

<b>Bath &amp; North East Somerset Council</b>		
MEETING:	<b>LOCAL PENSION BOARD - AVON PENSION FUND</b>	
MEETING DATE:	<b>5<sup>th</sup> November 2015</b>	<b>AGENDA ITEM NUMBER</b>
TITLE:	<b>Work Plan</b>	
WARD:	ALL	
<b>AN OPEN PUBLIC ITEM</b>		
List of attachments to this report:  Appendix A – Outline Work Plan		

## **1 THE ISSUE**

- 1.1 The purpose of this report to present the outline of the Work Plan for the Board. Board Members are asked to consider the suggested approach and input into the plan attached at Appendix A.

## **2 RECOMMENDATION**

### **That the Board**

- 2.1 Notes the report and endorses the work plan outlined in Appendix A.

## **3 FINANCIAL IMPLICATIONS**

- 3.1 There are direct implications related to the Pension Board in connection with this report, however until the Work Plan is finalised these are difficult to estimate. A further report on the budget for the Pension Board is recommended to be considered at the next meeting of the Board.

## **4 REPORT**

- 4.1 In developing a work plan the Board should reflect the need to maintain a balance between building the knowledge and understanding of the LPB Members in its first year and delivery of the statutory obligations of the Board.
- 4.2 In doing so, consideration should be given to the style of the meetings, training/briefing sessions given outside of the formal meeting, the length and frequency of meetings and the cyclical nature of topic areas.
- 4.3 Currently it is proposed that the board should meet formally no more than four times a year with a briefing session either before or as part of the meetings. This

will be kept under review as often informal workshop sessions can prove a successful alternative to delivering the objectives of individual topic areas rather than through a formal meeting.

4.4 The length of meetings should not be excessive in line with any recognised good practice and in considering this the board should be cognisant of its need to absorb and interpret often large volumes of complex information and continue to perform effectively. Therefore agenda's for each meeting should therefore plan with this context in mind.

4.5 Taking the above issues into account Year 1 of the Board should be viewed as developmental, often receiving reports or briefings as overview to help understand their future role on individual topics. Examples of this are today's agenda where several reports were given as background but would not be expected to appear as regular items in the future.

4.6 As outlined at the Board's meeting in July the focus of the Board is on several key themed areas –

**a) Administration – Management of the Fund, Benchmarking/VFM, Compliance**

**b) Investments – Strategy, Policy Development & Actuary Valuations**

**c) Governance – Roles, Responsibilities & Decision Making**

**d) Independent Assurance - Audit & Risk Management**

4.7 In detail the Chair of the Board has suggested the following approach –

### **Strategy**

Based on LGPS and the Pension Regulator's (TPR) guidance on the role of Pension Boards it would seem appropriate that the Pension Board's business focus should be around:

- a) Its own training, knowledge and understanding
- b) Avoiding any conflicts of interest
- c) Ensuring its own statutory compliance
- d) Checking fund governance
- e) Reviewing fund risks and internal systems and controls
- f) Checking fund external advisors/service providers and their internal controls
- g) Reviewing fund member record keeping
- h) Checking fund contributions
- i) Reviewing fund administration
- j) Benchmarking fund performance and Value for Money (VFM)
- k) Fraud prevention
- l) Employer and member communications
- m) Complaints and dispute resolution
- n) Reporting regulatory breaches

And more specifically on the latter,

**1) Identifying any areas of financially material breaches/ areas of regulatory non-compliance that need remediation action such as**

Things that might not be done to statutory timescales by the Fund or employers or members, for example repeated processes:

- late contributions by employers
- excessively late transfers in/out
- issuing ABS late
- late first pension payments

Things done on time (or late) but potentially done incorrectly – for example

- incorrect contributions
- incorrect transfers
- incorrect benefit calcs

Things not often done but should be and reviewed – for example

- Data checking, cleansing and validation
- Data backups and security checks
- Checking the resilience of the fund website and external e-links
- Disaster recovery planning exercises

**2) Identifying the underlying causes of fund non-compliance and helping ensure rectification plans are being carried out to agreed timescales – for example in relation to:**

- Risk management
- Data quality - common/conditional
- IS/IT issues
- Staff error
- Resource shortage

2. Just as important to its scrutiny role described above the Pension Board should also,

**3) Wherever possible undertake joint training and demonstrate it has a positive role in helping the fund deliver good-best practice relative to other LGPS funds for example by reviewing the results of annual external benchmarking surveys by:**

- DCLG/ONS (fund statistics)
- National LGPS Scheme Advisory Board (governance/performance)
- The Pensions Regulator (governance/risk/training)
- CIPFA (benefits administration)
- WM-State Street (investments)
- Other Pension Board commissioned benchmarking surveys

and then if appropriate making recommendations to improve the fund's performance in specific areas.

## **Fund business cycles**

3. The Pension Board also needs to take account of and work with the Pension Fund's cyclical annual and triennial business and actions within its Business Plan. Some of these items have been included on the draft forward look of Pension Board business (see Appendix). Other items need prioritizing and then may need to be included/excluded from 2015-17 work plan.

### Annual cycle items:

- Pension Board Governance
- Pension Board Work Plan
- Pension Board Annual Training Plan
- Pension Board Annual Report

### Pension Fund governance:

- Review/input to the Governance Compliance Statement
- Annual review of the Fund's declarations of interest (all committees)
- Annual review of external advisor appointments/process and internal SLAs
- Annual review of fraud risk prevention and mitigation measures
- Review of the fund draft annual report and audited accounts

### Fund risk management

- Review of fund risk register and its use by Committee and officers
- Input to annual internal and external auditing plans
- Consider/comment on draft internal and draft external audit reports

### Regulatory Compliance

- Pension Board commissioned external reviews
  - Fund compliance with TPR Code 14
  - Fund compliance with other TPR codes (e.g. data quality)
- Annual review of Fund delegations and internal controls
- Annual review of employers' compliance (vis member data and contributions)
- Annual review of reported breaches and actions taken

### Fund performance

- Review quarterly stewardship reports by officers and by external advisors/suppliers
- Input to the fund annual external benchmarking plan (DCLG, SAB, TPR surveys, CIPFA, WM)
- Pension Board plan for externally commissioned benchmarking exercises
- Review and comment on the Fund's and Pension Board's commissioned benchmark reports
- Annual review VFM of Fund administration strategy – costs v LGPS/Defined Benefit average via benchmarking
- Annual review VFM of Fund investment strategy - returns v costs v LGPS/Defined Benefit average via benchmarking

### Member records and communications

- Annual review/input to the Fund administration strategy
- Annual review of the Fund communications strategy

- Annual review of Fund website
- Review the timeliness of issuance of Annual Benefit Statements (ABS) for active/deferred
- Annual review of application of Fund and employers discretions policies
- Annual review of Fund complaint handling and IDRPs case outcomes

#### 2016 triennial valuation cycle items

- Review the actuarial training provided, the rationale for the key assumptions used, and the range of liability reducing options considered and used
- Review/comment on the timing of finalising the Funding Strategy Statement
- Review of contribution setting, employer risks, and funding covenant implementation
- Review/comment on process/timing of reviewing the Fund's future investment strategy

4.8 In developing the Work Plan the views of the Board are vital in informing the nature, frequency and cyclical nature of items. The Board is therefore requested to consider the agenda items presented today and the suggestions made in this report with a view to further refining the current plan.

4.9 An outline of the Work Plan is attached at Appendix 1 and will continue to be worked on and re-presented at each meeting as the year progresses using the comments and feedback of the Board, Officers and other stakeholders such as the Pension Fund Committee to inform its contents.

## **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 and there are no significant or material risks to report.

## **6 EQUALITIES**

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

## **7 CONSULTATION**

7.1 Report and Issues have been subject to consultation with the S151 Officer and Strategic Director of Resources.

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