

BERKSHIRE PENSION FUND COMMITTEE

MONDAY, 22 MARCH 2021

PRESENT: Councillors Julian Sharpe (Chairman), David Hilton (Vice-Chairman), Shamsul Shelim, Simon Bond, Wisdom Da Costa, Ali, Lovelock, Leake, Kaiser and Alan

Also in attendance: Cllr Lovelock, Cllr Ali, Cllr Kaiser, Alan Cross, Rothan Worrall, Keith Bray, Aiofinn Devitt, Andrew Harrison.

Officers: Adele Taylor, Ian Coleman, Kevin Taylor, David Cook and Andrew Vallance

APOLOGIES

There were no apologies for absence received.

DECLARATIONS OF INTEREST

There were no declarations of interest received.

MINUTES

The Part I minutes of the meeting held on 14 December 2020 were approved as a true and correct record.

LOCAL AUTHORITY PENSION PERFORMANCE ANALYTICS

The Committee considered a presentation regarding services provided by Pensions and Investment Research Consultants for pension performance analytics.

Ian Colman, Interim Pension Fund Manager, informed that members had requested the provision of comparative performance information so they could assess the performance of the Fund. LAPPAs were the only providers of such a service and the Committee were asked if they wished to re-subscribe to the service.

Karen Thrumble, PIRC LAPPAs, informed the Committee that the group comprised of more than 60 funds that included all Welsh Pools, all of London (except Croydon), the Northern Pool and all other pools except Central. They had more than 30 years history.

Some of the things the group look to answer were how the LGPS were performing and over the long term they were doing a good job. Although Covid had an impact this was not as high as expected and the funds were still above inflation. You could also look at the spread of performance and analysis why some funds were doing better than others. You can examine how much volatility some take on compared to performance.

A chart of high level asset allocation was shown, you could see that over the last decade equity allocation was down with more being moved into alternative investments. The Committee were also shown how each of the funds in the universe were performing in comparison of each other, with return and volatility being shown. Since 2015 UK equities have underperformed against global equities that had a drag on performance of those funds that retained a high percentage in that sector.

Examples of performance for diversified growth were shown and how the expected diversification was not as expected. Diversified growth and equity performance followed a similar trend. The key driver in funds had been stock selection.

At a fund level the performance was shown for the past year at being negative 2.6% that was better than the average negative 4.8%. This put the fund in the top quartile. The fund's structure compared to other funds was shown.

If the Committee wished to join data would be required quickly as they finalised by the end of May 2021. The cost of joining would be £4,900 for this year.

In response to questions the Committee were informed that officers recommended that the fund joined as it was the only way of getting comparative performance data that the Committee have asked for. This was a different service to the forum that the fund had signed up to a year ago that discussed investments; this compared performance. It was noted that it would be useful to have comparative data with the other LPP Funds.

Resolved unanimously: that the Pension Fund Committee notes the report and:

- i) Agrees to subscribe to the Local Authority Pension Performance Analytics service.**

RESPONSIBLE INVESTMENT POLICY

The Committee considered the report regarding the adoption of a Responsible Investment Policy.

Ian Coleman, Interim Pension Fund Manager, informed the Committee that the fund was required to have a Responsible Investment Policy. This draft policy complied with the requirements under the LGPS Management and Investment of Funds Regulations 2016. The Responsible Investment Policy, if approved, would be deliverable by Local Pensions Partnership Investments (LPPI), the investment manager for the Fund.

Cllr Da Costa said that whilst we approve this statement now he would like to see Committee members involved in the discussion when it is reviewed later in the year and we also open it up to other voices. He wanted to have a collaborative approach.

Cllr Bond said after receiving the reports pack he attended an all party meeting on LGPS. He felt that a lot of this policy was now out of date and could have been consulted upon earlier.

Mr Cross mentioned that the Pension Board had also reviewed the document and agreed that it would need a review when more guidance had been issued. There was a need to balance people's interests and the Funds return.

The Chairman said that this is a draft policy that can be used as a starting point to be evolved in the future.

Cllr Law agreed that this was an evolving document and requested that the Advisory group also be consulted on future versions. He was empathetic about ethical investment however it should be recognised that the main driver is returns for the Fund.

Cllr Kaiser mentioned that a lot of Council's were declaring environmental emergency and consideration to this should be given when making investments.

Cllr Bond said that the policy did have balance, instead of ethical investment we could talk about managing climate change risk and that the Lancashire fund was one of the top performing but also one of the lowest investors in fossil fuel.

Cllr Leake mentioned that the success of the green agenda will be technology lead. We have to make sure our financial obligations are not forgotten. The strategy should be reviewed in light of new guidance and industry developments.

Mrs Devitt mentioned that you could talk about building climate change resilience to ensure the portfolio is resilient and adaptable. Instead of ethical investment we now talk about engagement and escalation. We should focus on resilience.

Resolved unanimously: that the Pension Fund Committee notes the report and:

- i) Agrees a Responsible Investment Policy as drafted at Appendix 1.**

VOTING AND ENGAGEMENT POLICY

The Committee considered the report regarding the proposed Voting and Engagement Policy to be used by the Local Pensions Partnership Investments.

Ian Coleman, Interim Pension Fund Manager, informed that the Pensions Regulator expects pension funds to have a Voting and Engagement Policy. Such a policy forms an integral element of a Responsible Investment Policy. The Voting and Engagement Policy will have to be deliverable by Local Pensions Partnership Investments (LPPI), therefore, it is recommended that the committee approved adoption of the LPPI Shareholder Voting Policy.

Cllr Da Costa asked if we would be able to inform LPPI how we wish to vote. Mr Cross said that the Pension Board understood that LPPI could exercise the vote differently to the three clients views but as per previous item there should be some engagement.

Richard Tomlinson informed that LPPI would report back about voting after the event in regards to what voting had taken place. They took on board clients policies, but it would not be possible to consult prior to every vote. There were two parts engagement and voting, there engagement partners would be talking to companies in the equity portfolio.

Resolved unanimously: that the Pension Fund Committee notes the report and:

- i) Agrees a Voting and Engagement Policy as provided at Appendix 1.**

PENSION GOVERNANCE PROGRESS REPORT - PROGRESS UPDATE

The Committee considered the report regarding the update on the progress made on the independent report presented to Committee on 19 October 2020 into the governance arrangements of the Pension Fund. Progress against the recommendations were shown in appendix A and were on track.

Mr Cross mentioned that the Pension Board had approved the recommendations and were in the process of recruiting to the employee and trade union representatives.

Cllr Leake said that at section 6.1 under the risk table and asked why the uncontrollable risk was at medium. He was informed that if the scheme was not governed in line with legislation they could be action. Its not a high risk that returns would collapse but in the medium term there could be implications on the management of the fund. This will become a low risk with the changes being implemented.

Resolved unanimously: that the Pension Fund Committee:

- i) Notes the paper and progress matrix at Appendix 1.**

DELOITTE ISA260 PAPER FOR 2019-20 AUDIT

The Committee considered the report regarding the progress of the 2019-20 Pension Fund external audit.

Andrew Vallance, Head of Finance and Deputy Section 151 Officer, informed that there had been delays due to Covid and the evaluation of some assets due to late changes. The final version is due very soon and we should also have the annual audit letter to go to Audit and Governance in May 2021. Officers were still awaiting recommendations and when received an action plan will be implemented.

IN a response to a question from Cllr Da Costa it was noted that the external audit did not look at performance but governance issues.

Resolved unanimously that: Pension Fund Committee:

- i) Notes the report and external auditor's ISA260 paper at Appendix 1.**

ADMINISTRATION REPORT

The Committee considered the latest administration performance report.

Philip Boyton, Pension Administration Manager, informed that report deals with the administration of the Pension Fund for the period 1 October 2020 to 31 December 2020. He highlighted the following points:

- Page 76, point 1.4 I-Connect connection. There was now 86% of scheme membership uploaded. The Academies, RBWM and Reading Council's. the drop for the aforementioned councils was due to a drop in resourcing due to the pandemic.
- Page 79, point 1.6, due to the pandemic the number of pension surgeries had dropped, arrangements were being made to have these held on line.
- Page 79 point 1.7 there had been a drop in website hits since RBWM changed its website provider. Hits were being reported differently then before so they were working with ICT.

In response from a question from the Chairman it was confirmed that following the McCloud judgement, reported at the last meeting, the work over the coming month would be resource intensive.

Cllr Da Costa mentioned that the pandemic had added pressures as well as the projects mentioned, he asked if the were resource issues if say all of Reading's data come in. in response the he was informed that the administration team had remained resilient and the administering authority had provided support. Reading were providing data monthly but not always in line with the SLA.

Mr Cross mentioned that the Pension Board had also discussed the late data from the two council's and had been informed that the data was a day late but provided in full.

Resolved unanimously: that the Committee notes the report and:

- (i) All areas of governance and administration as reported.**
- (ii) All key performance indicators.**

BUSINESS PLAN 2021/22

The Committee considered the proposed Pension Fund Business Plan for 2021/22 and medium term strategy for 2022 to 2025.

Cllr Da Costa asked if it would be possible to include elements of the BSG in the investment policy. He was informed that the Pension Board had mentioned that the plan was heavily weighted to administration so there would be room to add more on investment side.

The Chairman said that he saw this as a report about the administration of the Fund and not investment as this was in the Investment Strategy.

Cllr Da Costa asked if we had a work programme picking up work other the next few months. He was informed that there was the risk register and this document was an evolving plan that picked up addition bits of work that come in such as the pension cap. A Pension Committee forward plan could be developed.

Resolved unanimously: that the Pension Fund Committee notes the report and:

- i) Approves the Business Plan and Medium Term Strategy and**
- ii) Authorises Officers to publish it on the Pension Fund website.**

PUBLIC SECTOR EXIT PAY REFORM

The Committee considered the report regarding the update to the Public Sector Exit Payment Reform.

Kevin Taylor, Pension Services Manager updated the Committee on the £95,000 exit cap. He said the Treasury had issued the revocation of the 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 full 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.

There had been no cases where we had to pay reduced pensions or given deffered benefits. There were a few ongoing but these will refer back to the previous position.

Resolved unanimously: that the Committee noted the report.

LOCAL GOVERNMENT ACT 1972 - EXCLUSION OF THE PRESS AND 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 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 4.00 pm, finished at 6.40 pm

CHAIRMAN.....

DATE.....