

BERKSHIRE PENSION BOARD

THURSDAY, 17 FEBRUARY 2022

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

Also in attendance: Mark Beeley

Officers: Damien Pantling, Phillip Boyton, Kevin Taylor and Laurence Ellis

INTRODUCTION AND APOLOGIES

Apologies of absence received from Kieron Finlay and Julian Curzon.

DECLARATION OF INTEREST

No declarations of interests.

MINUTES

RESOLVED UNANIMOUSLY: That the minutes of the meeting held on 18th November 2021 be approved as a correct record.

SCHEME AND REGULATORY UPDATE

Kevin Taylor, Pension Services Manager, introduced the verbal report, bringing 5 current issues to the attention of the Board. He started with the McCloud age discrimination remedy.

A Parliamentary Bill, the Public Service Pensions and Judicial Offices Bill, was laid before Parliament in July 2021 and made amendments to the Public Service Pensions Act 2013 in order to rectify unlawful age discrimination. As expected, it confirmed the remedy period as covering membership from the date of Scheme reform, 1st April 2014 for the Local Government Pension Scheme (LGPS) to 31st March 2022 for eligible members.

However, there had been further amendments to the Bill which would impact the McCloud remedy for LGPS. These amendments extend the scope of people potentially affected by the unlawful age discrimination. Originally, those in scope extended to scheme members who were within 10 years of retirement and were in the scheme on 31st March 2012. The amendments would extend in scope members to all who were in the scheme prior to 1st April 2012 and who do not have a disqualifying period. The increased scope of this amendment would create more work and require more resources in order to administer. In addition, administrators would need to collect more data for an increasing number of members to check who had been affected by the underpin.

While the new legislation was still being deliberated and guidance still awaited, it was anticipated that pension funds would need to have a plan to resolve the McCloud issue and implement the new remedy by 1st October 2023 in spite of new LGPS regulations and guidance expected to be released in Spring 2022.

Alan Cross, the Board Chairman, asked if it would be a realistic task to implement a plan in spite of the timescale, the potential people in scope, the resources available and complexity of the task. He also asked what representative bodies were saying about the situation. Kevin Taylor replied that the LGA (Local Government Association) had similar concerns in regard to conducting such a task without the relevant guidance being issued. He mentioned the difficulty

in accessing data for many individuals which could go back many years. This would involve a lot of work for scheme administrators and scheme employers alike.

Jeff Ford wondered if RBWM Council was in a position to provide the information from many years prior. Nikki Craig stated that scheme employers are required to retain payroll data for 6 years plus the current year and that it would seem to be appropriate to start collecting data as soon as possible. Philip Boyton, Pension Administration Manager, replied that all scheme member records were up to date as of 31st March 2014 and from this date different scheme employers were in different positions with data depending on when they onboarded the i-Connect system. It was acknowledged there would be challenges in obtaining the data for certain scheme member records.

Kevin Taylor reassured Board members that pension records held by the Berkshire Pension Fund were relatively good and accurate compared to some other local authority pension funds, but he stated that the change in scope of people would create many issues, such as looking for data in respect of individuals who may not originally have been part of the Berkshire Pension Fund but rather another public service pension scheme. Kevin Taylor reiterated that due to this challenge new guidance was needed on how to collect and assess the data to ensure fairness to members.

Kevin Taylor summarised that despite the exceptional amount of work to be done, the number of scheme members who would benefit from the underpin was expected to be quite small. Alan Cross asked if there were any ways to target the right people to check if they were applicable for the underpin. Kevin Taylor replied that the checks could not be done until the calculations for people were completed at the point of becoming entitled to a benefit.

The Board then moved onto the Section 13 report which was introduced by Kevin Taylor. As required under Section 13 of the Public Service Pensions Act 2013, the Government Actuary's Department (GAD) had issued their 'Section 13' report on 16th December 2021.

The Royal County of Berkshire Pension Fund had been identified in the report as having the lowest funding level across the LGPS funds in England and Wales and a lengthy deficit recovery period despite GAD representatives having reassured Berkshire Pension Fund that they were taking the right course of action. Kevin Taylor added that employer contribution rates were gradually increasing.

Kevin Taylor then moved on to the Pensions Dashboards. On 31st January 2022, Department for Work and Pensions (DWP) launched a consultation on the draft Pensions Dashboards Regulations, the intention being that individuals would be able to access all of their pension entitlements in one place, including their state pension. The consultation was to close on 13th March 2022. Officers were waiting to see the Local Government Associations (LGA) response to the consultation before considering whether any further response needed to be made.

Kevin Taylor then mentioned the Levelling-Up White Paper, which was published by the government on 2nd February 2022. The white paper included references to LGPS funds making plans to have 5% of their assets allocated to projects in support of "local business". Kevin Taylor mentioned that the Scheme Advisory Board (SAB) understood that in this context "local" refers to UK rather than specifically local to a particular Fund (given the global nature of investments). There would be no mandating beyond the requirement to have a plan.

Kevin Taylor then moved onto the Task Force on Climate-Related Financial Disclosures (TCFD): the requirement for LGPS Funds to assess and report on the financial risks of climate change in their investment and funding strategies. Berkshire Pension Fund were still waiting for consultation which meant that guidance and amendments to statutory legislation was delayed. Nevertheless, Berkshire Pension Fund was being proactive in this area.

Jeff Ford commented on the costs for the local authorities and pension scheme to fulfil the TCFD requirements. Arthur Parker, the Vice-Chairman, wondered if there was a body which

could lobby the central government for additional funding because of a number of areas which required funding. Kevin Taylor and Alan Cross replied that the Scheme Advisory Board (SAB) and the Local Government Association (LGA) took on the role of lobbying the central government for additional funds and resources as well as specialist advice.

ADMINISTRATION REPORT

Philip Boyton, the Pension Administration Manager, introduced the item. He first highlighted to the Board that the figure for scheme employers yet to be on-boarded to i-Connect was 135 rather than 138 as the report stated. This was because, Volker Highways was split on the pension administration system with two distinct employer codes.

He also stated that there was continued progress with i-Connect, with a remaining 58 scheme employers, which represent circa 2,500 scheme member records, to on-board the i-Connect system in the next 12 months. He added that while Berkshire Pension Fund sought to have all scheme employers with 10 or more scheme members on-boarded to i-Connect by 31st March 2022, there had been some issues with scheme employers, such as some scheme employers stopped engaging with the Berkshire Pension Fund or did not have the functionality within their payroll systems to connect to i-Connect.

Nikki Craig suggested whether continuing to change the future date by when the Pension Fund would have all remaining scheme employers on-boarded onto the i-Connect system was worthwhile given the reasons some scheme employers had not already on-boarded. Officers agreed but will continue to endeavour to encourage all current and new scheme employers to onboard the i-Connect system.

Alan Cross asked what the largest numbers of members would be involved in the 58 scheme employers, speculating that the high circa 2,500 scheme member records meant that some scheme employers would have a higher number of scheme members. Philip Boyton answered that while the number of scheme members under scheme employers would vary in size; and he added that trust employers had larger numbers of scheme members. He also added the numbers should not be in the thousands.

Jeff Ford sought clarification as to whether employers who were on-boarded onto the scheme were automatically required to sign up to i-Connect and if there was any penalty to employers who did not sign up. On the first point, Philip Boyton said that i-Connect would be one of the first things discussed with employers regarding their options around connectivity; and added that i-Connect was the Pension Fund's preferred method. On the second point Damien Pantling, Head of the Pension Fund, indicated that a penalty would require legislative backing.

Philip Boyton then moved onto Special Projects, starting with the McCloud Judgement. He stated there was a recent meeting of the Southern Area Pension Officer Group (SAPOG) in regard to the new reforms to local pensions schemes under the Public Service Pensions and Judicial Offices Bill and how these other pensions funds were dealing with it. Philip Boyton mentioned Buckinghamshire Pension Fund and Hampshire Pension Fund began to collect historical hour and week data from their respective scheme employers with somewhat incomplete responses as well as increasing the size of their administration teams.

When Alan Cross asked if there were discussions at Berkshire Pension Fund on taking a similar route to the other pension funds, Philip Boyton responded there were discussions, but nothing was confirmed; and that the position of the Pension Fund was to wait for the LGPS regulations. Kevin Taylor added that the majority of the SAPOG were following this route as well in waiting for the LGPS regulations. Alan observed that others may have wider reasons for taking on additional staff.

Philip Boyton then moved onto the Pensions Dashboards Programme. He talked about Heywood Pension Technologies, the software provider for the Pension Fund's pension administration system. Berkshire Pension Fund had agreed to act as a 'test-site' for the

development and testing of the pension administration system which would ultimately enable the Pension Fund to understand much earlier the work necessary to meet the requirements of Pensions Dashboards and understand how they work and interact with the pension administration system ahead of the LIVE date, of 30th April 2024.

Alan Cross asked if the requirements from the 137-page consultation document on the draft Pensions Dashboards from DWP (Department for Work and Pensions) were okay. Kevin Taylor replied that the areas relevant to the LGPS were okay though most of the document was not relevant the LGPS. He stated that the stage date for Public Service Pension Schemes was 30th April 2024, giving Berkshire Pension Board a couple of years to establish its Pensions Dashboards.

RISK REGISTER

Alan Cross commented that there had been a major review and rewrite of the Pension Fund's risk register at the previous board/committee cycle. He also mentioned that there was a comprehensive workshop session held on 25th January 2022 for the Pension Fund Committee which some Board members had attended.

Damien Pantling mentioned that during this session, it was recommended that the Pension Fund Committee approve to do comprehensive annual risk review sessions with officers and the Pension Board analyse and deliberate on the risk register. The Board noted the amendments that had arisen at the workshop described in the report.

ADMINISTERING AUTHORITY DISCRETIONS POLICY

Damien Pantling introduced the item. As legally required, the Administering Authority, RBWM, for the Berkshire Pension Fund was required to publish an Administering Authority Discretions Policy. He reported that there were no material changes to Administering Authority Discretions Policy since 2018, when it was last reviewed. Though there had been some revisions to coincide with changes to LGPS regulations. It had been reviewed alongside the Employer Decisions Policy to ensure they complemented one another and that there were no contradictions.

PENSION FUND ABATEMENT POLICY

Damien Pantling introduced the report item. He reported the Pension Fund Abatement Policy was last reviewed in 2019 and there had been no major changes apart from minor wording changes. He also stated that the officers' recommendation was to continue with the decision to not reduce pensions for retired members re-employed in Local Government service.

GOVERNANCE COMPLIANCE STATEMENT

Damien Pantling introduced the item. He reported the Governance Compliance Statement was last reviewed in 2019 as part of a standard periodic review. There were no material changes, apart from the governance structure chart being updated which would be published on the Pension Fund's website.

Damien Pantling announced that it was intended to update the training framework plan and records for the next meeting cycle with Pension Fund Committee in July 2022 and the Pension Board meeting June 2022. Once the Pension Fund Committee approved the training framework planning records, officers would append these to the governance compliance statement.

The Board then discussed the scheme employer representative membership on the Pension Board (in the context of what was agreed at an earlier meeting). Kevin Taylor stated a change in Board membership would require amending RBWM's constitution. Nikki Craig suggested to

convey this to Karen Shepard, Head of Governance, and hoped the Constitution could be amended at a future Full Council meeting.

BUSINESS PLANNING

Damien Pantling introduced the item. He said that the annual budget for the administration of the Pension Fund and an annual cash flow projection once approved by the Pension Fund Committee would be appended. There was a delegated authority to the Head of Pension Fund (as the budget holder) to approve expenditure from the approved budget.

Damien Pantling indicated that the Pension Fund budget may not have been brought to the Board in recent years.

Damien Pantling also announced that he presented to the Pension Fund Committee a workplan for 2022/23. (This would also broadly be the Pension Board workplan).

The Board then discussed and commented on the key items of the report.

In reference to the Cash-Flow Forecast and Controllable Budget, Jeff Ford asked for clarification on whether the Employee Related Expenses effectively came down to the salaries budget, and whether the Management Expenses covered the investment costs of employing people to look after the funds. Damien Pantling confirmed this. Jeff Ford also asked if the drop in Management Expenses from 2019/20 to 2020/21 was due to the effect of the Fund joining LPPI (Local Pensions Partnership Investments). Damien Pantling believed it was because of efficiencies that came from a pooling arrangement as well as moving from a non-actuarial valuation year to a valuation year.

Alan Cross asked about the cashflow under key assumptions and risks. Damien Pantling explained that the cashflow was negative when taking into account the benefits and the contributions received on a primary basis; however, the cashflow would become positive because of the deficit recovery plan.

Alan Cross asked if the deadline for the audited statements for the 2021/22 accounts was 30th November 2022. Arthur Parker confirmed this.

INVESTMENT STRATEGY STATEMENT

Damien Pantling introduced the report item. The ISS (Investment Strategy Statement) was more specific in terms of target return and target income yield to match the cashflow for forecast.

The draft ISS was pending for second review with the actuary as well as being commented on by the LPPI (Local Pensions Partnership Investments). However, the draft had been reviewed by Pension Fund officers, the Pension Fund's independent advisers and a couple of Pension Fund Committee members as well as the Board Chair who had all provided comments. The final draft would be presented to the Pension Fund Committee for approval.

In reference to Berkshire Pension Fund investing in 5% of its assets "locally", Alan Cross commented that there would need to be caution because 5% of the Fund's asset would involve the large movement of funds which could cause disinvestment from some areas and raise questions on these funds as well as create significant risk. It was explained that "local" in this context meant the UK.

Nikki Craig wondered whether members of the Pension Fund Committee may struggle to comprehend the Investment Strategy Statement. Damien Pantling replied that the Committee have the benefit of two independent advisers and LPPI.

RESPONSIBLE INVESTMENT UPDATE

Damien Pantling introduced the report item. He stated this was the second time the responsible investment update had been made available to the public as part of the Pension Fund Committee agenda. The 'green' and 'brown' investment indicators, the former focused on renewable energy while the latter focused on carbon-intensive or fossil fuel extracted businesses, were reported in the public domain as accuracy could be placed on the balance sheet assets.

Damien Pantling discussed the LPPI's Responsible Investment Policy Annex on Climate Change, which included several points: recording the net zero 2050 commitment, exclusion of fossil fuel extraction companies from the global equities fund and prioritising climate change in shareholder voting guidelines.

Before concluding, Damien Pantling announced an AOB (any other business). He stated that during the last Pension Fund Committee meeting, there was an approval item whereby Committee was to set up a Task-and-Finish group in due course in order to ensure that the responsible investment policy was regularly updated.

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 whilst discussion takes place 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 11.03 am, finished at 1.13 pm

CHAIRMAN.....

DATE.....