

BERKSHIRE PENSION FUND PANEL

MONDAY, 11 APRIL 2016

PRESENT: Councillors Lenton (Chairman), Hill (RBWM), Hilton (RBWM), Worrall (Bracknell Forest), Law (West Berks) and Nicholls (Unison).

INDEPENDENT ADVISER TO THE PANEL: Mr Dhingra

OFFICERS: Mr Greenwood, Mr Taylor, Mr Pardo, Mr Boyton and Mr Cook.

APOLOGIES

Apologies for absence were received by Cllr Brooker, Cllr Stanton and Mr Bunn (Interim Head of Finance RBWM).

DECLARATIONS OF INTEREST

There were no declarations of interest received.

MINUTES

The Part I minutes of the meetings held on 18th January 2016 and 9th February 2016 were approved as a true and correct records.

Cllr Law asked if there was an update on the pension administration software extension and was informed that this was currently being discussed with procurement. The Panel were informed that that the contract was for 5 years with a rolling 6 months notice of termination thereafter and it is currently in this rolling notice of termination period.

CO-HABITING PARTNERS

The Pension Administration Manager introduced the report that requested payment of a cohabiting partner's pension of £16,924.90 per annum in respect of a scheme member who died unexpectedly during November 2015.

The Panel were informed that the deceased had not nominated his cohabiting partner and whilst the partner had been able to provide documents evidencing they both lived at the same address the documents did not provide sufficient evidence to satisfy that they were financially dependent / financially interdependent on each other as they had kept separate bank accounts. The partner had however suffered a stroke and lengthy recovery during which time she was dependent on the deceased financially.

The Panel were asked to approve the payment of a survivor's pension on sight of a sworn Affidavit made by the deceased's partner.

In response to questions the Panel were informed that a couple needed to be living continuously together for two years to be seen as cohabiting.

Resolved Unanimously: that the Panel approve the payment of a survivor's pension on sight of a sworn Affidavit made by the deceased's partner.

INVESTMENTS - ASSET CLASS LIMITS

The Pension Fund Manager introduced the report that recommended that limits be set for the maximum proportion of then Fund that could be invested in any one asset class, fund or issue.

The Panel were informed that the Fund would be required to publish an Investment Strategy Statement later in 2016 that included asset class limits; these were set out in section 1.3 of the report as proposed by the IWG.

Resolved Unanimously: That Panel agree the investment limits as set out in Table 1 of the report.

INVESTMENT GOVERNANCE - DELEGATED POWERS

The Pension Fund Manager informed the Panel that at its meeting on 9th February 2016 the Panel had agreed the delegations as set out in the report. At the meeting it was suggested that a limit of £20 million be set for IWG investment.

Following the meeting concern was raised that this limit was too low and it was suggested that a limit of £50 million or 3% of the Fund's net assets as published in the latest Financial Statements would be more appropriate. It was noted that the Council's Constitution would be amended restoring the clear delegations previously agreed.

Cllr Hilton reported that deliberations at the IWG had resulted in the revised recommended limit of £50 million as it was felt that the previous recommendation had been too low.

Resolved Unanimously: That the Panel:

- i. Agrees the delegated powers as set out in Annex 1**
- ii. The Council's Constitution be amended to incorporate these delegated powers.**

PENSION FUND PANEL WORKING GROUPS

The Pension Fund Manager informed the Panel that they had previously approved the terms of reference for the Panels three working groups. During a recent audit of the Funds administration it had been raised that these terms of reference did not specify quorums. The Panel were therefore asked to approve the updated terms of reference for its working groups.

Cllr Worrall questioned the wording of the membership of the Investment Working Group and its quorum. It was agreed to change the wording of the terms of reference to:

Quorum: Four members of whom at least two shall be members of the Pension Fund Panel and include the Chairman or the Vice Chairman of the Panel.

It was also agreed to remove 'or' from 'The Investment Working Group will consist of the Chairman and/or Vice-Chairman' in paragraph 2 of the terms of reference.

The Panel also considered the Terms of reference for the Liability Management Working Group and the Employer Covenant Assessment Working Group.

Resolved Unanimously: That the Panel approve the quorums of the three working groups including the following additional amendments to the IWG:

- **Quorum: Four members of whom at least two shall be members of the Pension Fund Panel and include the Chairman or the Vice Chairman of the Panel.**
- **Removal of 'or' from 'The Investment Working Group will consist of the Chairman and/or Vice-Chairman' in paragraph 2 of the terms of reference.**

COMPOSITION OF THE BERKSHIRE PENSION FUND ADVISORY PANEL

The Pension Fund Manager introduced the report that recommended the revision of the Berkshire Pension Fund Advisory Panel as set out in section 2.6. There was a need to update the Council's Constitution to reflect the proposals as the Thames Valley Probation Trust was no longer an employer within the Fund and needed to be removed from the Advisory Panel.

The report also recommended that there be a representative from an Academy, to represent all academies within the Fund, due to their increased numbers within the Fund. Cllr Law recommended that officers could contact each authorities School Forums to help find an Academy representative.

Cllr Worrall questioned if there should be terms of office added and was informed by the Pension Fund Manager that he was thinking of adding that if the representative did not turn up after two consecutive meetings they may be removed. Cllr Hilton mentioned that the Crime and Disorder O&S Panel have co-opted members sign up that they have to attend 2 out of the 4 per meetings per annum or their place would be reviewed.

The Panel requested that a term of office be introduced that ran alongside the RBWM election cycle. Advisory Panel members would be required to attend at least two meetings per annum otherwise the Panel could ask them to step down. It was agreed that revised wording would be reported back at the next meeting.

INVESTMENT IN UK INFRASTRUCTURE

The Pension Fund Manager introduced the report that recommended that the Fund invest into mid-market UK Infrastructure projects.

The Panel were informed that Government were looking at the Local Government Pension Schemes investing in UK Infrastructure. There had been discussions about the creation of a National LGPS Infrastructure Pool.

The Investment Working Group were concerned that investment in large infrastructure projects would not produce returns that were required by the Fund and that Local Government officials may not have the expertise to do thorough due diligence. It was therefore proposed that the Fund should look to invest in smaller Infrastructure projects where better returns may be achieved.

It was recommended that the Fund commit £50 million for investment into an Infrastructure managed account with Ancala Partners who are a specialist Infrastructure Investment firm.

Cllr Hilton mentioned that Ancala Partners had excellent contacts so they could find off-market projects that were not subject to competitive bids and thus offer higher potential returns.

Cllr Worrall questioned if the pressure to invest in infrastructure was coming from national or local politicians and was informed by the Chairman that it was being driven at a national level .

Cllr Hilton asked if there was a perception from Government that a percentage of the Funds assets should be invested in infrastructure. The Panel were informed that on average LGPS invested about 1% in infrastructure whilst RBWM invested 4%; the Government had looked abroad and seen increased infrastructure investment and asked why not here?.

The Funds advisor mentioned that the question was should we invest in Ancala Partners and in his opinion it was a good investment.

Resolved Unanimously: That the Panel approves the commitment of £50 million to an account managed by Ancala Partners LLP to invest in mid-sized UK Infrastructure Projects.

GLOBAL EQUITY MANDATES

The Investment Manager introduced the report that recommended that the investment in the IPM RAFI Enhanced Index Fund be redeemed and that the proceeds be invested equally between RWC and Kames Capital.

The Panel were informed that the investment had been rated 'Amber' for the past three years to see if there would be any improvement. As this improvement had not happened the IWG had recommended re-allocation of the funds to invest in strategies that were meeting the Fund's income targets.

Cllr Worrall questioned section 3.1 Key Implications of the report and its value. The Panel were informed that this was a standard section on all RBWM reports to set stretched targets for report outcomes.

It was noted that investments were expected to achieve at least 4% returns per annum and that in renegotiating the re-allocation of the funds managers had negotiated low fee rates from both parties that offered extremely good value.

Councillors Hilton and Law questioned why the Panel were being asked to take action now when the investment had been 'Amber' for three years. The Panel was informed that it had been rated 'Amber' in 2013 when there had been an interim Pension Fund Manager. When the Pension Fund Manager returned to work the strategy had picked up a few times but after a number of meetings with them to discuss the poor performance it had been decided to leave the mandate in place to see if performance would improve. They had been close to being reported 'Red' on a few occasions but they never quite reached that level of poor performance.

Approved Unanimously: That the Panel:

- **confirms the redemption of the Fund's holding in the IPM RAFI Enhanced Index Fund**
- **agrees that the proceeds of that redemption be proceeds invested equally between RWC and Kames Capital in their dividend growth strategies.**

GLOBAL CUSTODY

The Investment Manager introduced the report that sought approval for the continuation of the Pension Fund's contract with JP Morgan Security Services beyond the initial five year contract until the situation regarding Pooling was clear.

The Funds advisor advised that this was a sensible approach and in response to questions the Panel were informed that the contract was for five years with a 6 month notice of termination rolling provision.

Approved Unanimously: That the Panel confirms that the custody contract with JP Morgan continues until a custody review is undertaken once investment pooling arrangements with other Local Government Pension Scheme funds have been finalised.

STEWARDSHIP REPORT

The Deputy Pension Fund Manager introduced the report that deals with the stewardship of the Pension Fund for the period 1 December 2015 to 31 January 2016.

The Panel were informed that on agenda page 68, section 2.2 showed Scheme Employers with the additional text showing new employers since last report. Future reports will show employers who have left since last reporting. It was noted that Woodley Age Concern had gone into receivership and officers were working with the receiver to claim any outstanding payments and the cessation deficit payment.

Cllr Law mentioned it was not easy to find the overall investment performance and was informed that this could be found at the bottom line of table 1.3 (Market Returns) and that this would be added to an appropriate chart to highlight performance.

Cllr Worrall asked what the Funds exposure was for Woodley Age Concern and was informed that they had about 12-15 members with the only outstanding payment being for this year. There was one employer because of their age would be eligible for pension payments due to the redundancy.

With regards to notices of unsatisfactory performance it was noted that since RBWM had started using I-Connect the transfer of data was much better. The Panel were informed that Reading Borough Council were now also looking to use the system.

Resolved Unanimously: That the Panel note:

- **The investment performance and asset allocation of the Fund.**
- **All areas of governance and administration as reported.**
- **All key performance indicators.**

BERKSHIRE PENSION FUND BUSINESS PLAN

The Pension Fund Manager introduced the report that presented the Pension Fund Business Plan for 2016/17 and medium term strategy. The Panel were informed that it was similar to last years report with the addition of what we did against what we said we would do.

Resolved unanimously: That the Panel approves the Business Plan and Medium Term Strategy and authorises Officers to publish it on the Fund's web-site.

LGPS INVESTMENT POOLING UPDATE

The Pension Fund Manager introduced the urgent report that provided an update on the progress made since the last Panel meeting on investment pooling within the LGPS and the need to reply to Marcus Jones MP, the Minister for Local Government, by 11th April 2016.

The Panel were informed that at its meeting on 9th February 2016 they noted the administering authority's response to the Department for Communities and Local Government's directive that LGPS funds are to pool their investments. Ministers were not satisfied with the response given as they felt the Fund was not committing to pooling.

Cllr Lenton, as Chair of the Pension Fund Panel, received a letter from Marcus Jones MP requesting the Royal Borough as the administering authority commit to join a specific pool and to confirm in writing by 11 April 2016 which pool it was committed to joining.

Cllr Lenton had responded to this request and confirmed that we would be looking to join the Local Pensions Partnership (LPFA/Lancashire pool) upon confirmation that this pool had been

given authorisation. The decision to join the Local Pensions Partnership had been made because:

- It already had in place in an Authorised Contractual Scheme which was the governments preferred vehicle for pooling investments.
- The LPP is the only pool with a governance structure that was fit for purpose as most of the nascent pools had suggested a joint committee which was felt not to be acceptable by the Department.
- The LPP was the only pool which has indicated that it was willing to accept our investment strategy.
- The LPP was a holding company and we would have an option of becoming a shareholder in it.

The Chairman reported that there would be further updates to the Panel at future meetings.

LOCAL GOVERNMENT ACT 1972 - EXCLUSION OF THE 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 whilst discussion takes place on following items 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 5.40 pm

CHAIRMAN.....

DATE.....