

**Democratic Services**

Riverside, Temple Street, Keynsham, Bristol BS31 1LA

Telephone: (01225) 477000 *main switchboard*

Direct Lines - Tel: 01225 395090

Web-site - <http://www.bathnes.gov.uk>

Date: 23 July 2015

E-mail: [Democratic\\_Services@bathnes.gov.uk](mailto:Democratic_Services@bathnes.gov.uk)

**To: All Members of the Pension Board**

Howard Pearce

Gaynor Fisher

Steve Harman

Tom Renhard

David Yorath

Chief Executive and other appropriate officers

Press and Public

Dear Member

**Pension Board: Thursday, 30th July, 2015**

You are invited to attend a meeting of the **Pension Board**, to be held on **Thursday, 30th July, 2015** at **1.30 pm** in the **Kaposvar Room - Guildhall, Bath.**

**The meeting will be preceded by a training session for Members at 12 noon in the Kaposvar Room. A buffet lunch for Members will be provided at 1pm.**

The agenda is set out overleaf.

Yours sincerely

Sean O'Neill  
for Chief Executive

**If you need to access this agenda or any of the supporting reports in an alternative accessible format please contact Democratic Services or the relevant report author whose details are listed at the end of each report.**

*This Agenda and all accompanying reports are printed on recycled paper*

## NOTES:

- 1. Inspection of Papers:** Any person wishing to inspect minutes, reports, or a list of the background papers relating to any item on this Agenda should contact Sean O'Neill who is available by telephoning Bath 01225 395090 or by calling at the Riverside Offices Keynsham (during normal office hours).
- 2. Public Speaking at Meetings:** The Council has a scheme to encourage the public to make their views known at meetings. They may make a statement relevant to what the meeting has power to do. They may also present a petition or a deputation on behalf of a group. Advance notice is required not less than two full working days before the meeting (this means that for meetings held on Wednesdays notice must be received in Democratic Services by 4.30pm the previous Friday)

The public may also ask a question to which a written answer will be given. Questions must be submitted in writing to Democratic Services at least two full working days in advance of the meeting (this means that for meetings held on Wednesdays, notice must be received in Democratic Services by 4.30pm the previous Friday). If an answer cannot be prepared in time for the meeting it will be sent out within five days afterwards. Further details of the scheme can be obtained by contacting Sean O'Neill as above.

- 3. Details of Decisions taken at this meeting** can be found in the minutes which will be published as soon as possible after the meeting, and also circulated with the agenda for the next meeting. In the meantime details can be obtained by contacting Sean O'Neill as above.

Appendices to reports are available for inspection as follows:-

**Public Access points** - Riverside - Keynsham, Guildhall - Bath, Hollies - Midsomer Norton, and Bath Central, Keynsham and Midsomer Norton public libraries.

**For Councillors and Officers** papers may be inspected via Political Group Research Assistants and Group Rooms/Members' Rooms.

- 4. Recording at Meetings:-**

The Openness of Local Government Bodies Regulations 2014 now allows filming and recording by anyone attending a meeting. This is not within the Council's control.

Some of our meetings are webcast. At the start of the meeting, the Chair will confirm if all or part of the meeting is to be filmed. If you would prefer not to be filmed for the webcast, please make yourself known to the camera operators.

To comply with the Data Protection Act 1998, we require the consent of parents or guardians before filming children or young people. For more information, please speak to the camera operator

The Council will broadcast the images and sound live via the internet [www.bathnes.gov.uk/webcast](http://www.bathnes.gov.uk/webcast) An archived recording of the proceedings will also be available for viewing after the meeting. The Council may also use the images/sound recordings on its social media site or share with other organisations, such as broadcasters.

- 5. Attendance Register:** Members should sign the Register which will be circulated at the meeting.

6. THE APPENDED SUPPORTING DOCUMENTS ARE IDENTIFIED BY AGENDA ITEM NUMBER.

**7. Emergency Evacuation Procedure**

When the continuous alarm sounds, you must evacuate the building by one of the designated exits and proceed to the named assembly point. The designated exits are sign-posted.

Arrangements are in place for the safe evacuation of disabled people.

**Pension Board - Thursday, 30th July, 2015**  
**at 1.30 pm in the Kaposvar Room - Guildhall, Bath**

**A G E N D A**

1. APPROVAL OF APPOINTMENT OF CHAIR (Pages 7 - 8)
2. EMERGENCY EVACUATION PROCEDURE
3. APOLOGIES FOR ABSENCE
4. DECLARATIONS OF INTEREST
5. TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR
6. ITEMS FROM THE PUBLIC - TO RECEIVE DEPUTATIONS, STATEMENTS, PETITIONS OR QUESTIONS
7. ITEMS FROM MEMBERS
8. INTRODUCTION OF MEMBERS OF THE LOCAL PENSION BOARD  
A verbal introduction will be given along with a brief biography of each member of the Local Pension Board for information.
9. ADOPTION OF TERMS OF REFERENCE (Pages 9 - 14)
10. ROLE OF LOCAL PENSION BOARD (Pages 15 - 18)
11. CODE OF CONDUCT AND CONFLICTS OF INTEREST (Pages 19 - 36)
12. AVON PENSION FUND COMMITTEE MINUTES AND KEY DECISIONS (Pages 37 - 60)

Before discussing Appendix 2 to the report, the Board is invited to pass the following resolution:

the Board having been satisfied that the public interest would be better served by not disclosing relevant information, and in accordance with the provisions of

section 100(A)4 of the Local Government Act 1972, resolves that the public shall be excluded from the meeting during the discussion of Exempt Appendix 2 of the report of this item, because of the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act as amended.

13. TRAINING PLAN (Pages 61 - 64)

14. WORK PLAN (Pages 65 - 68)

15. DATE OF NEXT MEETING

The next meeting of the Board has been scheduled for Thursday, 5<sup>th</sup> November at 2pm.

The Committee Administrator for this meeting is Sean O'Neill who can be contacted on 01225 395090.

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<b>Bath &amp; North East Somerset Council</b>		
<b>MEETING:</b>	Local Pension Board – Avon Pension Fund	
<b>MEETING DATE:</b>	30 <sup>th</sup> July 2015	<b>AGENDA ITEM NUMBER</b>
<b>TITLE:</b>	Appointment of the Chairman of the Board	
<b>WARD:</b>	ALL	
<b>AN OPEN PUBLIC ITEM</b>		
<b>List of attachments to this report:</b>		
None		

## **1 THE ISSUE**

- 1.1 The purpose of the report is to confirm the appointment of the Independent Chairman of the Local Pension Board (LPB).

## **2 RECOMMENDATION**

- 2.1 The Local Pension Board is asked to approve the appointment of Howard Pearce as Independent Chairman of the Board.

## **3 FINANCIAL IMPLICATIONS**

- 3.1 The Chairman's role receives an annual allowance of £6,583 and this is within the existing budget allocation of the Board.

## **4 THE REPORT**

- 4.1 The requirement for an Independent Chairman was outlined in the terms of reference to the LPB which were agreed by full Council on the 15<sup>th</sup> January.
- 4.2 Adverts for the role were placed on the Fund's website, Western Daily Press, Jobsgopublic.com, Local Government Chronicle online and the Council's job vacancy website.
- 4.3 Nomination packs included the role profile and person specification with a closing date of April 16<sup>th</sup>. All applicants were then reviewed against the five published criteria and a shortlist of four candidates drawn up for interview with the Strategic Director of Resources, Head of Business, Finance and Pensions and the Head of Audit West.

- 4.4 Interviews were held on the 12<sup>th</sup> of June and a preferred candidate – Howard Pearce – was identified and recommended to the LPB.
- 4.5 The appointment will run for a period of four years commencing from the 1<sup>st</sup> of July 2015 and the LPB is asked to confirm the appointment of Howard Pearce as Independent Chairman at its first formal meeting.

## 5 RISK MANAGEMENT

- 5.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance.
- 5.2 The appointment of an independent chairman will mitigate the risk of the LPB not fulfilling its duties as outlined in the Terms of Reference elsewhere on the agenda.

## 6. EQUALITIES

- 6.1 A proportionate equalities impact assessment has been undertaken and there are no significant issues to report.

## 7. CONSULTATION

- 7.1 The report was distributed to the S151 Officer for consultation.

<b>Contact person</b>	<i>Jeff Wring (01225 477323)</i>
<b>Background papers</b>	<i>Council Report – Establishment of Avon Pension Fund Board – 15<sup>th</sup> January 2015</i>
<b>Please contact the report author if you need to access this report in an alternative format</b>	

<b>Bath &amp; North East Somerset Council</b>		
MEETING:	Local Pension Board – Avon Pension Fund	
MEETING DATE:	30 <sup>th</sup> July 2015	<b>AGENDA ITEM NUMBER</b>
TITLE:	Adoption of the Terms of Reference	
WARD:	ALL	
<b>AN OPEN PUBLIC ITEM</b>		
<b>List of attachments to this report:</b>		
Appendix 1 – Terms of Reference		

## **1 THE ISSUE**

- 1.1 The purpose of the report is to request the Local Pensions Board (LPB) to adopt the Terms of Reference at Appendix 1 which had previously been approved by full Council on the 15<sup>th</sup> January 2015.

## **2 RECOMMENDATION**

- 2.1 The Local Pension Board is asked to adopt the attached Terms of Reference (Appendix 1).

## **3 FINANCIAL IMPLICATIONS**

- 3.1 There are no direct financial implications from this report, costs of operating the board and fulfilling the terms of reference are built into the business plan for the Avon Pension Fund.

## **4 THE REPORT**

- 4.1 Bath & North East Somerset Council acting as the administering authority for the Avon Pension Fund is required to comply with the Public Sector Pension Act (2013) along with the Local Government Pension Scheme (Amendment Governance) Regulations 2015.
- 4.2 In meeting these requirements Bath & North East Somerset approved terms of reference and necessary supporting arrangements at its meeting of its full Council on the 15<sup>th</sup> January 2015.
- 4.3 The LPB is now required to adopt the terms of reference in order to fulfil the duties set out in the legislation highlighted in 4.1.

## 5 RISK MANAGEMENT

- 5.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance.
- 5.2 The adoption of the Terms of Reference mitigates the risk of the administering authority not complying with the Public Sector Pension Act (2013) and its supporting regulations.

## 6. EQUALITIES

- 6.1 A proportionate equalities impact assessment has been undertaken and there are no significant issues to report.

## 7. CONSULTATION

- 7.1 The report was distributed to the S151 Officer for consultation.

<b>Contact person</b>	<i>Jeff Wring (01225 477323)</i>
<b>Background papers</b>	<i>Council Report – Establishment of Avon Pension Fund Board – 15<sup>th</sup> January 2015</i>
<b>Please contact the report author if you need to access this report in an alternative format</b>	

## **Terms of Reference for the Pension Board for Avon Pension Fund**

### **Function and role**

The regulations state that the role of the local Pension Board (the “Board”) is to assist the administering authority

a. to secure compliance with:

- i. The LGPS (Amendment) (Governance) Regulations 2014 (the “regulations”)
- ii. Any other legislation relating to the governance and administration of the Scheme
- iii. Requirements imposed by the Pensions Regulator in relation to the Scheme; and

b. to ensure the effective and efficient governance and administration of the Scheme.

The Board has an advisory role in assisting the Administering Authority by making recommendations about compliance, process and governance. The Board does not have a decision making role with regard to strategy or policy nor will it ratify or challenge decisions made by the administering authority. Its role is to have oversight of the governance process for making decisions and agreeing policy.

The Board will exercise its duties in the following areas:

- i. Compliance with the relevant legislation and Codes of Practice set by The Pensions Regulator;
- ii. Policies and processes are in place to deliver the objectives of the pension fund;
- iii. Policies and processes are in place to ensure that employers comply with their obligations under the Scheme and regulations;
- iv. The processes for setting strategy, policy and decision-making are robust;
- v. A framework of controls is in place to ensure fund and employer compliance;
- vi. From time to time the administering authority may consult the Board or ask assistance on specific issues.

The costs of the Board will be met by the Avon Pension Fund (as set out in the regulations) subject to approval of their annual workplan and budget. This may enable the Board to commission independent advice as appropriate. It is important that the Board maintains its independence from the Avon Pension Fund Committee’s decision-making process in order to effectively scrutinise the decision-making process.

### **Establishment**

The Board is to be established by 1 April 2015 and must be operational by 31 July 2015. The Terms of Reference must be approved by the Administering Authority and formally adopted by the Board once it is established.

### **Board Membership**

There will be seven Board members comprising three member representatives, three employer representatives and an Independent Chairperson. Member representatives can be drawn from the membership and are not restricted to Trades Union representatives. Employer representatives should be representative of the employers within the scheme. No officer or councillor of the administering authority who is responsible for the discharge of any function under the LGPS regulations can be a member of the Board. In respect of the Chairperson the term independent means having no current employment, contractual, financial or other material interest in either the Council or any scheme employer in the Avon Pension Fund, and not being a member of the Avon Pension Fund. The Chairperson can delegate to another Board member if unable to attend a meeting.

### **Appointment process**

The Avon Pension Fund will facilitate the nominations process for all Board members; the appointment process will be undertaken by the Strategic Director of Resources. The appointment of the Chair will be following an advertised competitive process, which shall be subject to the Board's approval of the successful candidate.

The selection process for employer and employee reps will take into account their capacity to fulfil the role as set out in the Role and Person Specification.

### **Role of advisors**

The Board may appoint professional advisors as appropriate to their work plan. The cost will be met within the budget approved by the administering authority. Where possible the advisors should be independent from those used by the administering authority.

### **Role of officers**

Democratic Services will be responsible for providing secretariat services to the Board. The Strategic Director of Resources will ensure appropriate officer support is provided to the Board. Avon Pension Fund officers will be required to provide information to the Board for the Board to fulfil its task.

### **Frequency of meetings**

The Frequency to be determined by Board once agreed workplan, with a minimum of three meetings annually.

### **Voting rights**

The objective is to reach consensus on all issues; however, each employer and employee rep has one vote. The Under Regulation 106 (7) of the LGPS Regulations 2013 the Independent Chairperson is explicitly excluded from having the right to vote.

### **Board Quorum**

The quorum of the Board shall comprise three members who shall include at least one member and one employer representative.

### **Substitutes**

Substitutes will not be permitted as they would have to be nominated as part of the appointment process.

### **Sub-committees**

Sub-committees will not be permitted.

### **Board work plan and Budget**

The Board will agree its work plan annually and the budget required to deliver it. As the expenses of the Board are to be met by the Avon Pension Fund the Board's workplan and budget, having taken advice from the Strategic Director of Resources, will be submitted to the Avon Pension Fund Committee for approval annually. The Board will be required to operate within the approved budget and approved budget purposes. It is envisaged that the Board will review aspects of the pension fund over time rather than react to the regular monitoring cycle of the pension committee.

### **Access to Board papers**

Board meetings will be held in open session with closed sessions where appropriate. The agenda papers will be circulated in advance of meeting in line with council policy. The minutes of meetings will be recorded and published in line with Council policy.

### **Term of office**

Two of the initial appointments (one employer representative and one member representative) will be for a two year period. All other appointments will be for a four year term with the maximum term of Board membership limited to two terms.

### **Code of Conduct**

Board members are required to adhere to the Council's Code of Conduct.

## **Declarations of Interest and Conflicts of interest**

Board members are required to adhere to the Council's policy for declarations of interests. Members must provide information that the administering authority may reasonably require from time to time.

The Board is required to act within its Terms of Reference. The Board should ensure that in addition to the Council Policy it has its own policy for managing conflicts of interest in line with any further stipulations from the Pensions Regulator and members must abide by this policy.

## **Removal from Board**

A Board member can be removed from the Board in the following circumstances (but not limited to):

- A poor attendance record;
- If a member does not undertake training as requested by the administering authority; If a member is in breach of Council's Code of Conduct / Declarations policy; If a member has a conflict of interest that cannot be managed in accordance with the Board's conflicts policy;
- If a representative member ceases to represent his constituency e.g. leaves the employer so no longer has the capacity to represent the Fund's employers. If there is an unsatisfactory annual review of individual members

If there is a vote of no confidence in the Chairperson by the Board then the Administering Authority will conduct a process to appoint another Chairperson

The Council's Standards Committee and Monitoring Officer will determine any removal from the Board.

## **Expenses**

The pension fund will meet reasonable meeting expenses, reasonable training expenses relevant to discharging the role and independent advice required to support work agenda (including legal, technical and other professional advice).

## **Allowances**

An annual allowance will be paid to the Independent Chairperson.

## **Knowledge and understanding**

The Board are required to agree and maintain a policy and framework to address the knowledge and understanding requirements, as set out in various legislation and the Pension Regulator's Code of Practice, that apply to its members. The knowledge and understanding requirement applies to each Board member individually rather than to the members as a collective group. The policy and framework will be considered in light of the role of the Board; however, Board members will need to understand the duties and obligations of the administering authority in order to be able to assist it.

Board members will be required to undertake training to ensure they acquire the appropriate level of knowledge and understanding and keep a record of the learning activities of individual members and of the Board as a whole.

## **Reporting**

The Board will publish an annual report to Council containing any recommendations on process or governance. This should be circulated to members and employers.

The annual report will cover:

- i. summary of the work of the Board
- ii. details of areas the Board has investigated and how they have been dealt with
- iii. details of conflicts of interest that have arisen in respect of the Board members and how have been managed
- iv. whether there are any risks or other areas of potential concern which the Board wishes to raise with the Administering Authority
- v. details of training a future training needs
- vi. the work plan of the last year and draft work plan for following year

- vii. details of expenses and other costs incurred and anticipated expenses for forthcoming financial year

Direct reporting line if the Board has material concerns – The Strategic Director of Resources.

The Board minutes will be circulated to administering authority (the pension committee) S151 Officer and Monitoring Officer.

The Board is required to report breaches of law or material (and not actioned) breaches of the Code of Practice to the Pensions Regulator.

Where any breach of duty is committed or alleged to have been committed by the Administering Authority (the Pensions Committee) the Board shall:

1. Discuss the breach or alleged breach that is identified with Pension Committee Chair and the proposed actions to be taken by the Board
2. Enable the Chair of the Committee to review the issue and report back the Board on the breach
3. The Board will determine action and if sufficiently material will report the breach to the Pensions Regulator or the Scheme Advisory Board as set out in the regulations.

#### **Data protection and Freedom of Information**

For legal purposes the Board is considered a committee of and part of the administering authority legal entity. Therefore the Board must comply with the Council's Data Protection and Freedom of Information policies.

<b>Bath &amp; North East Somerset Council</b>		
MEETING:	Local Pension Board – Avon Pension Fund	
MEETING DATE:	30 <sup>th</sup> July 2015	<b>AGENDA ITEM NUMBER</b>
TITLE:	Role and Purpose of the Local Pension Board	
WARD:	ALL	
<b>AN OPEN PUBLIC ITEM</b>		
<b>List of attachments to this report:</b>		
None		

## **1 THE ISSUE**

- 1.1 The purpose of the report is to outline the role and purpose of the Local Pensions Board (LPB).

## **2 RECOMMENDATION**

- 2.1 The Local Pension Board is asked to note the report.

## **3 FINANCIAL IMPLICATIONS**

- 3.1 There are no direct financial implications from this report.

## **4 THE REPORT**

### **Background**

- 4.1 Lord Hutton conducted a wide ranging review of public service pensions and published his report in March 2011 recommending significant change to the governance of Pension Funds, *'to make...schemes...more transparent'*.
- 4.2 Subsequently legislation was introduced in the form of the Public Sector Pension Act 2013 along with the Local Government Pension Scheme (Governance) Regulations 2015. These require each Local Government Pension Scheme (LGPS) administering authority to establish a new body known as a Local Pensions Board (LPB) to assist the Council (Administering Authority) in running the Avon Pension Fund.
- 4.3 One of the key aims of the reform was to raise the standard of management and administration of public service pension schemes and to achieve more effective representation of employer and employee interests in that process.

- 4.4 Therefore the LPB is separate to the Avon Pension Fund Committee (Section 101 committee) to which as administering authority (the Council) it has delegated its functions in relation to the administration of the LGPS.
- 4.5 The LPB has no general duties or responsibilities other than those outlined in the Terms of Reference (shown elsewhere on this agenda)

### **Specific Role and Purpose**

- 4.6 The PPSA 2013, set out the requirement for the establishment of a Board with the responsibility for assisting the scheme manager in relation to the following matters:
- a) Securing compliance with the regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme and:
  - b) To ensure the effective and efficient governance and administration of the Scheme.
- 4.7 The LPB will assist the 'Scheme Manager' by ensuring compliance with the pension scheme regulations, along with all other legislation and the requirements imposed by the Pensions Regulator to ensure the effective and efficient governance and administration of the Scheme.
- 4.8 The LPB therefore sits alongside the Avon Pension Fund Committee to scrutinise its decision making process and ensure the Fund's compliance with its legislative requirements and is not a decision making body.

### **Pension Regulator**

- 4.9 From April 2015, the Pension Regulator has responsibility for the LGPS. Therefore a focus for the LPB is in ensuring compliance with the Regulator's code of practice. This is split into a number of areas which covers Governance, Risk Management and Resolving Issues.
- 4.10 The LPB as part of their work plan will need to consider these areas, to ensure the Fund is compliant and if not to make recommendations to the Pension Fund Committee on ways to address these requirements.
- 4.11 The LPB will also need to consider how it would deal with any breaches of the regulations, should recommendations not be acted upon to address concerns to a satisfactory level through the establishment of a breaches policy or similar.

## **5 RISK MANAGEMENT**

- 5.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance.
- 5.2 An understanding of the role and remit of the LPB mitigates the risks that the Board is unable to fulfil its terms of reference or is unable to act effectively.

## 6. EQUALITIES

6.1 A proportionate equalities impact assessment has been undertaken and there are no significant issues to report.

## 7. CONSULTATION

7.1 The report was distributed to the S151 Officer for consultation.

<b>Contact person</b>	<i>Jeff Wring (01225 477323)</i>
<b>Background papers</b>	<i>Council Report – Establishment of Avon Pension Fund Board – 15<sup>th</sup> January 2015</i>
<b>Please contact the report author if you need to access this report in an alternative format</b>	

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<b>Bath &amp; North East Somerset Council</b>		
MEETING:	Local Pension Board – Avon Pension Fund	
MEETING DATE:	30 <sup>th</sup> July 2015	AGENDA ITEM NUMBER
TITLE:	Code of Conduct & Conflicts of Interest	
WARD:	ALL	
<b>AN OPEN PUBLIC ITEM</b>		
<b>List of attachments to this report:</b>		
Appendix 1 – Code of Conduct & Rules on Conflicts of Interest		
Appendix 2 – Guidance on Registration and Disclosure of Interests		

## 1 THE ISSUE

1.1 The purpose of the report is to request the Local Pensions Board (LPB) to adopt the Council's Code of Conduct and Conflicts of Interest Policy in relation to its operation.

## 2 RECOMMENDATION

2.1 The Local Pension Board is asked to –

- a) Adopt the attached Code of Conduct (Appendix 1) and
- b) Request a further report back on conflicts of interest at its next meeting highlighting any specific changes or separate policy it should adopt in line with the requirements of the Pensions Regulator.

## 3 FINANCIAL IMPLICATIONS

3.1 There are no direct financial implications from this report.

## 4 THE REPORT

4.1 The Terms of Reference for the LPB set out the following –

- a) *..Board Members are required to adhere to the Council's Code of Conduct.. and*
- b) *..Board Members are required to adhere to the Council's policy for declarations... The Board should ensure that in addition to the Council Policy it*

*has its own policy for managing conflicts of interest in line with any further stipulations from the Pensions Regulator...*

## **Code of Conduct**

4.2 Appendix 1 sets out in detail the Code of Conduct that LPB members are expected to follow. Key to this are that as a holder of public office there is an expectation that LPB members will comply with the 'seven principles of public life', also known as the 'Nolan Principles' which are –

a) **Selflessness** – Holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other benefits for themselves, their family or their friends.

b) **Integrity** – Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.

c) **Objectivity** – In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

d) **Accountability** – Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

e) **Openness** – Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands it.

f) **Honesty** – Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

g) **Leadership** – Holders of public office should promote and support these principles by leadership and example.

## **Conflicts of Interest**

4.3 All LPB members will be required to notify Democratic Service of any potential conflict of interest arising as a result of their position on the Board.

4.4 All meetings of the LPB will include a standing item titled 'Declaration of Interests' at the start of the meeting where any declaration in relation to the items on the agenda should be made. If in doubt, further advice can be sought from Democratic Services.

4.5 Appendices 1 and 2 set out the current position with regard to what is a potential 'conflict' and guidance on how to formally declare such an interest.

4.6 In addition the Pensions Regulator also outlines its expectations on conflict of interest management in its *Code of Practice: Governance and administration of public service pension schemes*.

- 4.7 The Code states conflicts of interest are prohibited within the Public Service Pension Act 2013, but potential conflicts can be managed. The Code outlines when a conflict may arise, providing practical examples. The Code expects the LPB to have an agreed and documented a conflicts policy and procedure which outlines how they will be identified and managed using a three stage process of identifying potential conflicts, monitoring them and managing them.
- 4.8 For the purposes of a member of a LPB, a 'conflict of interest' is defined in section 5(5) of the Pension Act as a financial or other interest which is likely to prejudice a person's exercise of functions as a member of a LPB.
- 4.9 The Act also specifies that a conflict does not include a financial or other interest arising merely by virtue of that person being a member of the LGPS and/or Fund (or any connected scheme). Therefore a conflict of interest may arise when a member of a LPB is fulfilling their legal duty to assist the Avon Pension Fund and at the same time they have a separate personal interest (financial or otherwise); or another responsibility in relation to that matter, giving rise to a possible conflict with their first responsibility as a LPB member.
- 4.10 It is recommended therefore that the LPB adopts the existing practices and Code of Conduct of the Council and considers at its next meeting the potential adoption of a separate conflicts of interest policy. Further training and briefing may also be required in order to support the LPB members in their roles.

## **5 RISK MANAGEMENT**

- 5.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance.
- 5.2 Adopting a Code of Conduct and process for declaration of interests, mitigates against the potential for the LPB to act improperly or unlawfully, which may lead to a challenge to the work carried out by the LPB and a reputational risk to the Avon Pension Fund and Administering Authority.

## **6. EQUALITIES**

- 6.1 A proportionate equalities impact assessment has been undertaken and there are no significant issues to report.

## **7. CONSULTATION**

- 7.1 The report was distributed to the S151 Officer for consultation.

<b>Contact person</b>	<i>Jeff Wring (01225 477323)</i>
<b>Background papers</b>	<i>Council Report – Establishment of Avon Pension Fund Board – 15<sup>th</sup> January 2015</i>
<b>Please contact the report author if you need to access this report in an alternative format</b>	

**The Code of Conduct for Members and Co-Opted  
Members together with**

**The Rules for Registration of Interests and  
Conflicts of Interest**

*Approved by the Council on  
19th July 2012*

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### **Part 1 The Code of Conduct for Members of Bath and North East Somerset Council**

- I. Purpose of the Code
- II. Scope of the Code
- III. Public Duties of Members
- IV. General Principles of Conduct
- V. Expectations of Conduct
- VI. Rules of Conduct
- VII. Registration and Declaration of Interests
- VIII. Duties in respect of the Authority's Standards Committee and the Monitoring Officer

### **Part 2 - Registration, Disclosure and Duties on Interests held by Members**

- I. Registration and disclosure of Interests
- II. Gifts and Hospitality
- III. Appendix

## **Part 1 The Code of Conduct for Members of Bath and North East Somerset Council**

### **I. Purpose of the Code**

1. The purpose of this Code of Conduct is to assist Members (including co-opted Members) in the discharge of their obligations to the Authority, their local communities and the public at large by:
  - a) setting out the standards of conduct that are expected of Members and co-opted Members of the Authority when they are acting in that capacity, and in so doing
  - b) providing the openness and accountability necessary to reinforce public confidence in the way in which Members perform those activities.

### **II. Scope of the Code**

2 The Code applies to Members in all aspects of their activities as a Member, including when acting on Authority business, ward/division business or when otherwise purporting to act as a Member. It does not seek to regulate what Members do in their purely private and personal lives.

3 The obligations set out in this Code are complementary to those which apply to all Members by virtue of the procedural and other rules of the Authority and the rulings of the Chair

### **III. Public Duties of Members**

4 Members have a duty to uphold the law, including the general law against discrimination and the requirements of the Localism Act, and to act on all occasions in accordance with the public trust placed in them.

5 Members have an overriding duty to act in the interests of the Authority's area as a whole, but also have a special duty to represent the views of the residents and communities of their ward.

### **IV. General Principles of Conduct**

6. In carrying out their duties in exercising the functions of their Authority or otherwise acting as a Member, Members will be expected to observe the following general principles of conduct identified by the Committee on Standards in Public Life in its First Report as applying to holders of public office. These principles will be taken into consideration when any allegation is received of breaches of the provisions of the Code.

*“Selflessness* Holders of public office should take decisions solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends.

### *Integrity*

Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in the performance of their official duties.

### *Objectivity*

In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

### *Accountability*

Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

### *Openness*

Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

### *Honesty*

Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

### *Leadership*

Holders of public office should promote and support these principles by leadership and example.”

## **V. Expectations of Conduct**

7 Members shall base their conduct on a consideration of the public interest, avoid conflict between personal interest and the public interest and resolve any conflict between the two, at once, and in favour of the public interest.

8 Members shall at all times ensure that their use of expenses, allowances, facilities and services provided from the public purse is strictly in accordance with the rules laid down on these matters, and that they observe any limits placed by the Authority on the use of such expenses, allowances, facilities and services.

9 Members shall at all times conduct themselves in a manner which will tend to maintain and strengthen the public's trust and confidence in the integrity of the Authority and never undertake any action which would bring the Authority, or its Members or officers generally, into disrepute.

## **VI. Rules of Conduct**

10. Members shall in particular observe the following rules when acting as a Member or co-opted Member of the Authority:

(1) **Do** treat others with respect and courtesy.

(2) **Do not** –

(a) do anything which may cause your authority to breach any of its the equality duties (in particular as set out in the Equality Act 2010);

(b) bully any person;

(c) intimidate or attempt to intimidate any person who is or is likely to be -

(i) a complainant,

(ii) a witness, or

(iii) involved in the administration of any investigation or proceedings, in relation to an allegation that a member (including yourself) has failed to comply with his or her authority's code of conduct; or

(d) do anything which compromises or is likely to compromise the impartiality of those who work for, or on behalf of, your authority.

(3) **Do not** use or attempt to use your position as a member improperly to confer on or secure for yourself or any other person, an advantage or disadvantage; and

**Do** be aware of the requirements of the Bribery Act 2010 and that offences under the Act include the situation where a Member requests, agrees to receive or accepts a financial or other advantage intending that, in consequence, any function of a public nature, any activity connected with the Authority or any activity to be performed by or on behalf of the Authority or others should be performed improperly.

(4) **Do not** disclose information given to you in confidence by anyone, or information acquired by you which you believe, or ought reasonably to be aware, is of a confidential nature, except where—

(i) you have the consent of a person authorised to give it;

(ii) you are required by law to do so;

(iii) the disclosure is made to a third party for the purpose of obtaining professional legal advice provided that the third party agrees not to disclose the information to any other person; or

(iv) the disclosure is—

(a) reasonable and in the public interest; and

(b) made in good faith and in compliance with the reasonable requirements of the authority

(5) **Do not** prevent another person from gaining access to information to which that person is entitled by law.

(6) **Do not** conduct yourself in a manner which could reasonably be regarded as bringing your office or authority into disrepute.

11. Members shall observe the following rules when using the resources of the Authority, or authorising the use of those resources by others:
  - (1) **Do** act in accordance with the authority's reasonable requirements;
  - (2) **Do** make sure that such resources are not used improperly for political purposes (including party political purposes); and
  - (3) **Do** have regard to any applicable Local Authority Code of Publicity made under the Local Government Act 1986.
  - (4) **Do not** improperly use knowledge gained solely as a result of your role as a member for the advancement of your own interests.
12. Members shall observe the following rules when making decisions on behalf of or as part of the Authority:
  - (1) **Do** have regard to any relevant advice provided to you by the Council's chief financial officer and Monitoring Officer where such advice is offered pursuant to his or her statutory duties.
  - (2) **Do** give reasons for the decisions in accordance with any statutory requirements and any reasonable additional requirements imposed by the authority.

## **VII. Registration and Declaration of Interests**

13. Members shall fulfil conscientiously the requirements of the Authority in respect of the registration of interests in the Register(s) of Members' Interests and, where it is required or appropriate to do so, shall always draw attention to any relevant interest in any proceeding of the Authority or its Committees, or in any communications with the Authority, its Members or officers as required in Part 2.

## **VIII. Duties in respect of the Authority's Standards Committee and the Monitoring Officer**

14. The application and guidance on the application of this Code shall be a matter for the Authority and for the Authority's Standards Committee and, as appropriate, the Monitoring Officer, acting in accordance with their terms of reference.
15. Members shall co-operate, at all stages, with any investigation into their conduct by or under the authority of those persons and shall not seek to intimidate or attempt to intimidate any person who is or is likely to be a complainant, a witness or involved in the administration of any investigation or proceedings in relation to an allegation that a member has failed to comply with his or her authority's code of conduct.
16. No Member shall lobby a member of the Authority's Standards Committee in a manner calculated or intended to influence their consideration of a complaint of a breach of this Code otherwise than in accordance with the arrangements laid down by the Authority.

## **Part 2 - Registration, Disclosure and Duties on Interests Held by Members and Co-Opted Members**

### **I. Registration of Interests**

- 1 **DO** fulfil the requirements of the law and the Authority in registering your interests in the Register of Members' Interests.
- 2 **DO** draw attention to any relevant interest, where it is required or appropriate to do so, in any proceeding of the Authority or its Committees with which you are involved or in any communications with any colleague, officer or outside body in your role as a member
- 3 **DO** approach the Authority's Monitoring Officer if you feel that your interest should be treated as sensitive because it could lead to you, or a person connected with you, being subject to violence or intimidation

### **PART A: Disclosable Pecuniary Interests**

1. **DO** comply with the statutory requirements to register, disclose and withdraw from participating in respect of any matter in which you have a disclosable pecuniary interest.
2. **DO** ensure that your register of interests is kept up to date and notify the Monitoring Officer in writing within 28 days of becoming aware of any change in respect of your disclosable pecuniary interests.
3. **DO** make verbal declaration of the existence and nature of an disclosable pecuniary interest at any meeting at which you are present at which an interest of business which affects or relates to the subject matter of that interest is under consideration, at or before the consideration of the item of business or as soon as the interest becomes apparent.

[Meeting" means any meeting organised by or on behalf of the authority, including –

- (i) any meeting of the Council, or a Committee or Sub-Committee of Council
- (ii) any meeting of the Cabinet and any Committee of the Cabinet
- (iii) in taking a decision as a Ward Councillor or as a Member of the Cabinet
- (iv) at any briefing by officers; and
- (v) at any site visit to do with business of the authority]

### **PART B: Other Interests**

1. In addition to the requirements of the preceding section, if you attend a meeting at which any item of business is to be considered and you are aware that you have a "non-disclosable pecuniary interest or non-pecuniary interest" in that item;-

**DO** make a verbal declaration of the existence and nature of that interest at or before the consideration of that item of business or as soon as the interest becomes apparent.

In such circumstances;-

**DO** consider whether your participation in the consideration of that item of business would be reasonable, particularly if the interest may give rise to a perception of a conflict of interests in that item of business.

2. You have a “non-disclosable pecuniary interest or non-pecuniary interest” in an item of business where;-

2.1 a decision in relation to that business might reasonably be regarded as affecting the well-being or financial standing of you or a member of your family or a person with whom you have a close association to a greater extent that it would affect the majority of the Council Tax payers, ratepayers or inhabitants of the ward or electoral area for which you have been elected or otherwise of the authority’s administrative area, or

2.2 it relates to or is likely to affect any of the interests listed in the Table in the Appendix to this Code, in respect of yourself, a relevant person, a member of your family or a person with whom you have a close association and that interest is not a disclosable interest.

## **II. Register of Gifts and Hospitality**

### **DO**

1. Within 28 days of receipt, notify the Monitoring Officer in writing of any gift, benefit or hospitality with a value in excess of £50 which you have accepted as a member from any person or body other than the authority.

### III. Appendix – Disclosable Pecuniary Interests

The duties to register, disclose and not to participate in respect of any matter in which a member has a Disclosable Pecuniary Interest are set out in Chapter 7 of the Localism Act 2011.

Disclosable pecuniary interests are defined in the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 as follows –

<i>Interest</i>	<i>Prescribed description</i>
Employment, office, trade, profession or vocation	Any employment, office, trade, profession or vocation carried on for profit or gain.
Sponsorship	Any payment or provision of any other financial benefit (other than from the relevant authority) made or provided within the relevant period in respect of any expenses incurred by M in carrying out duties as a member, or towards the election expenses of M. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992).
Contracts	Any contract which is made between the relevant person (or a body in which the relevant person has a beneficial interest) and the relevant authority— (a) under which goods or services are to be provided or works are to be executed; and (b) which has not been fully discharged.
Land	Any beneficial interest in land which is within the area of the relevant authority.
Licences	Any licence (alone or jointly with others) to occupy land in the area of the relevant authority for a month or longer.
Corporate tenancies	Any tenancy where (to M's knowledge)— (a) the landlord is the relevant authority; and (b) the tenant is a body in which the relevant person has a beneficial interest.
Securities	Any beneficial interest in securities of a body where— (a) that body (to M's knowledge) has a place of business or land in the area of the relevant authority; and (b) either—

(i) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or

(ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the relevant person has a beneficial interest exceeds one hundredth of the total issued share capital of that class.

For this purpose –

- “the Act” means the Localism Act 2011;
- “body in which the relevant person has a beneficial interest” means a firm in which the relevant person is a partner or a body corporate of which the relevant person is a director, or in the securities of which the relevant person has a beneficial interest;
- “director” includes a member of the committee of management of an industrial and provident society;
- “land” excludes an easement, servitude, interest or right in or over land which does not carry with it a right for the relevant person (alone or jointly with another) to occupy the land or to receive income;
- “M” means a member of a relevant authority;
- “member” includes a co-opted member;
- “relevant authority” means the authority of which M is a member;
- “relevant period” means the period of 12 months ending with the day on which M gives a notification for the purposes of section 30(1) or 31(7), as the case may be, of the Act;
- “relevant person” means M or any other person referred to in section 30(3)(b) of the Act namely your spouse or civil partner, a person with whom you are living as husband and wife, or a person with whom you are living as if you were civil partners;
- “securities” means shares, debentures, debenture stock, loan stock, bonds, units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 and other securities of any description, other than money deposited with a building society.

# Guidance For Members on the Registration and Disclosure of Interests

## Background

The Localism Act 2011 has introduced some major changes to the standards regime. Set out below is a series of questions that will help your understanding of the new regime, particularly the requirements relating to the registration and disclosure of interests.

Some key dates are set out below:

- |                     |  |
|---------------------|--|
| <b>19 May 2012</b>  | Council establishes a Standards Committee with responsibility to promote and maintain high standards of conduct.   |
| <b>1 July 2012</b>  | Old Style Standards Committee abolished & new arrangements in relation to the management of complaints made against Councillors & registration & disclosure of interests came in to force. |
| <b>19 July 2012</b> | Council considered and adopted the new Code of Conduct including registration of interests.  |

## REGISTRATION OF INTERESTS

### 1 What are the new interests called?

The Localism Act has introduced new interests called Disclosable Pecuniary Interests ("DPIs")

### 2 What is a DPI?

A DPI is a defined interest that **must** be registered. The Regulations define what a DPI is. Details of what a DPI is are attached.

### 3 What is the consequence of not registering a DPI

It is a criminal offence not to register a DPI. If found guilty of an offence, a member is liable to a fine on summary conviction not exceeding level 5 on the Standard scale, this is currently £5,000. In addition the court may also disqualify a member. Prosecutions can only be instituted by or on behalf of the Director of Public Prosecutions

### 4 If I have a DPI can I take part in the item of business at a meeting?

**NO** - Members with a DPI can not participate in authority business, unless they have obtained a Dispensation. If found guilty of an offence, a member is liable to a fine on summary conviction not exceeding level 5 on the Standard scale, this is currently £5,000. In addition the court may also disqualify a member. Prosecutions can only be instituted by or on behalf of the Director of Public Prosecutions.

### 5 When completing the Register of Interests, do I need to consider the interests of any other person?

**YES**, the Regulations require the Member to register details of DPIs where the pecuniary interest is *yours, your spouse's or civil partner's, or is the pecuniary interest of somebody*

*with whom you are living with as a husband or wife, or as if you were civil partners.* This requirement is significantly wider than the previous requirements.

## **6 Is the Register publicly available?**

Yes, the Monitoring Officer is required to maintain a register of interests, which must be both available for public inspection and available on the Council's website.

## **7 When do I need to complete a Register of Interests?**

You must register all DPIs within 28 days of becoming a member, or within 28 days of the date of receipt of the Form. Failure to register is a criminal offence, but would not prevent the member from acting as a member. The Council's adopted Code requires the registration of other interests, the failure to register these would not be a criminal offence, but would amount to a failure to comply with the Code of Conduct.

## **8 Do I need to keep my register up to date?**

In order to protect members from potential criminal proceedings, the Council's Code requires each member to register DPIs and other within 28 days of the adoption of the new register and to register any changes to their interests, within 28 days of any changes occurring. Failure to do so is therefore not a criminal offence but could be a breach of the Code.

## **DISCLOSURE OF INTERESTS AND WITHDRAWALS FROM MEETINGS**

### **9 When do I have to disclose the existence of a DPI?**

The duty to disclose **and** withdraw arises whenever a member attends any meeting of Council, a committee or sub-committee, and the Member is aware that they have a DPI in any matter being considered at the meeting. So it applies even if the member would be absent from that part of the meeting where the matter in question is under consideration.

### **10 What must I disclose?**

The Council's Code requires you to disclose the interest to the meeting (i.e. declare the existence and nature of the interest). This is the same arrangements that we operated under the previous arrangements.

### **11 Can I speak and or take part in the debate and vote on an item**

**NO** the Act removes the rights of a member with a DPI to make representations as a member of the public. You can no longer speak after you have disclosed the interest but before you leave the room.

### **12 What do I do if I have a DPI that is not registered?**

If at a meeting you realise that you do have a DPI that you have not registered, you **must** disclose the existence and nature of the DPI. In accordance with the Council's Code you **must not** participate in any discussion and vote on the item of business, you **must** withdraw immediately prior the commencement of the item and you **must** then notify it to the Monitoring Officer within the next 28 days, so that it can be added to your register of interests.

## **OTHER INTERESTS THAT MUST BE DISCLOSED AND REGISTERED**

The Council's Code of Conduct makes provision for the disclosure for interests other than DPis. Failure to comply with these requirements would be a breach of Code of Conduct but not a criminal offence. They are very similar to the previous requirements to declare prejudicial interests and relate to the interests of persons or bodies with whom you have a close association.

### **13 What other interests do I need to disclose?**

You must register and disclose any "non-disclosable pecuniary interest or non-pecuniary interest" in an item of business of the Council where –

- 13.1 a decision in relation to that business might reasonably be regarded as affecting the well-being or financial standing of you or a member of your family or a person with whom you have a close association to a greater extent than it would affect the majority of the Council Tax payers, ratepayers or inhabitants of the ward or electoral area for which you have been elected or otherwise of the authority's administrative area, or
- 13.2 It relates to or is likely to affect any of the interests listed in the Table in the Appendix to this Code, but in respect of a member of your family (other than a "relevant person") or a person with whom you have a close association

(and that interest is not a disclosable pecuniary interest).

### **14 Who do I include as a member of my family?**

You should adopt a very wide meaning to member of your family, it includes a spouse partner, civil partner, or someone you live with as a partner, a parent, parent in law, son, daughter, step child, the child of a partner, brother sister, of you or your partner, grandparent, grandchild, aunt, uncle, nephew or niece and their respective partners.

### **15 What is the test for "someone with whom I have a close association?"**

This will be the same test that was applied to prejudicial interests, i.e. someone that you are in either regular or irregular contact with over a period of time who is more than an acquaintance. It is someone that a reasonable member of the public might think you would be prepared to favour or disadvantage. This includes friends, colleagues, business associated or someone you know through general social contacts.

### **16 Can I speak and or take part in the debate and vote on an item**

The Council's Code requires you to consider whether your participation in the consideration of the item of business would be reasonable, particularly if the interest may give rise to a perception of a conflict of interests in that item of business. It is anticipated that you would almost always decide not to speak, take part in the debate or vote and would leave the room immediately after making the declaration; you would have no right to speak on the item before you leave the room.

## **GIFTS and HOSPITALITY**

### **17 DO I still need to register any gifts and hospitality I receive?**

YES, the Council's Code requires you to register gifts, benefits or hospitality which exceed the value of £50.00 that you receive in your capacity as a member. On the receipt of any gift, benefit or hospitality exceeding £50 in value you must notify the Monitoring Officer in writing of its nature and value. This will be shown on your register of interests.

## **SENSITIVE INTERESTS**

### **18 If I am genuinely concerned about my safety can certain details be withheld from my register of Interest?**

YES if you are genuinely concerned that disclosure of the detail of an interest (either a DPI or any other interest which he/she would be required to disclose) at a meeting or on the register of members' interests would lead to you or a person connected with you being subject to violence or intimidation, you may request the Monitoring Officer to agree that the interest is a "sensitive interest".

If the Monitoring Officer agrees, the member then merely has to disclose the existence of an interest, rather than the detail of it, at a meeting, and the Monitoring Officer can exclude the detail of the interest from the published version of the register of members' interests.

## **DISPENSATIONS**

### **19 When can I request a dispensation?**

You can apply to the Monitoring Officer for a dispensation when:

- (i) so many members of the decision-making body have DPIs in a matter that it would "impede the transaction of the business". In practice this means that the decision-making body would be inquorate as a result;
- (ii) without the dispensation, the representation of different political groups on the body transacting the business would be so upset as to alter the outcome of any vote on the matter.;
- (iii) the authority considers that the dispensation is in the interests of persons living in the authority's area;
- (iv) the authority considers that it is otherwise appropriate to grant a dispensation.

The Monitoring Officer will determine whether a dispensation will be granted in respect of (i) above, all other requests will be referred to a meeting of the Standards Committee to determine

### **20 How long can a dispensation last?**

The Council is able to grant dispensation for a specified period of time not exceeding 4 years.

## **21 GENERAL**

If you have any queries concerning the above, please contact Vernon Hitchman, Monitoring Officer, tel: (01225) 395171 or [Vernon\\_Hitchman@bathnes.gov.uk](mailto:Vernon_Hitchman@bathnes.gov.uk). or the legal officer who supports the meeting at which the issue arises or to which it relates.

<b>Bath &amp; North East Somerset Council</b>		
MEETING:	Local Pension Board – Avon Pension Fund	
MEETING DATE:	30 <sup>th</sup> July 2015	AGENDA ITEM NUMBER
TITLE:	Review of Avon Pension Fund Committee Minutes – 26 <sup>th</sup> June	
WARD:	ALL	
<b>AN OPEN PUBLIC ITEM</b>		
<p><b>List of attachments to this report:</b></p> <p><b>Appendix 1 – Draft Minutes of Avon Pension Fund Committee – 26<sup>th</sup> June</b></p> <p><b>Appendix 2 – Exempt Minutes of Avon Pension Fund Committee – 26<sup>th</sup> June</b></p> <p><b>Appendix 3 - Annual Report of Avon Pension Fund Committee</b></p>		

## **1 THE ISSUE**

- 1.1 The purpose of the report is to consider the draft minutes from the last Avon Pension Fund Committee meeting and any key decisions taken which include review of the Annual Report.

## **2 RECOMMENDATION**

- 2.1 The Local Pension Board is asked to note the report.

## **3 FINANCIAL IMPLICATIONS**

There are no financial implications relevant to this report.

## **4 THE REPORT**

- 4.1 In order to fulfil its role the Local Pensions Board (LPB) needs to review the minutes and any key decisions taken by the Avon Pension Fund Committee to assist it in securing compliance in line with the regulations.
- 4.2 Attached at Appendix 1 are the minutes of the last meeting of the Avon Pension Committee on the 26<sup>th</sup> June. An exempt part of the minutes at Appendix 2 will be considered in closed session at the Board’s meeting.
- 4.3 In addition to the minutes the Board is also asked to consider the Annual Report of the Pension Fund Committee which is attached at Appendix 3.

**5 RISK MANAGEMENT**

- 5.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance.
- 5.2 Reviewing the minutes and key decisions of the Pension Fund Committee mitigates the risk that the LPB is unable to comply with its own terms of reference.

**6. EQUALITIES**

- 6.1 A proportionate equalities impact assessment has been undertaken and there are no significant issues to report.

**7. CONSULTATION**

- 7.1 The report was distributed to the S151 Officer for consultation.

<b>Contact person</b>	<i>Jeff Wring (01225 477323)</i>
<b>Background papers</b>	<i>Council Report – Establishment of Avon Pension Fund Board – 15<sup>th</sup> January 2015</i>
<b>Please contact the report author if you need to access this report in an alternative format</b>	

## **Minutes of the Meeting held**

Friday, 26th June, 2015, 2.00 pm

**Bath and North East Somerset Councillors:** David Veale (Chair), Paul Myers, Christopher Pearce and Shaun McGall

**Co-opted Voting Members:** Ann Berresford (Independent Member), Councillor Mary Blatchford (North Somerset Council), Cllr John Goddard (South Gloucestershire Council), William Liew (HFE Employers) and Shirley Marsh (Independent Member)

**Co-opted Non-voting Members:** Steve Paines (Trade Unions) and Wendy Weston (Trade Unions)

**Advisors:** Steve Turner (Mercer)

**Also in attendance:** Tony Bartlett (Head of Business, Finance and Pensions), Liz Woodyard (Investments Manager), Matt Betts (Assistant Investments Manager) and Geoff Cleak (Pensions Benefits Manager)

### **1 EMERGENCY EVACUATION PROCEDURE**

The Democratic Services Officer read out the procedure.

### **2 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS**

Apologies were received from Cllr Cherry Beath, Cllr Mike Drew, Cllr Steve Pearce and Clive Fricker. Cllr John Goddard substituted for Cllr Mike Drew.

### **3 DECLARATIONS OF INTEREST**

There were none.

### **4 ELECTION OF VICE-CHAIR**

Councillor Christopher Pearce was elected Vice-Chair of the Committee for the Municipal Year.

### **5 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR**

It was announced that Clive Fricker had resigned from the Committee.

### **6 ITEMS FROM THE PUBLIC - TO RECEIVE DEPUTATIONS, STATEMENTS, PETITIONS OR QUESTIONS**

Members of Fossil Free Bristol (Richard Lawrence, Holly Templer, Freddie Collins and Hannah Sneyd) presented a statement to the Committee. A copy of the statement is attached as an appendix to these minutes.

The Committee noted the statement.

## **7 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS**

There were none.

## **8 MINUTES: 27 MARCH 2015**

The public and exempt minutes of the 27 March 2015 were approved as a correct record and signed by the Chair.

## **9 ROLES AND RESPONSIBILITIES OF THE COMMITTEE**

The Investments Manager presented the report. She invited Members to approve the Governance Compliance Statement, which was unchanged apart from the addition of a statement about the Pension Board. There had been no official guidance about what should be said about the Pension Board, so the Statement only included the basic facts about it. She also invited nominations for the non-BANES members of the Investment Panel and for delegates to the Local Authority Pensions Fund Forum. The current delegate, Cllr Mike Drew, wished to continue in that role, but it was possible to have an additional delegate. She drew attention to paragraph 4.7 of the report, which encouraged Members to undertake training and underlined that The Pensions Code of Practice requirements in respect of Members' training.

### **RESOLVED**

1. To note:
  - a. the roles and responsibilities of the members, advisors and officers;
  - b. terms of reference of the Committee and Investment Panel;
  - c. the requirement to establish a local Pension Board.
2. To approve the Governance Compliance Statement.
3. To note that Bath and North East Somerset Council has appointed Cllr Christopher Pearce as Chair of the Investment Panel and Cllr David Veale and Cllr Cherry Beath as members of the Investment Panel, and to appoint Ann Berresford, Cllr Mary Blatchford and Shirley Marsh and as the remaining members of the Panel.
4. To agree that Mike Drew and Richard Orton will represent the Fund on the Local Authority Pension Fund Forum.

## 10 APPROVAL OF DRAFT ACCOUNTS 2013/14 PRIOR TO FORMAL APPROVAL BY S151 OFFICER

An updated version of the draft accounts was circulated to Members.

The Head of Business, Finance and Pensions presented the report. He said there were two main changes from the earlier draft of the accounts: an additional commitment of \$US300m for the pooled infrastructure fund, referred to in note 22 and an actuarial adjustment of £16k found during reconciliation that had not been entered into the accounts. Next year the accounts had to be submitted by 31<sup>st</sup> May. The value of the assets was now £3.8bn and had increased by £0.5bn over the year. The unusually high level of transfers in referred to in paragraph 4.2(f) of the report was the result of the merger of several colleges in the area.

A Member expressed concern about investment costs. He noted that the majority of the Fund's income came in the form of employer and employee contributions, yet it had spent £17.5m on investment costs plus £2m in transaction costs. It seemed therefore that the Fund had spent about £20m to earn an investment income of £28m. The Head of Business, Finance and Pensions suggested that the investment costs might seem to be good value when compared with the £0.5bn increase in the value of its assets that the Fund had achieved over the year. The Member asked how was it possible to be sure that this was the result of the activity of the Fund's investment managers rather than of a general rise in asset values; manager's fees rose in line with the value of the assets and not as a result of any work they had done. He noted that manager's performance fees had actually dropped from £4.9m to £1.8m, which he presumed was because they had not performed as well this year as the previous year. The Head of Business, Finance and Pensions referred to the table at the foot of page 23 of the accounts, which set out the market sensitivity for the various asset classes and said that managers were paid not only to increase returns but also to protect the assets of the Fund. The Member accepted that the expenditure on investment fees would be good value, if there was no alternative means of achieving the same result. He suggested that the Investment Panel should examine investment fees. The Investment Manager said that the performance fees in for 2013/14 included performance fees from previous years that had not been disclosed, so overall there had been an increase in transparency.

A Member observed Note 2 to the accounts reported an increase of 21 in pensioners of the Fund, yet the accounts showed an increase in £7m in pension benefits. The Investment Manager said she would report back about this.

A Member asked what was being to trace members out of touch members who might have a claim on the Fund. The Pension Benefits Manager said that there was an ongoing project to update membership records with incomplete data. An tracing agency was used to try to trace these members, who were entitled to a refund of contributions. 2100 were outstanding in 2011 when the project started; this had been reduced to about 900. The target completion date for the project was 2016, though staff resources were very tight.

**RESOLVED** to note the Draft Statement of Accounts for the year to 31 March 2015 for audit.

## 11 TREASURY MANAGEMENT POLICY

The Investment Manager presented the report. She said that the Treasury Management Policy was reviewed every March at the same as the Council reviewed its policy. The previous policy allowed only UK institutions as counterparties. The policy put before the Committee in March 2015 had proposed to allow European counterparties, but the Committee had declined to approve the policy, because of concerns about the use of counterparties in the Eurozone. The policy now proposed restricted the use of counterparties to those outside the Eurozone. The policy had been amended in response to the withdrawal by Barclays of its Platinum Call Account. To use an equivalent account without increasing limits, it was necessary to use a bank outside the UK.

A Member suggested that it should be clarified in documentation that there was a difference between the Fund's policy and the Council's policy in relation to the use of Eurozone counterparties.

A Member asked whether the Committee was being asked to approve the specific list of counterparties or the principles by which they were selected. The Investment Manager said that she would need to report back on this. The Member also said that the credit rating in itself was not sufficient as a basis for comparing institutions in different countries.

**RESOLVED** to approve the Treasury Management Policy as set out in Appendix 1.

## 12 MANAGEMENT OF LIABILITY RISKS

The Investment Manager presented the report. She said that it was proposed to delegate the review to the Investment Panel, which would make recommendations to the Committee. The aim was to devise a framework to manage more effectively the mismatch between the way the liabilities behave and the way the investment portfolio behaves, and thus the level of contributions required to be paid into the Fund.. There were operational, investment and funding implications that need to be considered.

A Member suggested that the scope should include scenario planning, because there were a lot of possible variations in relation to cash flows and pension freedom, for example.

A Member suggested that liabilities should be considered by sector, e.g. academies, universities etc. He also suggested that other Members of the Committee should be invited to attend workshops held by the Panel as part of this review.

**RESOLVED** to agree;

1. the scope of the review set out in 5.1, subject to the inclusion of scenario planning a review of liabilities by sector, and the timing set out in 5.2.
2. the delegation to the Panel set out in 5.3.

### 13 APPLICATION FOR ADMISSION TO THE FUND

The Investments Manager presented the report. She said that the applicant was offering a bond in line with the Fund's policy.

A Member noted that the letter in Annex 1 of the report referred to a pension deficit of £119,000 and asked how often their bond would be re-assessed. The Investments Manager replied that this would be done every three years as part of the Fund valuation.

A Member asked whether the Committee had ever refused an application recommended by officers. The Investments Manager replied that it had not because if the admission did not comply with the Fund's policy it would not be submitted to the committee. Since 2007 the Fund's policy has been that all bodies seeking to join the Fund must have either a guarantee or a bond.

**RESOLVED** that Writhlington Trust is allowed admission to the Avon Pension Fund as a Community Admission Body subject to a bond being in place to protect the Fund and subject to the completion of an Admission Agreement.

### 14 COMMITTEE'S ANNUAL REPORT TO COUNCIL

The Investment Manager presented the report. She said that the report would be presented to the Council on 29<sup>th</sup> July

A Member pointed out that in the first bullet point in paragraph b) on agenda page 103 the second sentence should begin "fallen back from 78% from 85%", not 84% and that the last figure in the third sentence should be £633m, not £636m.

A Member suggested that the change of the Fund's investment advisor should be reported under Advisory Contracts on page 107 and that pensions freedom and what it means for the Fund should be mentioned in section 5 "Future Business".

**RESOLVED** to approve the 2015 Annual Report to Council, subject to amendments proposed by the Committee.

### 15 REPORT ON INVESTMENT PANEL ACTIVITY

The Assistant Investments Manager presented the report. He said the only issue to note this time was the clarification meeting on the Fund of Hedge Funds mandate tender, reported in Exempt Appendix 1. A Member wished to ask a question about this, so it was **RESOLVED** that

the Committee having been satisfied that the public interest would be better served by not disclosing relevant information, and in accordance with the provisions of section 100(A)4 of the Local Government Act 1972, that the public shall be excluded from the meeting for the discussion of Exempt Appendix 1 of the report of this item, because of the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act as amended.

The Committee returned to public session.

**RESOLVED** to note the recommendations and decisions made by the Panel since the last quarterly activity report, as set out in 4.1

## **16 REVIEW OF INVESTMENT PERFORMANCE FOR YEAR ENDING 31 MARCH 2015**

The Assistant Investments Manager presented the report. He said that the funding level had fallen 7% over the year from 85% to 78%, largely because of fall in real gilt yields, which are used to value the liabilities. This had only been partly offset by lower inflation and better than expected investment returns.

Mr Turner commented on the Mercer investment report. He said that there were clear benefits from the changes to investment strategy that the Fund had implemented. The markets seemed to have taken the Greek crisis in their stride. There was a question about when US interest rates would begin to rise. Bond volatility had increased a great deal; it would benefit the Fund if bond prices fell, as this would reduce the liabilities. Gilt yields had risen by about 0.5% since the beginning of the quarter, which was very good for the Fund.

A Member asked about the impact of pension transfers. The Investments Manager said that there had been no applications yet to transfer out of the Fund, but transfers could impact on cash flow, among other things, and it was an issue that needed to be monitored carefully.

### **RESOLVED**

1. To note the information as set out in the report.
2. To note the LAPFF Quarterly Engagement Report at Appendix 4.
3. To agree minor updates to the Statement of Investment Principles (SIP) as explained in Section 11, and approve the revised SIP in Appendix 5.
4. To note the assessment on the potential impact of the 2014 budget flexibilities on the Fund's cash flow and liabilities in Appendix 6.

## **17 PENSION FUND ADMINISTRATION - BUDGET OUTTURN 2014/15, PERFORMANCE INDICATORS FOR PERIOD ENDING 30 APRIL 2015 AND RISK REGISTER ACTION PLAN**

The Investments Manager presented the budget report. Directly-controlled expenditure was £226,000 below budget because of staff secondments. Increased use of electronic communications had resulted lower communication costs. The investment budget is not directly-controlled, but is risk-based. There was a forecast overspend of £230,000 on this budget because of increased costs from the re-tendering of the DGF mandate, and managers' fees had been higher than forecast because of strong market performance. She drew attention to the cash flow forecast in Appendix 2 and explained that cash flow was forecast on a monthly basis.

The Pensions Benefits Manager presented the performance report. He said that all reporting areas were within the targets set under the previous pensions' administration strategy (which had effect until 31<sup>st</sup> May 2015) with the exception of electronic service delivery to members, which would be given special attention under the Fund's IT strategy. The new pensions' administration strategy, approved by the Committee at the meeting of 27 March 2015, had come into effect on 1<sup>st</sup> June following consultation with employers. There had been an increase in cases, mainly generated by the end-of-year data-cleansing exercise and a rise in the number of estimate requests from members. The programme of work for full digitalisation of administration and communication had already commenced, including redevelopment of internal work flow and reporting modules across Pensions' Benefits and Payroll. Reports and plans had been put in place to achieve compliance with the requirements of The Pensions Regulator and with the work of the Pensions Board.

A Member asked about performance for transfers out. The Pensions Benefits Manager replied that an extra step had been put into the process to provide protection against pension scams. A new suite of reports was being developed and this area should probably been given an "amber" rather than a "green" rating.

In reply to a question from a Member the Pensions Benefits Manager said that providing estimates could be very time-consuming. On one occasion a member had requested a total of sixteen estimates, reflecting the projection of different hours of work until retirement. At present staff felt they were obliged to provide estimates to members who requested them, but it was felt that the administration strategy needed to be amended so that staff who were within five years of the statutory retirement age were entitled to an estimate, but younger staff would have to use the self-service facility on the web site.

**RESOLVED** to note:

1. Administration and management expenditure incurred for 12 months to 31 March 2015.
2. Performance Indicators & Customer Satisfaction feedback for 3 months to 31 March 2015.
3. Summary Performance Report for period from 1 April 2011 to 31 March 2015.
4. Risk Register.

## **18 WORKPLANS**

The Investments Manager presented the report. She said that the training workshop and first meeting for the Investment Panel were now scheduled for 11 September. All Members were welcome to attend the workshop. It was hoped to confirm future Panel dates and dates for the training programme shortly.

A Member suggested that Socially Responsible Investment should be added to the Panel workplan.

A Member suggested that pensions' flexibility should be added to the workplan. The Investments Manager said that this would be considered as part of the interim valuation.

**RESOLVED** to note the workplans.

**19 DATES OF FUTURE MEETINGS**

**RESOLVED** to note the dates of future meetings.

The meeting ended at 3.23 pm

Chair(person) .....

Date Confirmed and Signed .....

**Prepared by Democratic Services**

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

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## AVON PENSION FUND COMMITTEE ANNUAL REPORT TO COUNCIL (April 2014 - March 2015)

### 1 BACKGROUND TO THE AVON PENSION FUND

The Avon Pension Fund is a statutory scheme regulated by the Local Government Pension Scheme Regulations 2014 (as amended) and the Local Government Pension Scheme Regulations (Management and Investment of Funds) Regulations 2009 (as amended). Bath & North East Somerset Council (“the Council”) administers the Fund on behalf of more than 214 employing bodies including the four unitary authorities. The Fund has c. 96,000 members and the value of the Fund as at 31 March 2015 was £3.4 billion. In 2014/15 the Fund received £198 million in pension contributions and paid out £163 million in pension payments.

#### (a) GOVERNANCE

The Council has delegated responsibility for the Fund to the Avon Pension Fund Committee (the “Committee”) which is the formal decision-making body for the Fund. The Committee’s role is strategic in nature, setting policy framework and monitoring implementation and compliance within that framework. Due to the wide scope of the Committee’s remit it is supported by the Investment Panel (the “Panel”) which considers the investment strategy and investment performance in greater depth. The Committee has delegated authority to the Panel for specific investment decisions. The Terms of Reference, agreed by the Council, for the Committee and Panel are set out in Appendix A to this report.

#### Committee Membership

The Committee structure is as follows:

Voting members (12)	5 elected members from B&NES (subject to the rules of political proportionality of the Council) 2 independent trustees 3 elected members nominated from the other West of England unitary councils 1 nominated from the education bodies 1 nominated by the trades unions
Non-voting members (4)	1 nominated from the Parish Councils Up to 3 nominated from different Trades Unions

The Committee meets quarterly. Attendance at these meetings was 81% for the voting members and 37% for the non-voting members. (Note: one of the non-voting members was on long term leave)

Ad hoc workshops are arranged as necessary reflecting the Committee’s meeting agendas. During the last twelve months one workshop was arranged to discuss the new governance arrangements for the LGPS including pension boards.

#### Investment Panel

The Panel consists of up to six voting members from the Committee and meets at least quarterly ahead of Committee meetings.

The Panel met formally five times during the year with attendance at 96%. Each meeting was followed by a workshop where selected investment managers present on their performance and outlook for their portfolio. In addition Panel members attended three selection panels held to appoint new managers for infrastructure, diversified growth fund and hedge funds.

## **2 TRAINING**

The Fund provides training to committee members to ensure they possess an appropriate level of knowledge, skill and understanding to discharge their fiduciary duties. The administering authority must ensure:

- that decisions are taken by persons or organisations with the skills, knowledge advice and resources necessary to make them effectively and monitor implementation; and
- those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.

The Fund has in place a training framework which is based on CIPFA's (Chartered Institute of Public Finance and Accounting) Knowledge and Skills Framework for LGPS funds, which identifies six areas of knowledge as follows:

- i. Legal and governance context
- ii. Pensions Auditing and Accounting Standards
- iii. Procurement and Relationship Management
- iv. Investment Performance and Risk Management
- v. Financial Markets and Product Knowledge
- vi. Actuarial Methods, Standards and Practices

Committee training is delivered in a variety of formats, reflecting the strategic importance of the subject matter to the Committee's agenda and the differing level of knowledge and understanding across the Committee. Many of the areas identified by the framework are covered through detailed Committee and Panel reports and workshops where the topic is explored greater in detail.

Committee members will be required to complete the Pensions Regulator's Knowledge and Skills Toolkit within the first year of their appointment to the committee.

In addition, members are encouraged to attend seminars and conferences which broaden their understanding of investments and topics of relevance to the LGPS.

## **3 REVIEW OF THE YEAR**

### **a) INVESTMENTS**

- The Fund's assets increased from £3,325m at 31 March 2014 to £3,829m at 31 March 2015. The Fund generated an investment return of 13.5% during the year, with a return of 11.2% p.a. over the last three years.
- The 2014/15 investment return was driven primarily by the strong returns from equities, bonds and property. Overseas equities (25% of the Fund's assets) were the main driver, whereas UK equities (15% of Fund assets) lagged the overall return. Having delivered negative returns in 2013/14, bonds

rebounded strongly on expectations that bond yields will stay lower for longer. Property assets continue to appreciate as demand for income generating real assets continues to outstrip supply.

- The appointment of a manager to invest in infrastructure and the restructuring of the hedge fund portfolio completed the actions arising from the review investment strategy in March 2013. The Fund terminated one of the Diversified Growth Fund mandates following the loss of key investment personnel and appointed a new manager to manage the assets.

## **b) FUNDING LEVEL**

- As at 31 March 2015 the Actuary has estimated that the funding level has fallen back to 78% from 84% declared a year earlier and the deficit has increased to c. £1,104m from £636m.
- The deterioration in the funding level was due to a fall in gilt yields (which are used to value the liabilities) from 3.5% to 2.3%. This was partially offset by a small fall in inflation but overall there was a fall in *real* gilt yields (which take inflation into account). As the value of the future pension liabilities is calculated using a discount rate based on UK gilt yields and the benefits are indexed to inflation, a decrease in real gilt yields will increase the value of the liabilities.
- During the year the value of the assets rose by more than expected. However, this was insufficient to offset the increase in the liabilities.

## **c) PENSIONS ADMINISTRATION**

### **(i) Budget**

- During the year to 31 March 2015, total administration costs (excluding governance and investment management costs) were £2.16 million a saving of £226,000 (9%) on the budget.
- Total costs including Investment Management, custody and governance costs, were £19 million, in line with the budget. Investment management fees were higher than expected due to the larger than anticipated increase in asset values since the setting of the budget. Governance costs were also slightly higher than expected due to the re-tendering of investment mandates.
- The investment management and custody fees of £16.2 million equates to 0.42% of the Fund's assets.

### **(ii) CIPFA Benchmarking (Benefits Administration)**

- The Fund participates in the annual Pensions Administration CIPFA Benchmarking exercise where its performance and running costs are compared against its peers and against the "average fund".
- In 2013/2014 the Fund's overall costs at £18.27 p.a. per member were less than the average of £20.75. Staffing costs (excluding payroll) were significantly less at £6.97 per member against £8.87. Payroll costs per pensioner member of £1.74 compares favourably against the average of £1.97.

- The Fund invests heavily in communications with communication costs at £1.27 per member compared to the average of £0.87. Although significantly higher, the Committee has prioritised resources to this area as it strongly believes in the importance of providing members with timely, accurate information. This is delivered by specific newsletters to active and pensioner members, a high quality website, provision of member access to their “account” via the website and the facility for scheme employers to send information digitally via secure portal. Savings are being realised through the increased use of electronic delivery for employers ‘ESS’ & ‘i-Connect’ and through the introduction and promotion of the member self-service facility ‘MSS’.

### **(iii) Pensions Administration Strategy**

- The Administration Strategy sets out how the administering authority and scheme employers will work together to provide an improving quality level of service to Fund members.
- Performance of both the Fund and employers is closely monitored by officers and the Committee. The Strategy provides a transparent and robust operating and performance framework which improves accountability and has successfully focussed attention on the need for both parties to invest in and make use of electronic data provision to improve efficiency.

## **4 COMMITTEE BUSINESS TO MARCH 2015**

### **a) Investment Strategy**

During the year a number of strategic decisions were implemented as follows:

- The final restructuring of the investment portfolio was completed during the year with the appointment of an infrastructure manager to manage 5% of the fund’s assets. The Investment Panel also reviewed the hedge fund portfolio and agreed to appoint a single manager to manage the assets on a bespoke basis for the fund. This will enable the fund to structure its investment exposure having considered its other investments and its cash flow requirements.
- The Fund has continued to support the Local Authority Pension Fund Forum (LAPFF) as part of its Responsible Investing Policy, with members and officers attending quarterly meetings. LAPFF act on behalf of local authority funds to promote best practice in governance in investee companies either on its own or in collaboration with other organisations with similar objectives.

### **b) Funding Strategy**

- The next actuarial valuation is due in 2016. The Committee are updated quarterly on the funding position from the 2013 valuation as part of the financial monitoring process.

### **c) Approval of the 3-year Service Plan and Budget 2015/18**

- The Service Plan sets out the Pension Fund’s objectives for the next three years (2015/18). The three year budget supports the objectives and actions arising from the plan.

- The main focus of this plan is to ensure the Fund complies with The Pension Regulator requirements; to develop and implement an IT strategy to achieve a digital step change in service delivery and to mitigate service demand growth; to develop a medium term funding strategy; to explore the options for more effective matching of liabilities; and to support the introduction of Pension Boards
- The later years will focus on consolidation, realising efficiencies and embedding partnership working with stakeholders.
- The budget approved for administration for 2015/16 was £2,378,600. This includes gross savings of £224,000 that have been made through changes in working arrangements and the greater adoption of digital technology. £71,400 of these savings will meet the costs of additional responsibilities, regulations and inflation. A further £147,600 of the savings will be invested in the IT Strategy to generate cost savings in the future.
- The Service Plan includes a three year cash flow forecast reflecting the maturing of the scheme, which is no longer cash flow positive on a monthly basis. Investment income is now required to meet pension payments so closer monitoring of the cash flow position is required for the investment strategy to be effectively managed.

**d) Approval of draft revised Administration Strategy**

The Fund revised its 2011 Administration strategy to include a more detailed ICT Strategy and also to ensure the Governance and administration requirements of the Pension Regulator are properly addressed.

**e) Public Service Pensions Act 2013 and government reform**

- The Public Sector Pensions Act 2013 (PSPA2013) has changed the governance structure of the local LGPS funds. There was a consultation as to how the Act could be applied to the local LGPS funds.
- PSPA2013 gives the Pensions Regulator a role in regulating the public service schemes including the LGPS. The Regulator will require greater disclosure of member training and require all pension board members to attain a satisfactory level of knowledge in order to discharge their duties.
- The Act also established local pension boards for each local LGPS fund. The remit of these boards is to secure the Fund's compliance with regulations and TPR's Codes of Practice as well as assisting the administering authority to ensure effective and efficient governance and administration of the scheme. The Committee reviewed the Terms of Reference for the new Pension Board prior to it being considered by the Council.
- The government consulted further on their proposals for restructuring the local LGPS funds to reduce investment management costs and increase the efficiency of the national scheme. This consultation included a cost-benefit analysis of the potential option the Government's preferred approach to reform which focussed on the use of collective investment vehicles managed by the scheme itself. The government was not supportive of fund mergers at this stage. The government has yet to respond to the consultation but it is expected to be revived following the elections.

- The Committee responded to these consultations and further consultations on the regulations for the new scheme.

#### **f) Treasury Management Policy and Cash Management Policy**

- The Committee approves the Fund's Treasury Management Policy annually. The policy sets out how the Fund's cash is invested to meet its day-to-day requirements. The cash managed under this policy at any time is c. £25 million, which represents less than 1% of the Fund's value.
- The management of this cash is delegated to the Council's Treasury Management Team. However, the Fund's cash is invested separately (via separate bank account) to the Council's and the Fund has a bespoke Treasury Management Policy.
- The policy has been further revised in line with the Council's policy due to the downgrading of the credit ratings of the UK banks, to ensure there is adequate flexibility for the efficient management and investment of the short term cash.

#### **g) Responsible Investing Annual Report**

- The Fund has a Responsible Investing (RI) Policy which supports its investment strategy. As transparency and disclosure are an important element of being a responsible investor the Fund publishes an annual report of its activities.
- The policy sets out how the Fund will incorporate and manage the risks arising from its investment activities that relate to Environmental, Social or Governance factors (ESG). The approach is to identify and manage these risks in a variety of ways: through considering how they can impact the overall risk and return of the Fund; by understanding how the investment managers evaluate the materiality of such risks within their investment decisions; by using its votes as a long term shareholder and to engage with company Boards to influence corporate behaviour
- The 2014 report highlighted the main activities as follows:
  - (i) Embedded ESG criteria into the evaluation and implementation of the new investment strategy for the new Diversified Growth Funds and infrastructure mandates and appointment decisions
  - (ii) Monitored whether our investment managers implemented RI policies or approach in line with their stated policy and the Fund sought to influence where appropriate
  - (iii) The Fund followed through with issues identified last year by asking the investment managers to promote board diversity for the 2014 proxy season and by reviewing managers policy towards resolutions on remuneration following the introduction of the binding vote structure on their voting policy and whether they support the public declaration of investment managers' opinions on how executive pay packages should be structured
  - (iv) Continued to support the Local Authority Pension Fund Forum (LAPFF) recognising that their collaboration and engagement activities are important tools to manage RI risks.

#### **h) Administration**

- In accordance with the Pensions Administration Strategy the Committee monitors the KPI for pensions administration and the scheme employers quarterly.
- Focus in 2014/15 was the continued rollout of electronic receipt and delivery of data with employers. Work with employers in this area has resulted in a significant move towards full electronic data transfer with 60% of scheme employers now submitting member data electronically, representing 81% of overall fund membership.

#### **i) Advisory Contracts**

- In line with Council policy, the actuarial and investment consultancy contracts were re-tendered at the expiry of each contract. The fund tendered through the South West LGPS Advisory Framework Contract, a collaborative initiative to reduce procurement costs. Mercer Investment Consulting replaced JLT as the Fund's investment consultant from 1 April 2015.

#### **j) Workplans**

- Separate workplans are prepared for the Committee and Panel detailing the forthcoming areas of work relating to the investment and funding strategies and to the administration of benefits to give the Committee and officers the opportunity to review the workload and accommodate issues that may arise.

### **5 FUTURE BUSINESS**

The Committee and Panel's focus over the next twelve months will be as follows:

#### **a) Investments**

- Investment Strategy – explore options for more effective management of the liabilities through the investment portfolio, including how liability driven investing could assist in hedging the interest rate and inflation impact on the liabilities.
- Establish the framework for making investments that fall outside the strategic asset allocation. The fund can allocate up to 5% of its assets in “other bond” assets and up to 5% in “other growth” assets. A framework is required to set out the investment parameters and the decision making process.

#### **b) Funding Strategy**

- Explore options for insuring against ill-health retirements.
- Commission an interim valuation to prepare the Committee and employers for the potential outcome of the 2016 valuation.
- Review work undertaken to assess the financial covenants of scheme employers and how this analysis will be used in setting contribution rates in the 2016 valuation.

**c) Benefits Administration**

- Ensure compliance with stringent requirements of The Pensions Regulator (TPR).
- Review and approve the Funds data improvement plan in accordance with TPR Codes of Practice.
- Approve the Funds KPI Benchmarking reports and Fund/Employer performance reports following the implementation of the revised Pensions Administration Strategy.
- Review the AVC Strategy on the number and types of funds to be offered to members to assist them in saving towards retirement.

**d) Governance of the LGPS**

- Engage with and respond to government consultations expected during the year on the governance structure of funds at the local level. It is expected that the focus will be on proposals to change the arrangements for the investment of assets across the LGPS funds nationally to improve investment returns through lower investment costs.
- The PSPA2013 included the use of cost cap mechanisms to control employer costs in the future. The LGPS cost cap mechanism is being developed and should be agreed during the year for it to be implemented alongside the 2016 valuation.
- The Committee will respond to consultations issued by the government or the Scheme Advisory Board on these issues.
- The Committee will focus on the impact that the 2014 Budget freedoms for pension fund members has on the Fund to ensure there is a robust governance process in place to manage the potential risks arising from these changes.

**Avon Pension Fund**

**June 2015**

## Terms of Reference for the Avon Pension Fund Committee and Investment Panel

### **1 Avon Pension Fund Committee**

Bath and North East Somerset Council, in its role as administering authority, has executive responsibility for the Avon Pension Fund. The Council delegates its responsibility for administering the Fund to the Avon Pension Fund Committee which is the formal decision making body for the Fund.

#### **Function and Duties**

To discharge the responsibilities of Bath and North East Somerset Council in its role as lead authority for the administration of the Avon Pension Fund. These include determination of all Fund specific policies concerning the administration of the Fund, investing of Fund monies and the management of the Fund's solvency level. In addition, the Committee is responsible for all financial and regulatory aspects of the Fund. At all times, the Committee must discharge its responsibility in the best interest of the Avon Pension Fund.

The key duties in discharging this role are:

1. Determining the investment strategy and strategic asset allocation.
2. Determining the pensions administration strategy.
3. Making arrangements for management of the Fund's investments in line with the strategic policy.
4. Monitoring the performance of investments, investment managers, scheme administration, and external advisors.
5. Approving and monitoring compliance of statutory statements and policies required under the Local Government Pension Scheme Regulations.
6. Approving the Pension Fund's Statement of Accounts and annual report.
7. Approving the annual budget for the Pension Board subject to the approval of Pension Board's workplan.
8. Commissioning actuarial valuations in accordance with the provisions of the Local Government Pension Scheme Regulations.
9. Considering requests from organisations wishing to join the Fund as admitted bodies.
10. Making representations to government as appropriate concerning any proposed changes to the Local Government Pension Scheme.

#### **Delegations**

In discharging its role the Committee can delegate any of the above or implementation thereof to the Sub-Committee (referred to as the Investment Panel) or Officers. The current delegations are set out in Sections 2 & 3 below.

## Membership of the Committee

Voting members (12)	5 elected members from B&NES (subject to the rules of political proportionality of the Council) 2 independent trustees 3 elected members nominated from the other West of England unitary councils 1 nominated from the education bodies 1 nominated by the trades unions
Non-voting members (4)	1 nominated from the Parish Councils Up to 3 nominated from different Trades Unions

The Council will nominate the Chair of the Committee.

### Meetings

Meetings will be held at least quarterly. Meetings will be held in public, though the public may be excluded from individual items of business in accordance with the usual exemption procedures.

### Quorum

The quorum of the Committee shall be 5 voting members, who shall include at least one Member who is not a Bath & North East Somerset Councillor.

### Substitution

Named substitutes to the Committee are allowed.

## 2 Investment Panel

The role of the Avon Pension Fund Committee Investment Panel shall be to consider, in detail matters relating to the investment of the assets within the strategic investment framework and performance of investment managers in achieving the Fund's investment objectives.

The Investment Panel will:

1. Review strategic and emerging opportunities outside the strategic asset allocation and make recommendations to the Committee.
2. Review the Statement of Investment Principles and submit to Committee for approval.
3. Report regularly to Committee on the performance of investments and matters of strategic importance

and have delegated authority to:

4. Approve and monitor tactical positions within strategic allocation ranges.
5. Approve investments in emerging opportunities within strategic allocations.
6. Implement investment management arrangements in line with strategic policy, including the setting of mandate parameters and the appointment of managers.
7. Approve amendments to investment mandates within existing return and risk parameters.

8. Monitor investment managers' investment performance and make decision to terminate mandates on performance grounds.
9. Delegate specific decisions to Officers as appropriate.

### **Panel Membership**

The Panel shall comprise a maximum of 6 voting Members of the Avon Pension Fund Committee, of which 3 shall be Bath and North East Somerset Councillors. The membership shall include the Chairman of the Committee and /or the Vice- Chair and 4 other Members (or 5 if the Chair or Vice-Chairperson is not a member of the Panel).

Note: The appointment of Bath and North East Somerset Councillors to the Panel is subject to the rules of political proportionality of the Council.

Members shall be appointed to the Panel for a term of one year.

The Council will nominate the Chair of the Panel.

### **Panel Meetings**

Though called a "Panel", it is an ordinary sub-committee of the Committee. Accordingly, meetings must be held in public, though the public may be excluded from individual items of business in accordance with the usual exemption procedures.

The Panel shall meet at least quarterly ahead of the Committee meeting on dates agreed by Members of the Panel.

### **Panel Quorum**

The quorum of the Panel shall comprise 3 Members, who shall include at least one Member who is not a Bath & North East Somerset Councillor.

### **Panel Substitution**

Substitutes for the Panel must be members of Committee or their named Committee substitute.

### **Panel Minutes**

Minutes of Panel meetings (whether or not approved by the Panel) shall appear as an item on the next agenda of the meeting of the Committee that follows a meeting of the Panel.

### **3 Officer Delegations**

Officers are responsible for:

1. Day to day implementation and monitoring of the investment, administration, funding strategies and related policies.
2. Appointment of specialist advisors to support the Committee in discharging it functions.
3. The Section 151 Officer has authority to dismiss investment managers, advisors and 3<sup>rd</sup> party providers if urgent action is required (does not refer to performance failures but to their inability to fulfil their contractual obligations or a material failing of the company).

4. The Section 151 Officer has authority to suspend policy (in consultation with the Chairs of Committee and Panel) in times of extreme market volatility where protection of capital is paramount
5. Under its wider delegated powers, the Section 151 Officer has delegated authority to effectively manage the liabilities of the Fund including the recovery of debt.
6. Exercising the discretions specified in the Local Government Pension Scheme Regulations in connection with deciding entitlement to pension benefits or the award or distribution thereof.

May 2015

<b>Bath &amp; North East Somerset Council</b>		
MEETING:	Local Pension Board – Avon Pension Fund	
MEETING DATE:	30 <sup>th</sup> July 2015	<b>AGENDA ITEM NUMBER</b>
TITLE:	Training Plan	
WARD:	ALL	
<b>AN OPEN PUBLIC ITEM</b>		
<b>List of attachments to this report:</b>		
None		

## **1 THE ISSUE**

- 1.1 The purpose of the report is to outline the training requirements for Members of the Local Pension Board (LPB).

## **2 RECOMMENDATION**

- 2.1 The Local Pension Board is asked to note the proposals to develop a training plan within the report.

## **3 FINANCIAL IMPLICATIONS**

The cost of providing training to the LPB has been estimated for its first year of operation but will need to be revised to ensure it is sufficient for its four year term.

## **4 THE REPORT**

### **Background**

- 4.1 In accordance with the Pension Regulator (tPR) Code of Practice no.14: 'Governance and Administration of public service and pension schemes' (page 12 paragraphs 44 to 60) every individual member of a LPB must in summary:

- Be Conversant with the rules of the local government pension scheme (LGPS) &
- Have knowledge and understanding of the law relating to pensions:

- 4.2 These responsibilities begin from the date the LPB member takes up their role. These knowledge and understanding requirements apply to every individual member of a LPB rather than as a collective group.

- 4.3 The Avon Pension Fund is committed to making the appropriate training available to LPB members to assist them in undertaking their role. In addition each LPB member has a responsibility to demonstrate their capacity to attend meetings and complete the training.

#### **Degree of Knowledge and Understanding**

- 4.4 The legal requirement is that Members of the LPB must be conversant with the rules of the LGPS and any document recording policy about the administration of the Fund. This is implied as a working knowledge so that members are aware of which legislation/policies to refer to when carrying out their role.
- 4.5 It is implicit that LPB members understand the duties and obligations that apply to the Avon Pension Fund as well as to themselves. LPB members should be clear on the roles, responsibilities and duties of the Board and its Members as set out in the Terms of Reference. LPB Members need to be able to identify and challenge failure to comply with the scheme rules. The rules of the LGPS would include:
- a) the Regulations;
  - b) the Investment Regulations;
  - c) the Transitional Regulations; and
  - d) any statutory guidance referred to in these regulations

#### **Areas of Knowledge and Understanding**

- 4.6 LPB Members should be conversant with, but not limited to the following areas:
- a) Scheme approved policies
  - b) Risk assessment/management
  - c) Scheme booklets/members communications
  - d) Role of LPB Members and the scheme manager
  - e) Policies in relation to discretions
  - f) Communications with scheme members and employers
  - g) Key policy documents on administration, funding and investment
- 4.7 LPB Members should have a breadth of knowledge and understanding that is sufficient to allow them to understand fully any professional advice the LPB is given. Members should be able to challenge any information or advice they are given and understand how that information or advice impacts on any decision relating to the LPB's duty to assist the Avon Pension Fund.

#### **Acquiring, Reviewing and Updating Knowledge and Understanding**

- 4.8 Members of this Board will need to commit sufficient time in their learning and development alongside their other duties as training is an important part of the individual's role.

- 4.9 As members knowledge and understanding of responsibilities technically begin from the date they take up their post, training will be required to start as soon as possible in regard to the Regulations, key Fund documents and relevant Pension Law. The first informal training session prior to this meeting satisfies this basic requirement.
- 4.10 There is also a practical recognition that it will take a newly appointed member a reasonable period to attain the required full level of knowledge and understanding, while consideration needs to be given to the differing levels of existing knowledge that LPB Members may already have attained.

### **Training Plans**

- 4.11 The training session held on the 30<sup>th</sup> July 2015 provided an overview to Members of the role and context of the LPB along with details of the LGPS and specifically the background to the Avon Pension Fund.
- 4.12 The next step will be for LPB members to complete a self-assessment form to identify areas which require further training. The results of this self-assessment will enable a LPB training programme to be developed and aligned with the Pension Fund Committee Members Training Plan.
- 4.13 It is also recommended that LPB members should consider the following –
- a) Attending the LGE 3 day Pensions Fundamental Course as an introduction to the LGPS. This is a 3 day course spread over several months (September to December) covering all the key areas of the LGPS and provides a thorough understanding of the scheme, its legislation and an appreciation of the different areas of work.
  - b) Complete the on-line tPR e-learning trustee toolkit. This is split into modules which can be done at each individual's own learning pace and completed by a set of multiple choice questions. This should effectively assist in meeting the knowledge and understanding issues dealt with in the Regulators Code of Practice.
- 4.14 The Avon Pension Fund will also keep Members updated of relevant conferences and any other opportunities to improve learning and development.
- 4.15 It is proposed therefore that at the next meeting a Training Plan will be presented for approval based on the work identified above.

## **5 RISK MANAGEMENT**

- 5.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance.
- 5.2 Appropriate training for the members of the LPB mitigates the collective risks to the Board in that it is unable to fulfil its terms of reference or to each individual member in fulfilling their responsibilities.

## 6. EQUALITIES

6.1 A proportionate equalities impact assessment has been undertaken and there are no significant issues to report.

## 7. CONSULTATION

7.1 The report was distributed to the S151 Officer for consultation.

<b>Contact person</b>	<i>Jeff Wring (01225 477323)</i>
<b>Background papers</b>	<i>Council Report – Establishment of Avon Pension Fund Board – 15<sup>th</sup> January 2015</i>
<b>Please contact the report author if you need to access this report in an alternative format</b>	

<b>Bath &amp; North East Somerset Council</b>		
MEETING:	Local Pension Board – Avon Pension Fund	
MEETING DATE:	30 <sup>th</sup> July 2015	AGENDA ITEM NUMBER
TITLE:	Work Plan	
WARD:	ALL	
<b>AN OPEN PUBLIC ITEM</b>		
<b>List of attachments to this report:</b>		
None		

## **1 THE ISSUE**

- 1.1 The purpose of the report is to outline the need for a work plan for the Local Pensions Board (LPB) and to outline the areas of work that could be covered over the next 12 months.

## **2 RECOMMENDATION**

- 2.1 The Local Pension Board is asked to note the report and proposals to develop a work plan for the next meeting.

## **3 FINANCIAL IMPLICATIONS**

- 3.1 There are no direct financial implications from this report.

## **4 THE REPORT**

### **Background**

- 4.1 As outlined in the Terms of Reference elsewhere on this agenda, the LPB shall prepare an annual work plan to manage its workload throughout the year.
- 4.2 Therefore the LPB needs to consider and develop a work plan for the forthcoming year.
- 4.3 To assist this the Terms of Reference provide details of the core function of the LPB which is to assist the Pension Fund in securing compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation the Scheme.

4.4 The second core function of the LPB is to ensure the effective and efficient governance and administration of the Scheme. Therefore the LPB may determine the areas it wishes to consider including but not restricted to:

#### Administration

- a) Review of Strategic Approach & Priorities
- b) Review of VFM, Performance & Benchmarking
- c) Compliance of Scheme Employers with their duties under the regulations
- d) Review of Fund Communication Plan to Scheme Members & Employers
- e) Complaints & Disputes Overview
- f) Overview of Employer & Administrator Discretions
- g) Review of Data Quality

#### Investments

- a) Review of Funding Strategy (& Statement of Investment Principles)
- b) Review of process for appointment of advisors & scheme managers
- c) Review of actuary report and valuations

#### Governance

- a) Review of compliance reports and decisions made by Pensions Committee
- b) Update on changes to statute and changes to guidance, policies etc
- c) Links to Scheme Advisory Board & Pension Regulator advice
- d) Governance compliance statement

#### Audit & Risk Management

- a) External Audit Plans & Governance Reports
- b) Internal Audit Plans & Reports
- c) Risk Register & Update on Actions

4.5 The main focus on the next 12 months should be based around building the knowledge and understanding of the LPB Members and consideration of the annual and statutory obligations of the Fund which will take place over the year. The LPB will then need to consider the appropriate frequency of meetings and level of existing reporting to the Pension Fund Committee before finalising a manageable work plan.

4.6 It is proposed therefore to review the discussion at this board and use this as a basis to form a Work Plan for approval at the next meeting of the Board. Ongoing consultation with the Chair of the Board and Head of Pensions will be necessary

before the next meeting to ensure the work plan and frequency of meetings is able to be managed appropriately in conjunction with existing timeframes and requirements of the Pension Fund Committee.

## 5 RISK MANAGEMENT

5.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance.

5.2 Preparing a LPB work plan enables proper management of the agenda of the board and mitigates the risks that the Board is unable to fulfil its terms of reference or is unable to act effectively.

## 6. EQUALITIES

6.1 A proportionate equalities impact assessment has been undertaken and there are no significant issues to report.

## 7. CONSULTATION

7.1 The report was distributed to the S151 Officer for consultation.

<b>Contact person</b>	<i>Jeff Wring (01225 477323)</i>
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