

BERKSHIRE PENSION BOARD

THURSDAY, 2 SEPTEMBER 2021

PRESENT: Alan Cross (Chairman), Nikki Craig, Kieron Finlay, Julian Curzon and Jeff Ford

Officers: Andy Carswell, Ian Coleman, Damien Pantling, Kevin Taylor and Philip Boyton

INTRODUCTION AND APOLOGIES

The Chairman welcomed everyone to the meeting and asked those present to introduce themselves.

Apologies were received from Arthur Parker and Tony Pettitt. Julian Curzon and Kieron Finlay were attending as substitute employer representatives.

INTRODUCE DAMIEN PANTLING

Damien Pantling told members he was the new Head of Pension Fund and had started the previous day. He said he was looking forward to working with everyone.

DECLARATION OF INTEREST

There were no declarations of interest. Members confirmed no training had been undertaken since the last meeting, although the Chairman had attended the CIPFA Conference.

MINUTES

RESOLVED UNANIMOUSLY: That the minutes of the meeting held on May 27th 2021 be approved as an accurate record.

Arising from the minutes it was noted that the Draft Employer Flexibility report was approved at the last Committee meeting. The Chairman informed members that a specific case study was discussed in the Part II section of the meeting and the Committee had requested further information on this, which was due to be presented at the next meeting. Also arising from the minutes, the Chairman asked for clarification on whether the target of annual benefit statements being completed by June 30 2021 was met. Philip Boyton said the final annual benefit statements to be issued were sent out on July 13 2021. There were two scheme employers, covering no more than a dozen employees, that were still outstanding. This was due to there being a delay in informing the Pension Board that they were seeking admission. Philip Boyton confirmed that annual benefit statements for all major employers were completed by the target date.

SCHEME AND REGULATORY UPDATE

Kevin Taylor told members that a briefing paper regarding the McCloud age discrimination remedy had been prepared; however, the official guidance on how the remedy was to be applied had still not yet been issued. Kevin Taylor said this was expected to be published by the end of the year and a lot of resources would be required to look into the administration of the review. It was noted that unfunded public schemes would retain the option of allowing the care option or final salary option for scheme members. A ministerial statement had been made recently, which suggested that the updated LGPS regulations would come into force from 1 April 2023. Kevin Taylor said however more guidance on how the process would be managed

was required, particularly with regards to the administration of the scheme. Members were told that the actuary had been assessing the potential impact of the remedy and this had been included in the annual employer accounting reports.

Nikki Craig asked if the proposed changes could be administered by existing Fund staff, or if additional resources would be needed. Kevin Taylor said clarity needed to be sought on whether this would be possible. One solution could be to pull staff away from their regular work and get them to focus solely on issues relating to McCloud. The Chairman agreed with Kevin Taylor that until more details could be confirmed, it was difficult to plan for. Philip Boyton said historically the Fund had an excellent reputation for administrative work and given the complexities of the issues it was possible that temporary staff would not be able to cover the required work.

Regarding severance payments, Kevin Taylor said the main issue to be considered was the pension strain costs and how this would be included in the government's overall exit costs. It was unclear, based on the draft statutory guidance that had been issued, how the strain costs would be included as not enough detail had been included. This had been raised by the LGA in their consultation response to the government. Kevin Taylor said the Fund had provided information relating to historical data regarding strain costs to a number of the unitary authorities across Berkshire.

Members noted the contents of the update.

ADMINISTRATION REPORT

Philip Boyton introduced the item and reminded the Board that the report covered the first quarter of the year up to 30 June 2021. He drew members' attention to Table 1.4, which highlighted the performance of scheme employers using i-Connect and that the majority were being received within the key performance indicator timeframes. More work still needed to be done to improve the submission rates of schools and academies, as rates had fallen since the previous quarter. There had been no new employers who had signed up to i-Connect since the previous quarter but four more were imminent and this would result in a further 600 scheme member records receiving data on a monthly basis.

Members were told that a new KPI regarding deceased notification processing had been introduced in place of early leavers, as the latter KPI was consistently being met and it was no longer considered worthwhile monitoring. Details of the new KPI were available in table 1.5 of the report. It was clarified that statistics included those using the "Tell us Once" Government Service. An increase in the number of records being processed during June was noted. Regarding the communications in table 1.6, Philip Boyton said this would start from the following quarter. Discussions were taking place as to which statistics would be communicated.

Philip Boyton told the Board that a national database called the Pension Dashboard was being created, which would allow people to see all information relating to their pension entitlements. The creation of the Pension Dashboard was being driven by the government. Philip Boyton said quality of data would be important in ensuring this would be a success. He drew members' attention to the results of the Pension Fund's year four data quality exercise in consideration of the Pensions Regulator's requirements, which in respect of Common Data had given an accuracy rate of 98.9 per cent in each of the last two years across a little over 750,000 individual pieces of data drawn from a little over 93,000 scheme member records. Although the accuracy rate had remained the same, the number of pieces of data this encompassed had increased so there was a higher total number of accurate pieces of data. Scheme Specific data had a 95 per cent accuracy rating across a little over 870,000 pieces of data, an improvement of 0.5 per cent. Philip Boyton stated his belief that the Fund was therefore in a good position; Kevin Taylor stated it was well within the requirements a Fund would be expected to be able to achieve.

Jeff Ford noted the i-Connect submission rate from Reading Borough Council listed in table 1.4 of the report was 66.6 per cent and asked if this was an anomaly. Philip Boyton said Reading regularly had a 100 per cent on-time submission rate and on this occasion the missing data had been submitted a few days later. Philip said he did not believe there was a need to be concerned at any potential impact on payment of benefits. The Chairman asked if the Director of Resources at Reading would be aware this information would be put on public record. Kevin Taylor confirmed Reading had a representative on the Advisory Board so should be able to take this back to the relevant officer. Nikki Craig told the Board that RBWM had been in a similar position last year and this had been due to a misunderstanding following a change in the deadline date. Once the new dates were confirmed the submission rate returned to 100 per cent.

Members noted the contents of the report.

RISK ASSESSMENT REGISTER

Kevin Taylor advised members that the updated register would be considered at the next Pension Fund Committee meeting. There were a few items of concern that were tracked as amber or red and these would be reviewed and updated by the Committee.

Julian Curzon noted that risk of cyber-attack had been given a medium rating and queried whether it should be given a high rating. He explained that three or four schools in Slough had recently been victims of successful cyber-attacks and asked if the Fund was confident it was sufficiently protected against such an event. Kevin Taylor said the Fund's software was hosted off site and confirmed it had the appropriate certificates and firewalls in place. Nikki Craig said she had been to a training event at another local authority where it was considered good practice for the Council and Pension Fund to have their own separate cyber policies. The Chairman suggested this would likely be looked at in due course.

Julian Curzon drew members' attention to the risk rating for late or non-receipt of pension contributions being low and reminded members that Slough Borough Council had serious financial issues and had been reported in the media as "close to bankruptcy". The Chairman said Slough would be subject to a Section 114 notice which would freeze any new spending without preventing the council from continuing with any spending to which it was already committed. Pension payments were such a commitment so there was an expectation Slough Borough Council would pay all its pension contributions. Julian Curzon stated his belief the risk rating for this indicator should be medium given how serious Slough's financial problems were and how much of a priority payment of pensions would be. Kevin Taylor confirmed that statutory payments from Slough Borough Council had been received before the deadline. He added that if a local authority was unable to meet its pension contributions for whatever reason then central government would intervene and ensure payments were made. The Chairman said the Section 114 notice should also help prevent Slough from going into administration.

Nikki Craig noted that the risk owner for each of the items on the register was Adele Taylor but the risk action owner varied and asked if this would be updated following the appointment of Damien Pantling. She also asked if Adele Taylor would be able to carry out the review herself. The Chairman said he understood Adele Taylor, as Director, was happy to remain as risk owner but had agreed to meet with Damien Pantling in order to do a thorough review of the register. Damien Pantling said this should be done prior to the next Board meeting and would include comparison of the register with that from his previous authority.

Members noted the contents of the risk register.

GOVERNANCE PROGRESS UPDATE

Members noted that the majority of report actions listed had been given a green rating, which was pleasing. Kevin Taylor advised that the Investment Strategy Statement had been deferred

until next year and this would be picked up in due course by Damien Pantling. This consisted of a three-yearly cycle and the ISS needed to be kept up to date. Ian Coleman explained the delay had been due to the later than anticipated arrival of a consultation paper on climate change, the contents of which could significantly influence the wording of the ISS. He said the climate change document was now expected to be published by the end of the calendar year, but the ISS was required to be published by the end of March. He noted that it may be necessary to update the ISS twice if the climate change consultation was not made available in time.

Regarding item 11, it was hoped that discussions could be held with LPPI within the next six months. Regarding item 12, Kevin Taylor said this had been put on hold as discussions on the actuarial services contract had taken priority over those on the Custodian. This was in part due to the 160-day period of notice to exit the custodian contract. Damien Pantling said the actuary procurement was being prioritised with a view to having someone in position by the end of the calendar year, as the valuation was taking place in March 2022. The other procurement process was detailed in item 15 and would be discussed at the Committee in due course. Kevin Taylor confirmed that updates on all the items listed in the report would be given at each Board meeting.

Members noted the contents of the update report.

INTERNAL AUDIT REPORT

Kevin Taylor informed members that the audit had given the Fund the highest possible opinion rating for providing an efficient service and appropriate measures were in place to ensure all requirements were fulfilled. It was also noted by the audit that the concerns raised had been very minor. Regarding the Pension Administration Standards Association application, Philip Boyton explained this had been pushed back because other projects had needed to be prioritised over it. Jeff Ford congratulated the officers involved for the quality of the data provided.

EXTERNAL AUDIT PLANNING REPORT

Kevin Taylor advised members that this item had been discussed at a previous Board meeting but had not progressed to the Committee. Some minor updates had been made in the intervening period and the item would be going back to Committee.

EXTERNAL AUDIT PROGRESS MATRIX

Kevin Taylor told members that the auditors were satisfied with the valuation and longevity swap methodology, so those issues had been resolved. Additionally, the convertible bond was no longer an issue as this had been converted to equity. There had not been the same effect on the stock markets caused by Covid in March 2021 compared to March 2020, which had not caused a knock-on effect with alternative investments as had been the case last year.

PART I PENSION COMMITTEE PAPERS FOR SEPTEMBER 20 2021

There was nothing additional to discuss regarding the Part I Pension Committee papers as this had been covered earlier in the meeting. The Chairman told members that discussions were taking place to decide if some of the Committee's Part II items should remain private or whether they could be considered publicly in the Part I section of the meeting. He gave the example of the climate change item being discussed and suggested that making this public would help make people aware of what the Fund was doing to help with the environment locally, nationally and globally. It was hoped any Part II papers could come to the Board in some way, potentially in arrears after they had already been considered by the Committee.

WORK PROGRAMME

There were no items to discuss relating to the work programme.

ANY OTHER BUSINESS

There were no other items of business to discuss.

The meeting, which began at 11.05 am, finished at 12.12 pm

CHAIRMAN.....

DATE.....