

Report Title:	Pension Fund Governance Restructure
Contains Confidential or Exempt Information?	NO - Part I
Member reporting:	Councillor Julian Sharpe, Chairman Berkshire Pension Fund and Pension Fund Advisory Panels
Meeting and Date:	Berkshire Pension Fund and Pension Fund Advisory Panels – 19 October 2020
Responsible Officer(s):	Andrew Vallance, Head of Finance and Deputy Section 151 Officer
Wards affected:	None

REPORT SUMMARY

1. This report presents to Members a proposed change to the governance structure of the Pension Fund resulting from the outcomes of an independent review of Pension Fund governance presented to Members previously.
2. A change to Part 6, Section A of the Council's Constitution is required in order to implement the proposed restructure and will require agreement of Full Council.
3. The proposed Constitutional changes can be found at Appendix 1.

1 DETAILS OF RECOMMENDATION(S)

RECOMMENDATION: That the Pension Fund Panel notes the report and:

- i) **Agrees to recommend to full Council the Constitutional changes as set out in Appendix 1 to this report; and**
- ii) **Agrees to the appointment of a permanent Head of Pension Fund responsible for all aspect of Pension Fund management.**

2 REASON(S) FOR RECOMMENDATION(S) AND OPTIONS CONSIDERED

2.1 The Royal Borough of Windsor & Maidenhead (RBWM) is the Administering Authority for the Royal County of Berkshire Pension Fund (RCBPF). RBWM has a statutory duty to maintain the Fund in accordance with The Public Services Pension Schemes Act 2013, associated Local Government Pension Scheme (LGPS) Regulations and wider pension legislation.

2.2 On 1 June 2018, the Pension Panel as Administering Authority, in accordance with the Government's requirement to pool Local Authority investments, entered into an Advisory Management Agreement (AMA) with the Local Pensions Partnership (Investments) Limited (LPPI), uniquely passing management of the Fund's assets to LPPI.

2.3 With the exception of the former Pension Fund Manager, who was made redundant, all other investment officers were TUPE transferred to LPPI on 1 June 2018 leaving no 'investment expertise' at the Administering Authority to manage the AMA with LPPI.

- 2.4 An adverse ISA260 report issued on 6 December 2019 recommended that an independent review of Pension Fund governance should be undertaken.
- 2.5 The resulting independent report has been presented to Members previously and has been used to inform a wider restructure of the governance of the Pension Fund now set out as a change to Part 6, Section A of the Council's Constitution at Appendix 1 to this report.
- 2.6 The intention of the proposed Constitutional changes is to better reflect the responsibilities placed upon RBWM Elected Members appointed to the Pension Panel in their role as 'quasi-trustees' to the Fund. Post pooling, the 5 appointed Members remain responsible for
- 2.6.1. setting the Fund's Investment Strategy (and producing and publishing the Fund's Investment Strategy Statement);
 - 2.6.2. agreeing and publishing the Fund's Funding Strategy Statement;
 - 2.6.3. setting the allocation of assets across the various investment types managed by LPPI;
 - 2.6.4. receiving performance reports from LPPI and challenging their performance on each occasion the Panel meets; and
 - 2.6.5. ensuring that the Administering Authority meets its statutory obligations under the LGPS Regulations and associated legislation when it comes to the administration and wider governance of the of the Scheme;

but are no longer responsible for taking investment decisions and appointing, or terminating, investment managers.

- 2.7 The proposed removal of the Berkshire Pension Fund Panel Sub-Committee (otherwise known as the Investment Group) reflects the change in responsibilities resulting directly from the Panel's decision to transfer the management of the Fund's assets to LPPI as outlined in paragraph 2.6 above
- 2.8 In addition to the proposed Constitutional changes, it has been identified, as part of the ongoing governance review, that a Head of Pension Fund post should be created to ensure that all aspects of Pension Fund Management are undertaken by a named responsible officer thereby meeting the requirements set out in a report entitled 'Good Governance in the LGPS' as procured by the (National) Scheme Advisory Board for the LGPS and published by Hymans Robertson.

3 KEY IMPLICATIONS

- 3.1 A robust governance structure is imperative to ensure that the Administering Authority meets all of its statutory obligations.
- 3.2 Failure to secure an acceptable level governance could lead to sanctions being imposed on RBWM by the Pensions Regulator as the Administering Authority for the Pension Fund.

4 FINANCIAL DETAILS / VALUE FOR MONEY

- 4.1 Failure to monitor investment performance in line with appropriate strategies could lead to an increased Fund deficit resulting in employers having to pay more.

4.2 All Pension Fund staffing costs are recharged to the Pension Fund and therefore have no impact on the budgets of the Borough.

5 LEGAL IMPLICATIONS

5.1 The Administering Authority is required to govern and administer the Pension Scheme in accordance with the Public Service Pensions Act 2013 and associated Local Government Pension Scheme Regulations. Failure to do so could lead to challenge.

6 RISK MANAGEMENT

Table 1: Risk Analysis

Risks	Uncontrolled Risk	Controls	Controlled Risk
Pension Scheme not governed in line with legislation	Medium	Internal and External Audits	Low

7 POTENTIAL IMPACTS

7.1 Failure to comply with Pension legislation could result in the Administering Authority being reported to the Pensions Regulator where failure is deemed to be of a material significance.

8 CONSULTATION

8.1 Not Applicable.

9 TIMETABLE FOR IMPLEMENTATION

9.1 October 2020

10 APPENDICES

10.1 The appendices to the report are as follows:

- Appendix 1 – Tracked changes to Part 6, Section A of the Council's Constitution

11 BACKGROUND DOCUMENTS

Independent governance review document
'Good Governance in the LGPS' report published by Hymans Robertson

12 CONSULTATION (MANDATORY)

Name of consultee	Post held	Date issued for comment	Date returned with comments
Cllr Julian Sharpe	Chairman – Berkshire Pension Fund Panel		
Adele Taylor	Director of Resources and Section 151 Officer		
Ian Coleman	Interim Pension Fund Manager		

A) PENSION

A1 Berkshire Pension Fund

Committee Panel A1.1 Purpose

To exercise the general powers and duties of an Administering Authority in the maintenance of the Royal County of Berkshire Pension Funds ~~such Superannuation funds~~ as may be required in accordance with the Superannuation Fund Act 1972, The Public Service Pensions Act 2013 and Local Government Pension Scheme Regulations existing under ~~the~~ se Acts including, but not restricted to the following.

- (i) Setting of the Investment Strategy and Funding Strategy Statements and ~~d~~ Determination of the Strategic Asset Allocation of the Pension Fund's assets investment policies of the Administering Authority in the light of professional ~~officer~~ advice and other suitably qualified independent advice, legislative constraints and Codes of Practice.
- (ii) Responsibility for the statutory policies and administration of the Royal County of Berkshire Pension Fund ~~all superannuation funds~~ maintained by the Administering Authority in accordance with the Local Government Pension Scheme Regulations, The Local Government Pension Scheme (Management of Investment of Funds) Regulations, all other associated legislation and Pension Regulator Codes of Practice, and including, specifically, custodianship arrangements.
- ~~(iii) The appointment of External Fund Managers.~~
- ~~(iv)~~ (iii) Determination of the arrangements for obtaining appropriate investment advice including the appointment of a suitably qualified independent person or persons to give expert advice on Pensions ~~superannuation~~ F fund investment and management arrangements.
- ~~(v)~~ (iv) The periodic review and monitoring of the Pension Funds' investment performance in line with the Advisory and Management Agreement entered into with the Local Pensions Partnership (Investments) Limited (LPPI).
- ~~(vi) Determination of applications for admitted body status in accordance with the appropriate legislative provisions.~~
- (v) To consider the Annual Report and Accounts of ~~n~~ the Fund.
- ~~(vii)~~ (vi) The reporting of any breaches of the law to the Pensions Regulator.

A1.2 Membership 5

RBWM Councillors

N.B. A Cabinet Member may be a Member of the Berkshire Pension Fund Committee Panel ~~and of the Berkshire Pension Fund Advisory Panel.~~

A1.3 Quorum

2 RBWM Councillors

A1.4 Frequency

Quarterly

~~A 2 Berkshire Pension Fund Panel Sub Committee~~

~~A2.1 Purpose~~

~~The Sub Committee shall have delegated authority to undertake the following functions:~~

- ~~□ To review and recommend appropriate policies/actions to the Pension Fund Panel and Advisory Panel in respect of the following:~~

- ~~1. The Strategic Asset Allocation of the Fund~~
 - ~~2. The investment performance of the Fund~~
 - ~~3. New investment products/mandates and their suitability for investment by the Fund~~
 - ~~4. To interview potential managers for the Fund~~
- ~~5. To recommend the appointment or termination of investment mandates~~
- ~~• Such other matters as may be relevant to managing the investments of the Fund and implementing decisions of the Pension Fund Panel~~
 - ~~• Recommend changes to the Investment Strategy~~
 - ~~• Set and Change asset allocation~~
 - ~~• Review investment opportunities/new managers and authorise officers to make such investments if they comply with the agreed Investment Strategy. Such delegation is limited to a limit of the higher of £50 million, or 3% of the net asset value of the Fund as published in the Fund's latest Financial Statements for any single or series of investments in any one asset class with any single manager. For the avoidance of doubt any proposed investment either incrementally or new in excess of £50 million will require prior approval from the Panel.~~
 - ~~• To take emergency actions to terminate a mandate, redeem a pooled holding or reduce exposure to one or more asset classes and to take any other action necessary to secure / recover/ Pension Fund Assets. Such emergency action is delegated to: the Chairman (or in his absence the Vice Chairman) of the Berkshire Pension Fund Panel and one other of: the Vice Chairman, Leader, and Lead Member for Finance, Managing Director or an Executive Director.~~

A2.2 Membership

~~The Berkshire Pension Fund Panel Sub Committee will consist of the Chairman and/or Vice-Chairman of the Berkshire Pension Fund Panel and up to three other members of the Berkshire Pension Fund and Pension Fund Advisory Panels.~~

A2.3 Quorum

~~Four members of whom at least two shall be members of the Berkshire Pension Fund Panel and include the Chairman and/or the Vice Chairman of the Panel.~~

A2.4 Frequency

~~The Berkshire Pension Fund Panel Sub Committee will meet at least quarterly and on an ad-hoc basis as required. At least five clear days' notice of a meeting will be given for each meeting. The Sub Committee may meet "electronically" if required. In such a circumstance it will be made clear by what date Sub Committee Members are required to respond, decisions recorded and reported to subsequent meeting.~~

A23 Berkshire Pension Fund Advisory Panel

A23.1 Purpose

To consider and make recommendations to the Berkshire Pension Fund ~~Committee~~Panel on ~~all investment and actuarial~~ issues relating to the Fund as follows:

- (i) The investment policies of the Administering Authority, in the light of professional officer advice and other suitable qualified independent advice, legislative constraints and Codes of Practice.
- (ii) The ~~statutory policies and~~ administration of ~~the Royal County of Berkshire Pension Fund all superannuation funds~~ maintained by the Administering Authority, ~~including specifically, custodianship arrangements.~~
- ~~(iii) The appointment of External Fund Managers.~~
- ~~(iv)~~(iii) The arrangements of obtaining appropriate investment advice, including the appointment of ~~a~~ suitably qualified independent person or persons to give expert advice on ~~Pension Superannuation~~— ~~F~~fund investment and management arrangements.
- ~~(v)~~(iv) The periodic review and monitoring of the Fund's investment performance.
- ~~(vi)~~(v) The Annual Report ~~and Accounts of~~en the Fund.

A23.2 Membership 17

~~5~~ persons comprising:

- ~~• Five Members of the Pension Panel;~~
- One elected representative from each of Reading Borough Council, Slough Borough Council, West Berkshire Council, Bracknell Forest ~~Borough~~ Council and Wokingham Borough Council;
- ~~• Two trade union employee representatives;~~
- ~~• Three representatives from employer bodies with the Fund: University of West London; an employer with a minimum of 200 members within the Fund; a representative from an Academy (to represent all academies within the Fund)~~
- ~~• One member drawn from the active membership, and one member drawn from the deferred/pensioner membership.~~
- The term of office for Members of the Advisory Panel should be set to run alongside the election cycle of the ~~A~~administering ~~A~~authority with Members being required to attend a minimum of 2 meetings per annum. Members of the Advisory Panel who fail to attend the minimum meeting requirement will be asked by the Berkshire Pension Fund ~~Commitee~~Panel to step down and for a replacement to be appointed.

A3.3 Quorum

~~25~~ Members

A3.4 Frequency

As per the Pension Fund ~~Committee~~Panel schedule