

BERKSHIRE PENSION BOARD

THURSDAY, 4 MARCH 2021

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

Also in attendance: Ian Coleman

Officers: Philip Boyton, Andy Carswell and Kevin Taylor

INTRODUCTION AND APOLOGIES

There were no apologies for absence.

DECLARATION OF INTEREST

Nikki Craig declared an interest as Head of HR for RBWM, as the administering authority.

MINUTES

RESOLVED UNANIMOUSLY: That the minutes of the meeting held on November 20th 2020 be approved as an accurate record.

ACTION TRACKER

Tony Pettitt stated he had attended the LGA pension seminar in January, and Nikki Craig stated she and Jeff Ford had both attended the Barnett Waddingham spring seminar. All of these had been recorded. Kevin Taylor told members it would be useful to supply copies of any certificates of training attendance they received, as this would help with the recording process.

SCHEME AND REGULATORY UPDATE

Kevin Taylor informed members he had circulated a draft paper earlier in the day, that he would present at the next Committee meeting, regarding the issue relating to the £95,000 exit cap. He said the Treasury had issued the revocation regulations at the end of the previous week; prior to that, guidance to employers and scheme members relating to the disapplication of the exit cap had also been issued. The revocation meant the Berkshire Pension Fund would be able to continue to pay benefits to scheme members aged 55 and over who had been made redundant or retired for reasons of business efficiency, while expecting the employer to pay the full strain cost. Members were told the policy whereby scheme members could either reduce or defer pension payments, which had been approved by the Committee in December, was now void as a result of the Treasury implementing the revocation regulations.

Kevin Taylor said there had only been one scheme member where action had started to be taken, although it was possible there may be a few more affected. Philip Boyton told members that all cases relating to retirement had been immediately reviewed.

Members thanked Kevin Taylor for his work on the new paper and expressed frustration that a lot of work had gone into implementing changes only for them to be revoked. It was noted that the use of the word 'unjustified' used in the paper came from government and did not represent the view of the Board as it could be thought to be politically motivated.

DRAFT ADMINISTRATION REPORT

The Board was advised that the latest report covered the quarter period from 1 October to 31 December 2020 and was due to be presented to the next Pension Committee meeting.

Alan Cross asked if there was an issue with academies' use of iConnect, noting there was a compliance rate of only around 70 per cent when there was a desire for this to be 100 per cent. Philip Boyton said many academies outsourced their payroll service, and there was a great variation in the providers that were used. Discussions were continuing with the academies and payroll providers to ensure compliance with meeting timescales was met. The Board was reminded of the benefits of using iConnect, chiefly that data quality was improved and information could be disseminated in a more timely manner.

Alan Cross queried the delayed submissions onto iConnect from Reading and RBWM shown on page 5 of the report and asked if this had been resolved. It was noted that late payments were generally one or two days past the deadline and although it did not have an overall effect on the Pension Fund, it could impact on the quality of information available to the actuary. It was agreed that discussions should take place outside of the meeting to understand the root cause of the issue. Despite the delays, the Pension Fund was still meeting its key performance indicators as there was evidence to prove this.

Tony Pettitt said chart 5 needed to be amended to clarify if this related to the number of sessions that had been run, or the number of attendees and mode of delivery. Philip Boyton said two sessions had been run remotely, and these had been popular. There had been a pause in the ability to run sessions due to Covid. However, it was now possible for surgeries to be run remotely over a number of days, rather than having them restricted.

Jeff Ford asked if the report covered the topic of complaints within its remit. Kevin Taylor said the report used to contain a section on comments and complaints. Although the number of submitted comments and complaints was low, it was agreed that it should be reintroduced to the report, if only to state the number of complaints or comments that had been received. The Annual Report contained information on complaints, either submitted by scheme members or through the Internal Dispute Resolution Procedure (IDRP).

OPERATIONAL MATTERS RELATED TO GOVERNANCE REVIEW

Alan Cross introduced the item and explained the paper set out a proposed future model of operation for the Board, which would provide greater flexibility. It was suggested there could be six or eight members, although it was recognised if the size of the Board membership was increased to eight and there ended up being vacancies then this could create problems with meetings being quorate. One suggestion was to have substitute members, who would have the same level of training as full-time Board members.

Jeff Ford said he supported the proposals but expressed some concern that it could be a lengthy process to train some potential new members if they were not familiar with pensions on a day-to-day basis. He also said it may be difficult to recruit new members. Alan Cross said having substitute members would enable them to step up as a ready-made replacement when a Board member left, which would cause less concern about filling a vacancy on the Board itself.

Members agreed with the Chairman's recommendation in the report and this would be taken forward (for information) to the Pension Fund Committee.

EXTERNAL AUDIT REPORT

Members were advised that the report had been considered and approved at the Audit and Governance Panel on 16 February 2021. It set out the main findings and general observations taken from the 2019/20 audit.

Members queried the overnight loan where £1.2million was borrowed by RBWM from the Pension Fund, as it appeared that it had not been properly disclosed. Kevin Taylor stated this was being investigated by the Head of Finance and was still currently under review. It was hoped that a formal response could be given at the next Pension Committee meeting. Kevin Taylor confirmed the transaction did not put the Pension Fund at any risk and the monies were repaid, with some interest, the following day. Tony Pettitt said the main issue appeared to be there was no control mechanism in place to authorise the transaction at a senior level. He asked if members could be updated on whatever recommendations were agreed to be put in place.

Regarding the concerns raised over the administration system editing rights, Kevin Taylor said finding a resolution was an ongoing situation. An audit meeting had been held earlier in the day. Kevin Taylor stated his belief that assigning a third 'super user' would create further risks to the Fund. Nikki Craig said a similar situation was in place with the RBWM payroll, and safety checks were carried out on an intermittent basis. Philip Boyton said all transactions on the system were fully auditable and were time and date stamped.

Alan Cross advised that the overall structure of the Pension Fund was being considered, and this would be included in the final report.

It was noted that the report stated there had been no internal audit undertaken during the period under review. Kevin Taylor said this was because in the year before the administration and payroll service had been audited and given the highest level of audit, so there was no perceived risk prior to the external audit requesting an independent governance review. A review of the Pension Fund had been due but not proceeded with following the advice given.

PENSION COMMITTEE PAPERS FOR MARCH 22 2021

Members were told that the draft papers had been circulated offline, prior to them being formally published in the agenda papers for the Pension Committee meeting. Alan Cross commented that this was a new way of working and should it cause an issue for online observers of the meeting they should advise Kevin Taylor.

Pension Fund Governance Progress Report

Kevin Taylor told members that this would be a standing item outlining the progress being made on the governance review. Changes had been made to the Constitution to reflect the governance requirements of the Pension Committee, Advisory Panel and Board. Ian Coleman highlighted the fact that revision of the Investment Strategy Statement did not need to be completed until spring 2022, although it was hoped this could be done before then and a paper brought forward in the nearer future. A possible revision of the Strategic Asset Allocation had been mooted and it was possible the LPPI would look at this and report to the Pension Committee. However, Ian Coleman added that if this was not required, it would be possible to move swiftly forward with the ISS review. A recommendation on the next course of action would be made at the next Committee meeting on 22 March 2021. Ian Coleman said the Committee would need to decide if they wanted a strategic review of the SAA, although this was dependent on the recommendations of LPPI.

Regarding the external audit report, Ian Coleman said he was not optimistic this would be ready in time for consideration at Committee as work needed to be done on a number of areas. However, he did not anticipate wholesale changes from the draft report.

Draft Responsible Investment Policy

Ian Coleman said all Pension Funds were expected to have an up to date responsible investment policy and the Berkshire policy had not been reviewed for some time. The draft policy had been put together following discussions with LPPI, who would deliver the policy on behalf of the Berkshire Fund. An extensive re-write of the climate change section of the report was anticipated as a consultation paper on climate change, and its effect on the Local Government Pension Scheme, was due to be published by the Ministry of Housing, Communities and Local Government later in the month.

Local Investment Report

Ian Coleman said a number of Funds had set aside funding for investment into local assets both generally and due to the problems associated with Covid. It was being viewed as a solution to helping grow local economies. The Board was told that the chairman of the Pension Committee had wanted a report on this topic to see if increased local investment was something elected Members wanted to pursue. Any execution of investment locally would involve LPPI. Ian Coleman said he had made a presentation on the subject to members of the Berkshire Unitary Treasurers, who had been supportive of the proposals. Alan Cross suggested the Local Enterprise Partnership (LEP) could be a useful source of information on investment opportunities, if Committee were to approve this and LPPI should have a discussion with the LEP.

Jeff Ford suggested there was a possible political angle to local investment. He gave the example of a Pension Fund helping to fund a redevelopment of a shopping centre as an investment opportunity that could be construed as a political issue. Alan Cross said LPPI would need to intervene in such a scenario and consider whether or not the proposed local investments met the return requirements. Ian Coleman said LPPI had established local funds for London and Lancashire and the same team would be involved in a Berkshire fund were it to be established. The team would likely to be based in London, although he added the Lancashire arm of the operation did have some staff operating from Preston.

Voting and Engagement Policy

Ian Coleman advised that voting and engagement would be carried out on the Fund's behalf by the LPPI. He had had it confirmed that the LPPI policy would apply to all investments owned by the Berkshire Pension Fund. However, it would be possible for Berkshire to apportion a share of any vote if their view on a particular issue differed from those in the partner organisations in London and Lancashire, if it was made known there was a difference in opinion.

Pension Fund Business Plan 2021/22

Members were told this was an updated business plan, which included what actions from the previous year's business plan had been undertaken.

Regarding the appointment of a Head of Pension Fund, Kevin Taylor advised that this had not yet gone out to advertisement. It was hoped this could be done as soon as possible and was awaiting final sign-off from the Head of Finance. Alan Cross noted a fixed timescale was in place for a review of the pension team structure and stated his opinion it would make more sense to do this once the new Head of Pension Fund had been identified as they may have a different view as to how the team should potentially be restructured. Members were in agreement that the timescales suggested in the report ought to be changed so they were conditional to the appointment of the new Head of Pension Fund.

Responding to a question from Jeff Ford regarding iConnect usage, Philip Boyton stated that 86 per cent of scheme member data is currently received from employers or their third party payroll provider on a monthly basis through iConnect. He said there was no intention to impose the system on employers with ten or fewer scheme members and some onboarding of employers may be hampered by the payroll system they use. It was therefore suggested by

Tony Pettitt that the report should be amended to state the aim was to have 100 per cent of scheme employers administering their services using iConnect by 31 March 2022 where viable.

Alan Cross stated that because of Covid, some investment values may be below the levels expected at this time by the actuary (in the 2019 review) and this would impact on the level of funding at the next actuarial review. He suggested more work needed to be done to resolve this as far as possible. Ian Coleman said he expected funding to still be significantly below 100 per cent funding. Following the next actuary review a report would be produced that would outline the options available and the associated risks and it would be for the Fund to balance the levels of risk against investment. This would be considered at the same time as the plans for the Strategic Asset Allocation. The risks would be identified jointly by LPPI and the actuary. Regarding whether the targets would be the same as those identified in the actuarial review, this would be confirmed in time for the Pension Committee meeting. Ian Coleman said he could see no reason why the issue relating to risk could not be discussed at the next Board meeting.

Regarding the objectives listed in sections 3 and 4 of the paper, Nikki Craig stated RBWM had updated their policy on this recently and an interim strategy had been signed the previous year. It was agreed the most up to date version should be included in the report.

It was agreed some of the dates listed in the report would be amended as there were some inaccuracies.

Jeff Ford asked if Pension Administration Standards Association (PASA) accreditation was still an objective. Philip Boyton said it was still an ambition, but due to legislative changes in the pension industry PASA is currently less of a priority, with the need to redirect resources on to other projects.

PENSION COMMITTEE WORKPLAN

Members were told that the Board's workplan was to align itself with the workplan for the Pension Committee, and for the Board to review the Committee's papers in advance. It was agreed this was a sensible resolution.

ANY OTHER BUSINESS

Alan Cross said a scheme employer newsletter had recently been published, which included details of vacancies on the Board to be filled. This followed on from the earlier item on the governance review. It was hoped to involve someone from the education sector and a couple of academy employees had expressed an interest. Discussions would take place to see if an agreement could be reached. The governance review had also suggested a member from a Trade Union could join, although this option had not yet been explored. A Trade Union member would be expected to be a full member and undertake the required training.

Jeff Ford said the Barnett Waddingham session he had attended had identified an increase in the number of solicitors' enquiries to pension funds regarding potential transfers of pensions and why a fund would allow a transfer to occur. He asked if such a thing had happened with the Berkshire Pension Fund. Philip Boyton said there had been some requests of this nature from claims companies acting with the authority of the former scheme member, using Freedom of Information or Subject Access Requests. He said there was a process that each Local Government Pension Fund had to go through to assure itself that any transfer a member was making away from the defined benefit scheme was done in their best interests. The Pension Fund has, in response to each request, been able to demonstrate that nothing untoward had happened regarding any transfer from the Berkshire Pension Fund. Philip Boyton explained that the actual number of transfers paid by the Pension Fund to either Personal or Overseas scheme administrators is small in comparison to the number of

requests received in the first instance for scheme member information, that includes a request for an estimated Cash Equivalent Transfer Value (CETV) quotation.

The meeting, which began at 11.00 am, finished at 12.57 pm

CHAIRMAN.....

DATE.....