

BERKSHIRE PENSION FUND PANEL AND ADVISORY PANEL

26 October 2015

PRESENT: Councillors Lenton (Chairman), Hilton (RBWM), Collins (RBWM), Love (RBWM), Tickner (Reading), Brooker (Slough Borough Council), Stanton (Wokingham), Worrall (Bracknell Forest) and Law (West Berks). Also present Sue Nicholls (Unison).

Independent Adviser to the Panel: Mr Dhingra

Officers: Mr Greenwood, Mr Taylor, Mr Brooker and Mr Cook.

PART I

83/14 APOLOGIES FOR ABSENCE

Apologies for absence were received from Cllr Hill (Cllr Collins attending as substitute) and Donna Dowling.

84/14 DECLARATIONS OF INTEREST

No declarations of interest were received.

85/14 MINUTES

RESOLVED UNANIMOUSLY: That the Part I minutes of the meeting of the Panel held on 13 July 2015 be approved subject to subject to Cllr Stanton being added to the IWG.

The Chairman informed that he had been approached by the press questioning if the Fund invested in fossil fuels. The Panels investment position was explained, however Reading Council had a motion on this issue going to their Council so it was unknown if the matter would be raised again, it was also noted that the resolution of Reading's Council had no bearing on the investment strategy.

The Pension Fund Manager informed that he had spent 2 weeks in Australia and New Zealand investigating investment opportunities in agricultural land leasing. It was anticipated that the purchase of agricultural land to lease to farmers would yield around a 5% return in local currency.

86/14 APPROVAL OF THE PENSION FUND ANNUAL REPORT AND ACCOUNTS 2014/15

The Pension Fund Manager introduced the report that presented the pension fund's annual report and accounts for 2014/15. The accounts had been audited by KPMG and presented to the authority's Audit and Performance Review Panel. In response to questions on page 30 of the Annual Accounts the Panel were informed that there had been an increase of the number of employers with active members from 156 to

174 because of the number of schools converting to academies, this would not have a financial impact on the Fund.

RESOLVED UNANIMOUSLY: That the Fund's annual report and accounts for the year to 31 March 2015 be approved and published.

87/14 PENSION BOARD MINUTES

The Panel noted the minutes of the first meeting of the Berkshire Pension Board held on 3 August 2015. The Panel noted that the Board had to have been constituted by April 2015 and that the Chairman had been appointed by the Panel. The Panel were informed that the intention was to make the Board as transparent as possible, however it was accepted that any Part II (Private Discussions) undertaken by the Panel would also be treated as confidential by the Board. The Board was to operate as a scrutiny / governance capacity and although they may comment on investment strategy it was the Panel who would have the final decision.

RESOLVED UNANIMOUSLY: That the Board minutes of the 3 August 2015 be noted.

88/14 LGPS INVESTMENT POOLING

The Pension Fund Manager gave a presentation on LGPS Investment Pooling. The Panel were informed that the Government had recently announced that it would be consulting on the pooling of LGPS investments and following discussions with the Department for Communities and Local Government and after hearing George Osborne's conference speech it appears that the consultation would call for proposals that:

- Offer scale – a figure of £30 billion per pool has been suggested as a minimum with the Chancellor suggesting the outcome will be 6 regional pools freeing up several billions (of pounds) to invest in UK Infrastructure
- Offer savings which must be demonstrated and achievable.
- Addresses governance issues. The Government intend to stop manager hire/fire decisions being made at a local level but early suggestions are that individual funds will retain investment strategy and asset allocation decisions.

The Panel received a presentation that confirmed that with regards to investments there was the attitude that passive investments was the Governments preferred option and that over time the individual strategies would merge.

With regards to governance there were 4 possible models:

- Single administering authority.
- Mutually owned investment manager.
- Outsourced to a single (external) investment manager.
- The "Swedish Model" a fully independent Pension Management Company.

The Panel received a list of positive and negative issues relating to each of the four models; appended to the minutes.

Members were informed that we were still awaiting dates for the consultation on the proposals and it was not expected to start until November. There were various initiatives underway including the Lancashire / LPFA FCA authorised firm and the London Collective Investment Vehicle.

The fund had to accept that pooling was going to happen and would argue that funds should retain as much influence as possible with reassurances that Berkshire would have an influence.

The Chairman raised concern that the Fund was too small to be efficient and had held merger discussions before (BOB) but this fell down due to lack of commitment from other authorities' Councilors. Costs could be cut by a merger but this was not what was being proposed. A main concern was that the Government would use the money to invest into public investment projects that would not provide sufficient returns; Network Rail requires investment but runs at a loss.

Cllr Hilton questioned if the Government would look at introducing pension payments from taxation similar to civil servants. The Panel were informed that this had been mentioned but for it to happen there would have to be major legislation passed and a change in regulations. There would also be the question if assets would be liquidated or left to run their course.

Cllr Stanton mentioned that the Government should be made aware that if the Fund is forced into this and taxation has to be used to support the Fund due to poor returns then legal action may be taken. The Pension Fund Manager agreed and said that the civil servants leading on this were very good at writing legislation but did not have a full understanding of investment strategies.

Cllr Wprall questioned if we would be required to put all our investments into one pot and was informed that it was not clear if there would be a single pool for the areas or multiple pools.

The Chairman informed that further updates would be brought back to the Panel.

RESOLVED UNANIMOUSLY: That the Panel That:

- I. Note this report**
- II. Authorises Officers to consult with other LGPS funds, the Chairman and Vice Chairman of the Panel and other stakeholders to draft a response once the consultation is published.**
- III. The draft response, when available, is circulated to Panel and Advisory Panel members and other stakeholders for their review and comments.**

89/14 MEMBER TRAINING

The Deputy Pension Fund Manager informed the Panel that the report follows on from a paper presented to Panel on 13 July 2015 concerning the requirements set out in the Public Service Pensions Act 2013 and associated LGPS regulations for 'trustees' to have the appropriate knowledge and skills. The paper recommended

that Members commit to attending a training session on the governance and administration of the LGPS (in addition to completing the Pension Regulator's TKU (Training Knowledge and Understanding) toolkit) and as requested the agenda was included within the report.

The Panel requested that a 'jargon buster' be circulated and that the training commence at 1pm on the 18th January 2016 with the Panel meeting between 4pm to 6pm on the same day.

RESOLVED UNANIMOUSLY: That Members of the Pension Fund Panel commit to training at 1pm on 18th January 2016.

90/14 STEWARDSHIP REPORT

The Pension Fund Manager introduced the report that dealt with the stewardship of the Pension Fund for the period 1 June to 31 August 2015. The style of the report had been changed to make it more visual and that the same report would also be presented to the Pension Board and published on the RBWM website for transparency. The liabilities continued to increase; although this was down to the longevity expectations from the actuary. Funding levels were also down slightly due to the actuary assumptions.

In response to questions the Panel were informed that there were 183 employers with active members and that an employer remains on the system for perpetuity. To help improve the transfer of data it was still proposed to use i-Connect, this had been taken to Berkshire Treasurer's and it had been agreed that RBWM would use the system to demonstrate that the connectivity works.

Cllr Law questioned the number of starters and leavers for West Berkshire Council as it seemed very high; the Pension Fund Manager agreed to look into this and report back.

RESOLVED UNANIMOUSLY: That the Panel note:

- **The investment performance and asset allocation of the Fund.**
- **All areas of governance and administration as reported.**
- **All key performance indicators.**

91/14 DATES OF FUTURE MEETINGS

Future meeting dates were noted.

92/14 LOCAL GOVERNMENT ACT 1972 – EXCLUSION OF THE PUBLIC

RESOLVED: 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 items 5-8 on the grounds that they involve the likely disclosure of exempt information as defined in Paragraph 3 of part I of Schedule 12A of the Act.