

BERKSHIRE PENSION FUND PANEL

MONDAY, 6 JUNE 2016

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

INDEPENDENT ADVISER TO THE PANEL: Mr Dhingra

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

APOLOGIES

Apologies for absence were received by Cllr Hill, Cllr Brooker and Cllr Rankin.

DECLARATIONS OF INTEREST

Berkshire Pension Fund officers declared an interest in LGPS Investment Pooling due to TUPE implications.

MINUTES

The Part I minutes of the meeting held on 11th April 2016 were approved as a true and correct record subject to the following changes:

- Page 10, Pane changed to Panel.
- Page 11, one employer be changed to one employee.
- Page 12, in place in, the second in to be deleted.

COMPOSITION OF THE BERKSHIRE PENSION FUND ADVISORY PANEL

The Chairman informed the Panel that the Pension Panel and Advisory Panel was comprised of:

- The Pension Fund Panel, five RBWM Members (the administering authority).
- Five representatives from the unitary authorities.
- Two employer representatives the University of West London and Thames Valley Probation Trust.
- Two employee representatives; UNISON and GMB.
- A Pensioner Member and an Active Member representative.

As the Thames Valley Probation Trust had been transferred to the Greater Manchester Pension Fund it was an opportunity to review the membership.

The Pension Fund Manager informed that it was proposed to change the membership to:

The Berkshire Pension Fund Advisory Panel membership shall comprise of:

- The Pension Fund Panel (5 administering authority Members)
- 5 representatives from the unitary authorities (1 each)
- 3 employer representatives namely
 - University of West London
 - An employer with a minimum of 200 members within the Fund
 - A representative from an Academy (to represent all academies within the Fund).

- 2 employee representatives namely
 - UNISON
 - GMB
- A Pensioner Member and an Active Member representative.

It was also proposed that the term of office for members of the Advisory Panel who are not appointed by a Unitary Authority run alongside the administering authority's electoral cycle and those members be required to attend at least two meetings per year. Failure to attend two meetings in a year could result in the Panel requesting the Advisory Panel member to step down.

Cllr Hilton asked if Advisory Panel members did not meet the attendance criteria would they be automatically excluded or would it be on a case by case judgement. The Panel agreed that it would be judged by each case at the discretion of the Berkshire Pension Fund Panel.

Cllr Stanton mention that if cases of non-attendance did arise the Panel should be mindful of special circumstances such as injury or sickness and raised concern that the Advisory Panel's vote would be lessened by the additional member. The Pension Fund Manager replied that the Panel could, if it so wished, remove the University of West London as they had not attended Panel meetings recently..

It was noted that the Panel had never voted against the wishes of the Advisory Panel.

Resolved Unanimously: that the Panel recommends to Council that the composition of the Berkshire Pension Fund Advisory Panel be amended to that shown in section 2.6 of the report.

LGPS INVESTMENT POOLING - LOCAL PENSIONS PARTNERSHIP

The Chairman introduced the report regarding LGPS Pooling and informed that the Government was pushing the drive for mandatory pooling of LGPS investments. To meet its obligations the report was recommending that a letter of intent be issued to the Local Pensions Partnership (LPP) with the intention of becoming a shareholder in Local Pension Partnership.

The Chairman introduced Susan Martin, Chief Executive LPP and Sally Bridgeland, Chair of the LPP Investment Board.

The Chairman circulated a list of minimum requirements for Berkshire to join LPP pool and asked the Panel for their comments. The list was:

1. No compulsory redundancies or forced relocation of staff. Staff to be TUPE'd to LPP
2. Title to Berkshire pooled assets to remain with Berkshire
3. Custodian of Berkshire cash and other assets to be selected by Berkshire
4. Berkshire to be shareholder in LPP
5. Berkshire to have right to appoint a non executive director to the Board of LPP. Such a person will normally be an elected Councillor of the administrative authority for Berkshire. (Currently RBWM). Remuneration will be the same as for other non executive directors and such remuneration will be paid to the administrative authority for Berkshire.
6. A senior RBWM Officer will be appointed to the Investment Committee of LPP Investments and RBWM approval will be required for the appointment of any successor.
7. Investment strategy and asset allocation will be set by Berkshire.

8. The Berkshire Pension Fund Panel may have a mechanism whereby it can select up to 10% of the assets of Berkshire in the pool with the returns being at the risk of Berkshire and within the agreed strategy of Berkshire. This would have two purposes, first to enable use to invest, usually locally, where we see local opportunities and second to ensure that we have the motivation to monitor what the pool is doing with our money
9. Berkshire will also bring to the attention of LPP funds in which Berkshire would like to invest although the final investment decision will be for LPP.
10. Existing investments which are illiquid or uneconomic to transfer to a pool would be managed by LPP for the benefit of Berkshire with, income, profits or losses for the account of Berkshire.

The Pension Fund Manager gave an overview of the progress being made towards pooling as discussed at previous meetings and that in response to ongoing discussions with the DCLG there had so far been no response to the request for confirmation that the LPP would be an authorised Pool.

As well as ongoing discussions with the LPP there had also been contact with the Border to Coast Pool but they had said we could join but only on their terms.

The Chairman reported that the biggest loss when we pool would be the local administration and a limited ability to select our own investments. He would be requesting that 10% of the Berkshire fund be made available for investment under Berkshire control and informed that the title of assets would remain with the Berkshire Pension Fund, RBWM would be a shareholder in LPP with the right to appoint a non executive director and that a senior RBWM officer will be appointed to the LPP Investment Committee.

The Pension Fund Manager informed that if we joined LPP they did intend to keep at least an administration presence in Berkshire, albeit at a reduced level.

In response to questions the Panel were informed that the management of the Berkshire Pension Fund would be done by the LPP, that there would be a sovereignty agreement with strategic asset allocation and investment strategy remaining with the Panel..

Cllr Worrall questioned the comment that assets would remain with Berkshire and was informed that title to assets held by the Fund, including units in any pooled vehicle managed by LPP in which Berkshire was invested would, as is the case currently, be beneficially owned by RBWM as the administering authority for the Pension Fund. Berkshire would say what percentage they wished to invest in any asset class and LPP would be responsible for selecting an appropriate investment manager.

Cllr Hilton asked if we would be going ahead with pooling if it was not being driven by Government and was informed that the Panel had been looking at joint arrangements with project BOB.

Cllr Hilton also mentioned that the Panel had established that sometimes smaller investments were able to provide higher returns and asked how these opportunities could be maintained. The Panel were informed that it was a question of where we could get best returns and what cash flow requirement you have. We would still be able to invest in smaller projects but being part of LPP would open up the larger scale investment opportunities that were previously out of reach. There would also be a sharing of expertise. Cllr Hilton said it would be good to have a list of these additional opportunities that arise by being in a large pool.

Cllr Law raised concern that there was insufficient information to make a decision and questioned what would happen if West Berkshire Council did not agree; could they withdraw? The Panel were informed that the LPP was a joint venture between the London Pension Fund

Authority and the Lancashire County Council, they are the joint share holders but they also do pension administration work for other LGPS funds. If Berkshire joined they would have equal voting rights. The Pension Fund Panel and Advisory Panel would continue to exist and the Board would still be a legal requirement but it may be a tri-party board (subject to Government approval). If we did not merge with the LPP and became an investment only client then we would have no say over governance.

In response to questions from Sue Nicholls the Panel were informed that the LPP was a limited company with our liability being £1 with the company having liability insurance, the object of pooling was to decrease management costs and if we transferred our global investments there could be saving of about £900k per year in the long term.

With regards to the minimum requirements list it was noted that this could be changed as it was drawn up by the Chairman and that the successor or the RBWM representative on the Investment Committee would require RBWM approval.

In response to questions the Panel were informed that there may be a fourth share holder in the future but they would have to have a shared philosophy, the other two share holders were supportive of Berkshire joining and a shareholders agreement was being drawn up. With regards to our say on the LPP board we would be an advantages position given the size of our assets compared to the other shareholders who have put in substantially more assets.

The Pension Fund Manager reminded the Panel that the report was asking for authority to enter discussions with LPP and that negotiations were not expected to be completed until 2017.

It was agreed that a briefing paper would be prepared to take back to the other Berkshire authorities.

It was noted that RBWM staff would be subject to TUPE arrangements and by joining a larger pool would give staff more opportunities.

Resolved unanimously that the Panel:

- i. agrees to defer that the Berkshire Pension Fund should pool its assets with Local Pensions Partnership**
- ii. agrees to defer that the Berkshire Pension Fund should become a shareholder in Local Pensions Partnership Limited**
- iii. authorise Officers to issue the letter of intent at Annex 1**
- iv. authorise Officers to begin a legal review of the documents required for the Berkshire Pension Fund to become a shareholder in Local Pensions Partnership Limited**
- v. request Officers produce a comprehensive summary of the proposals to be circulated to Berkshire Leaders, Panel Members and Advisory Members.**
- vi. authorise Officers to use the 'Minimum Requirements for Berkshire to join LLP pool' document as part of the negotiations with Local Pensions Partnership.**

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 6.00 pm

CHAIRMAN.....

DATE.....