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BERKSHIRE PENSION BOARD

FRIDAY, 20 NOVEMBER 2020

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

Officers: Andy Carswell, Ian Coleman and Kevin Taylor

INTRODUCTION AND APOLOGIES

There were no apologies for absence.

DECLARATION OF INTEREST

There were no declarations of interest.

MINUTES AND APPOINTMENT OF VICE CHAIRMAN

RESOLVED UNANIMOUSLY: That the minutes of the meeting held on September 9th 2020 be approved as an accurate record.

Arising from the minutes, Nikki Craig confirmed that the cyber security policy had been agreed at CLT and implemented, with officer training having begun. However further work relating to the overall cyber strategy was needed. The audit of the Borough's systems from a cyber security perspective, in order to complement the audit of the external system used, remained to be done. It was also noted that the recruitment process for new Board members was still outstanding.

Alan Cross nominated Arthur Parker for the role of Vice Chairman. This was seconded by Tony Pettitt and unanimously agreed by members.

RESOLVED UNANIMOUSLY: That Arthur Parker be appointed Vice Chairman of the Board.

ACTION TRACKER

Alan Cross and Arthur Parker both stated they had attended some CIPFA conference sessions since the last Board meeting.

Members noted the contents of the Action Tracker.

SCHEME AND REGULATORY UPDATE

Kevin Taylor introduced the item and reminded members of the exit reforms and the £95k exit cap. The new regulations, which included the exit cap, came into effect from November 4. This meant that most employers in the Local Government Pension Scheme could not pay out exit payments in excess of £95,000 where the reason for leaving service was because of early retirement due to efficiency reasons or redundancy. At the same time, the current LGPS regulations state that any scheme member aged 55 or over who is made redundant or retired early for business efficiency reasons must receive immediately all accrued benefits to date without any early release reductions being applied. Therefore in these circumstances where the £95,000 cap was breached it was not currently possible to adhere to both the Exit Cap Regulations and the LGPS Regulations as they were in direct conflict with each other.

The Board was told that new compensation regulations were also due to come into effect, which would come with an £80,000 pay cap for calculating redundancy payments. Kevin Taylor said it was his understanding that employees who were made redundant and impacted by the change would normally have a choice in the way they took their exit payments, although they would no longer be entitled to take both the statutory redundancy payment and fully unreduced pensions benefits. Where the £95,000 is breached, scheme members would be given the opportunity to avoid a reduction to their pension benefits by self-funding any excess pension strain cost from their own resources. Alternatively they could choose to defer payment of their benefits. Employees voluntarily taking pension payments at 55 have a full actuarial value taken from them. Kevin Taylor stated his belief that all local government pension funds had been placed into an impossible position regarding making a decision on early pension payments if a case arose due to the conflicting legislation. The Local Government Association had issued guidance, but their advice was considered to be the 'least worst' option open to funds. The Board were reminded that employees with lengthy service on quite modest salaries could easily be impacted by the change.

Alan Cross stated that it did not appear that the government had coordinated the impact caused to pension funds by the introduction of the new cap. He also pointed out that the cap had been brought in before the consultation on all aspects of the proposals had closed. Kevin Taylor advised that multiple messages had been sent to affected scheme employers outlining the circumstances of the cap and seeking details of any redundancy cases currently in progress. To date only two issues had been raised, but these both fell below the £95,000 cap so there was no impact. However it was anticipated that further referrals would arise. The Board was told that admissions bodies that were members of the pension fund would not be affected by the changes. Overall it was anticipated that a lot of work would be required to implement the changes.

Nikki Craig asked if there was a policy over how the proposed changes were to be communicated. Kevin Taylor said he would raise this with the Head of Finance and Section 151 Officer. It was agreed that the issue should go to the Pension Fund Committee for consideration. Kevin Taylor said he was working on a paper that would go to the Pension Fund Committee in December.

Alan Cross said it would be sensible for the available options to be clearly written down in order to make the potential outcome of each clear to those impacted. He said it would be helpful if the matter could be resolved ahead of the end of March, as this was traditionally when management changes, which may cause redundancies, were implemented. Kevin Taylor said the guidance from the LGA that had been circulated to employers had been useful as it set out some of the options. He said he felt the LGA's preferred option was to give individuals the option of deferring benefits, or paying out a full, reduced, pension. There was also a separate issue for employers in having to make cash payments to certain employees where the pension strain costs was less than their redundancy pay.

ADMINISTRATION REPORT

The Board was told that there had not been time to consider the report on the Key Performance Indicators for quarter one at the last Pension Committee meeting, so this paper looked at the period covering the first two quarters of the year. There had been a drop in performance in some KPIs during the first quarter because of Covid19 and the need to implement new ways of working; however these had now picked up again once officers had acclimatised to working from home. There remained one anomaly however, in that the number of website hits was far below what was expected. A suggestion that this was due to RBWM migrating over to a different server had been discounted by IT.

Kevin Taylor said a three-year long data quality exercise had been taking place to improve quality of data. This was now at an accuracy rate of 99.8 per cent for scheme common data, and for scheme specific data it was 98.02 per cent accurate. Many of the items that had not passed the data quality checks related to addresses or National Insurance numbers, and for

scheme specific data this mainly related to addresses of deferred memberships. The service was migrating to being online and the first page of the portal contained an individual's personal details. There was no trigger point reminding members to update their details and it was suggested a way of putting checks in place could be introduced. A pensions dashboard that had been mooted by central government was still in the development stage and a significant amount of work was required.

It was noted that the number of active records was decreasing and the number of retirees was increasing. This was identified as a concern as it could push up employer pension contributions, but this would be taken into consideration by the actuary as part of future triennial valuations.

Nikki Craig queried the low figure given for RBWM in respect of table 1.4, which showed submissions within specification. She said it was usually around 97 per cent, instead of the 67 per cent recorded in the report. Alan Cross said the data had now been properly received, but due to Covid19 was late for two months from RBWM and for four months from Reading. However the Board was reassured that this had had minimal impact on payroll. The Board noted that not all users were using iConnect, although it was the smallest employers that were not using the system and the roll-out had not been able to be completed in part due to Covid19.

Members noted the contents of the report.

PENSION FUND GOVERNANCE

Kevin Taylor introduced the item and explained that one of the outcomes of the 2019 external audit was to request a full governance review. The report included in the agenda was the outcome of this review, which gave a list of recommendations of how governance of the Pension Fund could be improved. Among these were changes to the RBWM Constitution, which included changing the Panel to a Pension Fund Committee; this would continue to have five elected RBWM Members on it. The Investment Working Group had been disbanded, principally because its role had diminished following the transfer of assets to the LPPI. It was noted that the recommendations in the report related to the investment side of operations, and the administration of the Fund had not been a cause for any concern and there were no recommended changes.

Board members stated they were not aware of the extent of the problems that the report had identified. Although some issues had been discussed at previous meetings, some members said that the final report had come as a surprise to them. Ian Coleman said the issues raised in the report were primarily a matter for the Committee to resolve. Jeff Ford said he was concerned that the LPPI were not managing assets, as he had been led to believe; however he stated he was pleased at the recommendations and actions taken so far. Ian Coleman said the intention was for a permanent Head of Pension Fund to be responsible for the overall management of the Pension Fund. The Fund is contracted to remain invested in some of the assets on a long-term basis, in some cases for up to 20 years. LPPI would to transfer these assets as potential opportunities arose. Ian Coleman that relatively high management costs would be incurred for some of these smaller funds.

Arthur Parker noted there had been a delay in the audit figures for 2019/20 and asked if this was due to any resourcing issues with the auditors. Ian Coleman explained this was due mainly to the impact of Covid19. Ordinarily there would be little difference in investment valuation between the end of December and the following March, but the impact of Covid19 had meant significant changes in those values and thereby impacted on the audit process. Covid19 had also affected the auditor's ability to carry out the work, leading to extended timescales.

The report raised the issue of lack of minutes of Investment Working Group meetings. Kevin Taylor said RBWM would not commit to having a member of Democratic Services take minutes and it was left to staff to take them. Following the TUPE transfer to LPPI, there was nobody left with the knowledge or ability to take minutes for the Investment Working Group. It was noted, contrary to the impression given in the consultant's report, that no papers from the Investment Working Group had ever subsequently been taken to the Board.

Kevin Taylor stated that it had been suggested the Pension Board was a more suitable forum for staff and some smaller scheme employers to be represented than the Advisory Panel, although not all places had recently been taken up.

It was noted that a review of the strategy asset management allocation was required, and that this would come to the Board first, followed by the Committee.

The Board noted there was an expectation any issues to be reported to the Pensions Regulator would be made by the Section 151 Officer, or the Monitoring Officer if the Section 151 Officer was not available or implicated.

PENSION BOARD GOVERNANCE

Alan Cross said a paper on Board membership should be brought to a future meeting. There were issues such as the requirement to have equal representation of employer and scheme members, and it was felt this process should be done outside of the main meeting. It was also noted that previous attempts at recruitment of new Board members had not always been fruitful.

RISK ASSESSMENT

The Board was informed that there had not been time to discuss this paper at the scheduled Committee meeting, so was returning to the Board with only some very minor changes prior to going back to December's Committee meeting. Some other points that needed to be amended or updated were highlighted by Board members.

Jeff Ford asked about the funding level referenced in PEN 017 and asked how this compared to other local authorities. Ian Coleman said this level had been determined by the 2019 valuation and would not be formally revised until the 2022 valuation. Alan Cross stated it had been fortunate the valuation had taken place in 2019, as it was likely the impact of Covid19 would have depressed the value of the assets at March 31st 2020. The Board was told that the assets were managed by the LPPI, but the extent of the management was variable. As stated earlier in the meeting, the Fund was tied into some assets for many years and so LPPI could do very little with them. These assets were high in number compared with many pension funds but low in value. Jeff Ford stated that this needed to be made clearer as it was not obvious to people outside of RBWM how much the assets were worth and what they were. Ian Coleman highlighted that the 2019 audit had identified two assets that had previously been incorrectly valued, and their true values had been included in the report.

LOCAL PENSION BOARD WORKPLAN

There were no items for updating on the workplan.

ANY OTHER BUSINESS

There were no additional items of business for discussion. Regarding the date of the next Board meeting, it was suggested that this could take place in late February but a date would be confirmed offline.

LOCAL GOVERNMENT ACT 1972 - EXCLUSION OF THE PUBLIC

RESOLVED UNANIMOUSLY: That the motion to exclude the public from the remainder of the meeting be approved.

The meeting, which began at 1.00 pm, finished at 3.21 pm

CHAIRMAN…….

DATE…….....

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