

## BERKSHIRE PENSION BOARD

Thursday 17 November 2022

Present: Alan Cross (Chairman), Arthur Parker (Vice-Chairman) (virtually), Nikki Craig and Jeff Ford (virtually)

Also in attendance: Julian Curzon (substitute Board Member) (virtually) and Kieron Finlay (substitute Board Member) (virtually)

Officers: Damien Pantling, Kevin Taylor, Philip Boyton and Laurence Ellis (virtually)

### Introduction and Apologies

The meeting was held in a hybrid format with the Chairman, Nikki Craig (Board Member) and Pension Fund Officers meeting in-person at Minster Court, while other members attended virtually.

The Chairman and the Board introduced themselves.

No apologies of absence.

### Declaration of Interest

No declarations of interests.

### Minutes

Nikki Craig raised some minor amendments to the minutes.

**RESOLVED UNANIMOUSLY: That the minutes of the meeting held on 1<sup>st</sup> September be approved as a correct record.**

### Scheme and Regulatory Update

Kevin Taylor, Pension Services Manager, presented an update on a number of scheme and regulatory updates. He first reported that Scheme Advisory Board (SAB) had responded to the Government's consultation on the Public Sector exit payments (sometimes referred to as 'The Return of the £95K Cap'). He explained that a paper was issued that indicated that the 'exit cap' would affect 'central government' bodies. Based on this, there was speculation that for the LGPS (Local Government Pension Scheme) this covered academies (and possibly colleges), as these were backed by the government, and not local authorities. Because of this, the SAB had sought clarification in its response to the consultation regarding the scope of bodies that were affected by the 'exit cap'; as well as that there needed to be greater clarity on how all LGPS employers would be impacted by the exit payment rules and what the process entailed.

Kevin Taylor also reported that SAB went back to the consultation to express its opposition that the government department would make the final decision on whether an individual could make an exit payment rather than the scheme employer.

Kevin Taylor then stated that, as part of its preliminary remarks to the consultation, SAB had reported that the number of exit payments was falling year-on-year and that 90% of all recorded exit payments were worth less than £20,000 in value. In addition, there were only 7 reported cases last year (2021) where the exit payment was over £100,000.

Kevin Taylor then explained that the national government's consultation would cause some complications for scheme employers (if enacted).

Kevin Taylor then discussed the 'Fair Deal' policy. He explained that the Chair of SAB had written to the Government to request an update to an earlier consultation that took place in 2019. He then explained that the 'Fair Deal' policy involved bodies joining pension funds through outsourcing contracts. At the moment, this involved the 'new' scheme employer having an admission agreement with the Fund's actuary setting the employer's own contribution rate and the value of a bond or indemnity in place to ensure they paid their liabilities. 'Fair Deal' would streamline this 'outsourcing' process. Scheme members being 'outsourced' and being transferred to a private company would be deemed as employees of the new company but would remain as a scheme member of the outsourcing employer.

Kevin Taylor opined that this was a good approach as it was simple.

Jeff Ford, Board Member, asked whether the 'Fair Deal' policy would cause complications for ill health. Kevin Taylor replied that he believed that the ill health process would continue to be followed by the outsourcing employer because the individual would still be deemed as a scheme member of the outsourcing employer.

Kevin Taylor then moved onto the reform of the benefit structure. He stated that the Chair of SAB had written to central government to ask about a reform to the benefit structure of the scheme which focused on perceived age discrimination issues. Notably, this was related to death grants only being paid when a member is under the age of 75 at the time of death. Currently when an individual retired and died under the age of 75, that individual's family/representatives would receive the balance of 10 years' worth of pension; but if that individual died at 75-years-of-age or more, there would be no entitlement to this. The Chairman speculated that with the State Retirement age rising above 65-years-of-age, this may impact an increasing number of individuals. Kevin Taylor speculated that regulations would be amended at some point to remove the anomaly.

Kevin Taylor then mentioned that SAB also suggested that central government should investigate removing any remaining differences to survivor benefits in order to 'future proof' the scheme against possible future legal challenges.

Kevin Taylor then reported on the External Audit process of Local Authority Accounts. The Chair of SAB had suggested to central government to move LGPS regulations in England in line with Scotland and Wales whereby the pension fund accounts were issued separately to the administering authority's main accounts. This was because there was a number of cases where local authority accounts were being issued late. There was a statutory requirement for Pension Fund accounts to be issued by 1<sup>st</sup> December of each year. However, this was not being met because the main council's accounts were not being released within that time frame.

Having had conversations with senior auditors elsewhere, the Chairman commented that some of the delays may be caused by the regulatory regime which auditors worked under.

Kevin Taylor then discussed the Schools White Paper and Bill. He explained that central government sought to convert all schools into academies by 2030. The recommendation was that all schools join a Multi-Academy Trust (MAT), with the optimum size of 10 schools or 7,500 pupils, which would then be encouraged to pool within the same LGPS fund.

The Board noted the update.

## Pension Board Governance Matters

The Chairman stated that he sent an email around to all Board members a few days prior regarding the Code of Conduct. He stated that the Code had been approved at the previous meeting with some minor amendments, and the new Code would be published on the website rather than being brought back to the Board to avoid dragging out this issue further.

The wider governance of the Board remained a work in progress and the Chairman hoped to resolve this by the next meeting (the last in the municipal year). He also stated he may seek and would welcome comments from Board members outside of the meeting.

The Board noted the update.

## Risk Reporting

Damien Pantling, Head of the Pension Fund, reported that the Fund was undergoing an internal audit on its governance and external audit recommendations. Once this had been completed, the internal auditors would conduct an audit of the Fund's risk processes. Damien Pantling stated that he would present internal audit recommendations on the Fund's risk management processes at a future Board meeting.

The Chairman and the Board raised questions and comments on individual points in the report, to which Damien Pantling responded.

Damien Pantling also stated that he had a project plan drafted for the next meeting in March. As part of this, the Fund was reviewing the risk appetite statements. In order to do this, Damien Pantling planned to do a training session for Board and Pension Fund Committee members and Advisory Panel members related to the risk register (before the next meeting cycle).

The Board noted the update.

## Responsible Investment

Damien Pantling explained to the Board that the first three appendices of the report were unavailable as they came from LPPI and they forwarded the paperwork based on the Pension Fund Committee deadline. The only appendix which was available was the TFCD (Taskforce on Climate-related Financial Disclosures) consultation response. Damien Pantling explained that he prepared a draft response to the consultation (which was due on 24th November) based on conversations which had taken place in the Fund and a task-and-finish Group from a few months ago.

Damien Pantling then stated that he would review other consultation responses from other local authorities, the Scheme Advisory Board, Local Authority Pension Fund Forum and actuaries. Based on these, he would produce a final response.

The Chairman asked if other responses from other bodies were similar to the responses Damien Pantling received, namely the pools needing to be more prominent. Damien Pantling responded the London CIV and LPPI gave similar responses to the Berkshire Pension Fund.

The Board noted the update.

## Annual Report

Damien Pantling reported that the 2021/22 draft Annual Report had been improved considerably based on various practice guides to ensure its contents were in line with best practice. He added that the 2022 audit had been progressing well and that the auditors were to attend the Committee pre-meeting in December to give a verbal update on the progress of the audit, effectively confirming to the Committee that there were no significant issues with the audit.

The Chairman suggested that the employer representatives of the Board were specifically invited to the annual scheme employers meeting. Damien Pantling and Kevin Taylor replied that they were already invited. The Chairman added that it was important to ensure employers recognised that the Board existed and that there were employer representatives on it; and if they wanted to raise any issues, they should relay via their employer representatives.

Jeff Ford commented that he was disappointed that the advisory committee representative from West Berkshire Council was unable to attend any of the meetings in the year. He also stated that the report had him noted down as an active scheme member rather than a retired scheme member (which officers would amend).

The Board noted the update.

## Administration Report

Philip Boyton, Pension Administration Manager, reported that the Administration Report covered the period from 1<sup>st</sup> July to 30<sup>th</sup> September 2022. He stated that there had been little development in the 3-month period regarding the administration of the Fund and offered Board Members opportunity to make comments and ask questions.

Jeff Ford asked if the establishment of i-Connect Software had been completed. Philip Boyton replied that over 90% of scheme member records were on-boarded, leaving around 2,300 scheme member records yet to deliver data on a monthly basis via i-Connect Software. He stated that there would be slowdown for on-boarding; but officers would nevertheless continue to promote and endeavour to actively engage with those outstanding scheme employers yet to onboard their scheme members.

Julian Curzon stated that i-Connect worked very well for him, unlike the Teachers' Pension Scheme.

Philip Boyton explained that existing but improved functionality would be integrated into i-Connect Software. This would allow onboarded scheme employers to calculate estimates for their scheme members in respect of redundancy, efficiency and ill health retirement and identifying the respective pension strain cost payable to the Fund. He also reported that officers were seeking employers to help test the new functionality before it went live.

The Board noted the report.

## Update on Part I papers taken to the Pension Committee on 12th October 2022

Damien Pantling reported that the risk reporting and risk register were approved in the last Committee meeting in October 2022; though he did take an action from meeting to do a comprehensive risk analysis of the effects of inflation. Damien Pantling stated he had since then reviewed the risk register and noted that inflation risks were, in his opinion, fully reflected in the existing risk register. He reminded the Board that when observing inflation, the Fund

looked at the duration of its assets and liabilities and there's no indication to suggest that the Bank of England's long-term Inflation rate was going to be materially different.

Damien Pantling then moved onto the statutory policies, whereby 3 policies were presented to and approved by the Committee. These included the Communications Strategy, Pension Administration Strategy and Pension Administration Service Level Agreement. The Responsible Investment Update and Administration Report were also approved by the Committee.

The Board noted the report.

Part I Any Other Business

No additional business.

LOCAL GOVERNMENT ACT 1972 - EXCLUSION OF THE PUBLIC

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

The meeting, which began at 11.08 am, finished at 12.38 pm

Chair.....

Date.....