension Scheme".

The risks had been separated into 7 categories and there were now 52 risks (previously there had been 30). Future reports will show and new risks, any risks removed and any changes to the main report. The Pension Board had reviewed and approved the new register.

Cllr Hilton said that the risks were now presented in a different way so it will take time to review, he mentioned that the longevity hedge mentioned that legal advice was required and was informed that this had been done and the advice was the proposed action would not be cost effective.

Mr Cross informed that the Pension Board had spent a lot of time considering the revised report and made amendments. The risk journey changed over time and thus the Board would be keeping an eye on the report.

The Chairmen said he was pleased with the revised report and glad to see direction of travel being added.

Resolved unanimously: that the Pension Fund Committee:

i) Considers and notes the risk register and puts forward any suggested amendments as may be necessary; and

ii) Authorises officers to update the risk register as agreed by Committee; and

iii) Approves publication of the final version on the Pension Fund

website.

ADMINISTRATION REPORT

The Committee considered the latest administration report.

The Pension Services Manager informed members that the report deals with the administration of the Pension Fund for the period 1 July 2021 to 30 September 2021. One area that was highlighted was in the special projects section regarding overseas pension payments.

Work will begin with the Pension Fund's current overseas payment provider, Western Union to check the live status of pensioner and dependant scheme members who received their monthly pension payment to an account in the country and currency of their residence. Officers would report back at the end of the project.

Cllr Bond mentioned that a couple of years ago there was a complaint about Prudential AVC, he asked if this issue had generated any complaints and was informed that the problem arose when Prudential changed their system and it was difficult to make contact with them this has been much improved.

The Pension Fund Manager reported that having worked with a number of Fund this team was performing very well and doing a good job.

The Chairman asked if there were any other KPI's that other Funds looked at that we did not and was informed that we had changed some of the KPI as removed those where we were reporting 100%. KPI's and data quality were kept under review. In time we will move to more benchmarking against other authorities.

Resolved unanimously: that Committee notes the report and:

(i) All areas of governance and administration as reported.

(ii) All key performance indicators.

PENSION FUND ANNUAL REPORT

The Committee considered the report regarding the Pension Funds Annual Report.

The Pension Fund Manager informed members that the Fund's annual report was complete for both 2019/20 and 2020/21, the Administering Authority's statement of accounts was still awaiting sign off for 2019/20 and this was expected in the coming months.

As a result, the Pension Fund annual report, despite being complete, had not yet been made available publicly. This report sought approval from the Pension Fund Committee to publish the Pension Fund's annual report for 2019/20 and 2020/21. The auditors opinion was that the reports were complete with no outstanding material adjustments.

Cllr Hilton mentioned that last year there were no complaints report ed but this year there were four. He was informed that there would have been complaints in the previous year but the timing often meant they were reported the following year as the majority were regarding ill health processing that may have to go through a three stage process.

Cllr Da Costa asked if the auditors had issued their draft management letter and was informed that this had not yet happened as the administrations accounts had not yet been signed off but there were no issue with the Funds accounts.

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

i) Notes the contents of the Pension Fund annual report and financial statements of the Royal County of Berkshire Pension Fund for 2019/20 and 2020/21.

ii) Approves in principle the finalisation of the “draft” 2019/20 and 2020/21 annual report and financial statements, for disclosure to scheme members at the Annual Meeting on 16 December 2021.

iii) Notes that although the accounts will remain as “draft” officially until the Administering Authority’s accounts are signed off, the auditors have recommended these have been reviewed and are fit for public disclosure.

LOCAL GOVERNMENT ACT 1972 - EXCLUSION OF THE 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 4pm, finished at 6.10pm

CHAIRMAN.....

DATE.....