Bath & North East Somerset Council

Avon Pension Fund Committee

Date: Friday, 6th December, 2019
Time: 2.00 pm
Venue: Kaposvar Room - Guildhall, Bath

Bath and North East Somerset Councillors: Bruce Shearn (Chair), Shaun Stephenson-McGall (Vice-Chair), Chris Dando, Paul May, Manda Rigby and Cato

Co-opted Voting Members: Councillor Steve Pearce (Bristol City Council), Councillor Toby Savage (South Gloucestershire Council), William Liew (HFE Employers), Shirley Marsh-Hughes (Independent Member), Pauline Gordon (Independent Member), John Finch (Independent Member) and Wendy Weston (Trade Unions)

Co-opted Non-voting Members: Richard Orton (Trade Unions), Michael Rumph (Trade Unions) and Cllr John Goddard (Parish and Town Councils)

Chief Executive and other appropriate officers

Press and Public

Sean O'Neill
Democratic Services
Lewis House, Manvers Street, Bath, BA1 1JG
Telephone: 01225 395090
Web-site - http://www.bathnes.gov.uk
E-mail: Democratic_Services@bathnes.gov.uk

NOTES:
1. **Inspection of Papers:** Papers are available for inspection as follows:

Council's website: https://democracy.bathnes.gov.uk/ieDocHome.aspx?bcr=1

Paper copies are available for inspection at the **Public Access points:-** Reception: Civic Centre - Keynsham, Guildhall - Bath, The Hollies - Midsomer Norton. Bath Central and Midsomer Norton public libraries.

2. **Details of decisions taken at this meeting** can be found in the minutes which will be circulated with the agenda for the next meeting. In the meantime, details can be obtained by contacting as above.

3. **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. We request that those filming/recording meetings avoid filming public seating areas, children, vulnerable people etc; however, the Council cannot guarantee this will happen.

The Council will broadcast the images and sounds live via the internet www.bathnes.gov.uk/webcast. The Council may also use the images/sound recordings on its social media site or share with other organisations, such as broadcasters.

4. **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. They may also ask a question to which a written answer will be given. **Advance notice is required not less than two full working days before the meeting. This means that for meetings held on Thursdays notice must be received in Democratic Services by 5.00pm the previous Monday.** Further details of the scheme:

https://democracy.bathnes.gov.uk/ecCatDisplay.aspx?sch=doc&cat=12942

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

6. Supplementary information for meetings

Additional information and Protocols and procedures relating to meetings

https://democracy.bathnes.gov.uk/ecCatDisplay.aspx?sch=doc&cat=13505

Avon Pension Fund Committee - Friday, 6th December, 2019

at 2.00 pm in the Kaposvar Room - Guildhall, Bath

A G E N D A

1. EMERGENCY EVACUATION PROCEDURE

The Chair will ask the Committee Administrator to draw attention to the emergency evacuation procedure as set out under Note 8.

2. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

3. DECLARATIONS OF INTEREST

At this point in the meeting declarations of interest are received from Members in any of the agenda items under consideration at the meeting. Members are asked to complete the green interest forms circulated to groups in their pre-meetings (which will be announced at the Council Meeting) to indicate:

(a) The agenda item number in which they have an interest to declare.

(b) The nature of their interest.

(c) Whether their interest is a **disclosable pecuniary interest** or an **other interest**, (as defined in Part 2, A and B of the Code of Conduct and Rules for Registration of Interests)

Any Member who needs to clarify any matters relating to the declaration of interests is recommended to seek advice from the Council's Monitoring Officer or a member of his staff before the meeting to expedite dealing with the item during the meeting.

4. TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

5. ITEMS FROM THE PUBLIC - TO RECEIVE DEPUTATIONS, STATEMENTS, PETITIONS OR QUESTIONS

6. ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

To deal with any petitions or questions from Councillors and where appropriate co-opted and added members.

7. MINUTES: 27 SEPTEMBER 2019 (Pages 5 - 14)

8. PRESENTATION ON PRIVATE DEBT (Pages 15 - 18)

9. UPDATE ON LEGISLATION (Pages 19 - 50)

10. UPDATE ON POOLING (Pages 51 - 62)

11. INVESTMENT PANEL ACTIVITY (Pages 63 - 66)

12. REVIEW OF INVESTMENT PERFORMANCE (Pages 67 - 118)

13. PENSION FUND ADMINISTRATION (Pages 119 - 160)

14. BUDGET AND CASH FLOW MONITORING (Pages 161 - 170)

15. TERMS OF REFERENCE AMENDMENT (Pages 171 - 180)

16. CMA ORDER (Pages 181 - 194)

17. WORKPLANS (Pages 195 - 208)

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

Bath and North East Somerset Council

AVON PENSION FUND COMMITTEE

Minutes of the Meeting held

Friday, 27th September, 2019, 2.00 pm

Bath and North East Somerset Councillors: Bruce Shearn (Chair), Chris Dando, Paul May and Manda Rigby

Co-opted Voting Members: Councillor John Cato (North Somerset Council), Councillor Steve Pearce (Bristol City Council), Councillor Toby Savage (South Gloucestershire Council), William Liew (HFE Employers), Wendy Weston (Trade Unions), Pauline Gordon (Independent Member), John Finch (Independent Member) and Shirley Marsh-Hughes (Independent Member)

Co-opted Non-voting Members: Richard Orton (Trade Unions) and Michael Rumph (Trade Unions)

Advisors: Steve Turner (Mercer) and Paul Middleman (Mercer)

Also in attendance: Tony Bartlett (Head of Business, Finance and Pensions), Liz Woodyard (Investments Manager), Nathan Rollinson (Assistant Investments Manager), Geoff Cleak (Pensions Manager), Kathryn Shore (Technical and Compliance Advisor), Carolyn Morgan (Governance and Risk Advisor) and Jason Morel (Communications & Public Relations Manager)

17 EMERGENCY EVACUATION PROCEDURE

The Democratic Services Officer advised the meeting of the procedure.

18 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Apologies were received from Councillor Shaun Stephenson-McGall and John Goddard.

19 DECLARATIONS OF INTEREST

William Liew declared a non-pecuniary interest as the representative of an employer in the Fund in relation to agenda item 10 (approval of FSS).

20 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

The Chair welcomed Councillor John Cato, John Finch and Mike Rumph to their first meeting of the Committee.

21 ITEMS FROM THE PUBLIC - TO RECEIVE DEPUTATIONS, STATEMENTS, PETITIONS OR QUESTIONS

There were none.

22 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

There were none.

23 MINUTES: 21ST JUNE 2019

The public and exempt minutes of 21st June 2019 were approved as a correct record and signed by the Chair.

24 MINUTES OF THE PENSION BOARD 13TH JUNE 2019 AND PENSION BOARD ANNUAL REPORT

The Pensions Manager presented the report.

The Head of Business, Finance and Pensions advised the Committee that the current Chair of the Pension Board, Howard Pearce, would step down in October. His successor, Nick Weaver, would take up the position in November.

RESOLVED to note the report and appendices.

25 UPDATE ON LEGISLATION

The Technical and Compliance Advisor presented the report.

A Member referred to the information in appendix 1, page 57 about the SAB project on Tier 3 employers, and asked if there was any update. The Technical and Compliance Advisor replied that there were no further updates on this project at this time.

RESOLVED to note:

1. the current position regarding the developments that could affect the administration of the Fund;

2. the responses sent to the MHCLG consultation on the ‘Local Valuation Cycle and the Management of Employer Risk’ and the HM Treasury consultation on ‘Restricting Exit Payments in the Public Sector’.

26 APPROVAL OF FSS (POST CONSULTATION) - TO FOLLOW

The Investment Manager presented the report. She drew attention to the comments from the Pension Board in Appendix 3.

The Fund's Actuary, Paul Middleman, drew attention to the three objectives that the Funding Strategy Statement had to meet, as set out in paragraph 1.3 of the covering report:

a) ensure that the benefits paid out in future will be reasonably met;
b) that the amount paid in annually covers the cost of the pension benefit accrued;
c) that current pension debt is not deferred for future generations to fund.

He also drew attention to the outstanding regulatory/legal matters that will need to be included in the FSS (paragraph 4.4), which if not resolved before 31 March 2020 would have to be managed within the FSS, and to his responses to comments received during the consultation (paragraph 5.3).

Responding to a question from a Member, Mr Middleman said that the FSS was not an appropriate document in which to discuss in detail climate change or responsible investment. The purpose of the FSS was to plan future funding with an appropriate level of prudence in the light of known risks. Climate change was one of the risks that might affect the level of returns, and expectations about future real returns were factored into the FSS.

A Member asked whether there was any advice from Government on what was reasonable for a deficit recovery period (DRP) for an employer. Mr Middleman said there was not. The DRP was one of the factors taken into account in developing the Funding Strategy, and so had to be seen as reasonable in that context. The funding plan has to ensure that the debt is not transferred to future taxpayers, but equally that not too much of a burden is put on current taxpayers. The Head of Business, Finance and Pensions said that the Pensions Regulator had recently issued a report on a number of funds and one of the concerns expressed was the lack of covenant assessments by some funds. Avon does a great deal of work on this, which facilitates the calculation of contributions and DRPs to maintain the balance between affordability and sustainability. He expected that the Pensions Regulator would issue guidance to encourage funds to do more in this area.

A Member asked about the potential impact of the McCloud decision on employers and on the administrative costs of the Fund. Mr Middleman said that a reasonable cost estimate would be calculated and each employer test the impact on them on the basis of that cost. There might then be scope for tapering contributions for individual employers. He agreed that there could be a significant impact on the administrative costs of the Fund, if there were complicated arrangements for backdated pension payments.

RESOLVED:

1. to note the feedback responses received, and the proposed amendments to the FSS;

2. to approve the FSS as set out in Appendix 1, subject to the insertion of information which can only be included when the actuarial valuation is complete;

3. to delegate the refinement and finalisation of the draft FSS to Fund Officers with the assistance of the Fund Actuary.

27 UPDATE ON BRUNEL PENSION PARTNERSHIP

The Investment Manager presented the report.

She said that transition remained on track. The creation of the Emerging Markets Equity portfolio was nearing transition. The Global High Alpha and DGF portfolios were making good progress. The Smaller Companies' equity portfolio and the Global Sustainable Equities portfolio had been launched. Brunel and the Client Group were still developing their monitoring reports; a Brunel Quarterly Investment Report was included with the papers for the meeting of the Investment Panel on 2 September. Members of the Committee and of the Pension Board have been sent invitations to the Brunel client engagement days, which would be held on 12th, 13th and 19th November. These would provide useful background for the Committee's Investment Strategy workshop on 17th December.

The Committee, having been satisfied that the public interest would be better served by not disclosing relevant information, **RESOLVED** that the public should be excluded from the meeting for the consideration of exempt appendices 2, 3 and 5 and that the reporting of this part of the meeting should be prevented, in accordance with the provisions of section 100(A)(4) of the Local Government Act 1972, because of the likely disclosure of exempt information as defined in paragraph 3 of Schedule 12A of the Act as amended.

After returning to open session the Committee **RESOLVED** to note:

1. the progress made on the pooling of assets;

2. the updated project plan for the transition of asset.

28 ANNUAL RESPONSIBLE INVESTING REPORT

The Assistant Investments Manager presented the report.

RESOLVED:

1. to approve the annual Responsible Investment Report for 2018/19;

2. to agree the RI priorities for 2019/20.

29 REPORT ON INVESTMENT PANEL ACTIVITY

The Assistant Investments Manager presented the report.

RESOLVED to note the minutes of the Investment Panel meeting on 2 September at Appendix 1 and Exempt Appendix 2.

30 ANNUAL REVIEW OF RISK MANAGEMENT STRATEGIES

The Investment Manager presented the report. Members noted that the Panel had recommended at its meeting of 2 September that the current trigger framework should be maintained. However, on 4 September the Treasury announced that RPI would be phased out as a measure of inflation by 2030 and be replaced by CPI, so the recommendations in 2.1 were that the Panel should reconsider the LDI trigger framework at its next meeting and that in the meantime Officers should take appropriate action to protect the Fund's position.

Before discussing the Mercer Annual Risk Management Framework Overview the Committee, having been satisfied that the public interest would be better served by not disclosing relevant information, **RESOLVED** that the public should be excluded from the meeting for the consideration of Exempt Appendix 1, and that the reporting of this part of the meeting should be prevented, in accordance with the provisions of section 100(A)(4) of the Local Government Act 1972, because of the likely disclosure of exempt information as defined in paragraph 3 of Schedule 12A of the Act as amended.

After the discussion the Committee returned to open session and **RESOLVED:**

1. to agree the following delegations given the Government's announcement regarding RPI:
    i. that the Panel reconsider the LDI trigger framework at the next Investment Panel meeting;
    ii. if market conditions dictate, that Officers take appropriate action to protect the Fund's position in the meantime.

2. to agree the Panel's recommendation, subject to full consideration at the November Strategy Review workshop, to put in place another static EPS for 12-18 months when the current strategy rolls off.

3. to delegate implementation of a new static hedge to Officers and the Investment Panel.

4. to delegate the decision whether to use dynamic hedging in the equity protection strategy to the Investment Panel

5. to note Mercer's report reviewing the strategies and collateral position.

31 REVIEW OF INVESTMENT PERFORMANCE

The Assistant Investments Manager presented the report.

Mr Turner presented the Mercer Investment Report.

After discussion the Committee **RESOLVED:**

1. to note the information set out in the report;

2. to note LAPFF Quarterly Engagement Report at Appendix 3.

32 PENSION FUND ADMINISTRATION - PERFORMANCE INDICATORS AND RISK

REGISTER

The Pensions Manager presented the report.

RESOLVED to note:

1. membership data, Fund and Employer performance for the 3 months to 30th June 2019;

2. progress and reviews of the TPR Data Improvement Plan.

33 WORKPLANS

The Governance and Risk Advisor presented the report.

RESOLVED to note the work plans and training programme for the relevant period.

34 DATES OF FUTURE MEETINGS

It was noted that the next meeting of the Committee was scheduled for 6 December 2019.

The meeting ended at 3.45 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.

Document is Restricted

This page is intentionally left blank

Bath & North East Somerset Council		
MEETING:	**AVON PENSION FUND COMMITTEE**	
MEETING DATE:	**06 December 2019**	**AGENDA ITEM NUMBER**
TITLE:	**Presentation on Private Debt**	
WARD:	ALL	
OPEN		
List of attachments to this report: Nil		

1 THE ISSUE

1.1 At the Strategic review workshop on 7 November a number of private market allocation options were discussed. Any allocation to private markets will be managed by Brunel.

1.2 Brunel has been invited to present their proposal for their Private Debt portfolio at the December meeting, to support the Committee in their strategic allocation decisions.

1.3 New allocations will have to be agreed by end of 1Q20 to be included in the next investment cycle of the Brunel private market portfolios. Allocations to private markets will be agreed at the Special Committee meeting to consider changes to the strategic asset allocation in 1Q20.

2 RECOMMENDATION

2.1 **That the Committee notes presentation on Private Debt from Brunel.**

3 FINANCIAL IMPLICATIONS

3.1 Any changes to the strategic asset allocation will affect the fees paid by the Fund. The estimated impact will be included in the paper recommending strategic changes.

4 RISK MANAGEMENT

4.1 The Avon Pension Fund Committee is the formal decision-making body for the Fund. As such it has responsibility to ensure adequate risk management processes are in place. It discharges this responsibility by ensuring the Fund has an appropriate investment strategy and investment management structure in place that is regularly monitored. The creation of an Investment Panel further strengthens the governance of investment matters and contributes to reduced risk in these areas.

5 CLIMATE CHANGE

5.1 The Fund is implementing a digital strategy across all its operations and communications with stakeholders to reduce its internal carbon footprint. The Fund acknowledges the financial risk to its assets from climate change and is in the process of addressing this through its strategic asset allocation to Low Carbon Equities and renewable energy opportunities. The strategy is monitored and reviewed by the Committee.

6 OTHER OPTIONS CONSIDERED

6.1 None.

7 CONSULTATION

7.1 The Council's Monitoring Officer and Section 151 Officer has had the opportunity to input to this report and have cleared it for publication.

Contact person	Liz Woodyard, Investments Manager 01225 395306
Background papers	Client Group and BOB papers
Please contact the report author if you need to access this report in an alternative format	

Bath & North East Somerset Council

Access to Information Arrangements

Exclusion of access by the public to Council meetings

Information Compliance Ref: LGA 1730/19

Meeting / Decision: Avon Pension Fund Committee
Date: 06 December 2019

Author: Liz Woodyard
Exempt Report Title: Presentation on Private Debt

The Report contains exempt information, according to the categories set out in the Local Government Act 1972 (amended Schedule 12A). The relevant exemption is set out below.

Stating the exemption: 3. *Information relating to the financial or business affairs of any particular person (including the authority holding that information).*

The public interest test has been applied, and it is concluded that the public interest in maintaining the exemption outweighs the public interest in disclosure at this time. It is therefore recommended that the exempt report be withheld from publication on the Council website. The paragraphs below set out the relevant public interest issues in this case.

PUBLIC INTEREST TEST

If the Committee wishes to consider a matter with press and public excluded, it must be satisfied on two matters.

Firstly, it must be satisfied that the information likely to be disclosed falls within one of the accepted categories of exempt information under the Local Government Act 1972. Paragraph 3 of the revised Schedule 12A of the 1972 Act exempts information which relates to the financial or business affairs of the organisations which is commercially sensitive to the organisations. The officer responsible for this item believes that this information falls within the exemption under paragraph 3 and this has been confirmed by the Council's Information Compliance Manager.

Secondly, it is necessary to weigh up the arguments for and against disclosure on public interest grounds. The main factor in favour of disclosure is that all possible Council information should be public and that increased openness about Council business allows the public and others affected by any decision the opportunity to participate in debates on important issues in their local area. Another factor in favour of disclosure is that the public and those affected by decisions should be entitled to see the basis on which decisions are reached.

The exempt report contains information on potential investments by the fund and includes information on costs and structures that may impact the ability to procure efficiently in the near future. This information is commercially sensitive and would prejudice the commercial interests of the organisation if released. It would not be in the public interest if advisors and officers could not express in confidence opinions or proposals which are held in good faith and on the basis of the best information available.

It is also important that the Committee should be able to retain some degree of private thinking space while decisions are being made, in order to discuss openly and frankly the issues under discussion in order to make a decision which is in the best interests of the Fund's stakeholders.

The Council considers that the public interest is in favour of not holding this matter in open session at this time and that any reporting on the meeting is prevented in accordance with Section 100A(5A)

Bath & North East Somerset Council		
MEETING	**Avon Pension Fund Committee**	
MEETING	**6 December 2019**	Agenda Item Number 09
TITLE:	**Update on Legislation**	
WARD:	All	
AN OPEN PUBLIC ITEM		
List of attachments to this report: Appendix 1 – Current matters affecting LGPS administration November 2019		

1 THE ISSUES

1.1 The purpose of this report is to update the Committee on the latest position concerning the Local Government Pension Scheme [LGPS] and any proposed regulatory matters that could affect scheme administration. An updated list is included in Appendix 1.

2 RECOMMENDATION

The Committee is asked to;

2.1 Note the current position regarding the developments that could affect the administration of the fund

3 THE REPORT

The below items have been selected from Appendix 1 as we believe them to be key items of interest for committee members:-

3.1 McCloud and Sargeant Court Case

(1) This case concerns the transitional protections provided to older members of the judges and firefighter pension schemes following their reform in 2015 as part of the public sector pension scheme changes.

(2) In December 2018, the Court of Appeal found the transitional protections to be unlawful on the grounds of age discrimination

(3) In June 2019, the Supreme Court denied the Government's request for an appeal and as such the case has been returned to an Employment Tribunal for remedy.

(4) In July 2019, the Chief Secretary to the Treasury announced in a written statement that ‘the government believed that the difference in treatment will need to be remedied across all public sector schemes, including the LGPS’.

3.2 LGPS SAB Cost Management Process

(1) The Public Service Pensions Act 2013 set out that public sector schemes were to be monitored to ensure that they are affordable and sustainable. Unlike the unfunded schemes LGPS also has a built in check driven by the Scheme Advisory Board

(2) In September 2018 HM Treasury announced that as a result of scheme valuations all public service pension schemes, including the LGPS had breached the 2% cost cap floor which would lead to member benefits improvements. However, the SAB has its own cost management which allowed any changes to benefits to be taken into account before the HM Treasury process begins.

(3) A proposed package of changes was put forward to SAB for approval with the intention that all scheme changes would be effective from 1 April 2019 and will apply until at least March 2023.

(4) However, in January, the Government announced a pause in the cost cap process due to uncertainty caused by the McCloud and Sargeant court ruling on elements of the 2014/15 scheme reforms and subsequently the SAB confirmed that they would also be pausing their own cost management process until the effects of the outcome of this case is clear.

(5) Therefore, scheme changes were not put in place for 1 April 2019 and the LGPS SAB Cost Management Process continues to be paused until the effects of the outcome of the McCloud and Sargeant Judgement is clear.

(6) In October 2019, GAD issued a formal request for valuation data as at 31 March 2019 as part of the cost management process.

3.3 Equitable Life

(1) Equitable Life announced that they had entered into an agreement to transfer the Society and all its policies to Utmost Life and Pensions (formerly known as Reliance Life), with the transfer taking place during the latter part of 2019.

(2) As part of the transfer deal, the Equitable Life With-Profits Fund will close and will be disinvested, initially into a deposit fund, but then into unit linked funds.

(3) Equitable Life has recently written to all administering authorities affected by the Proposal asking them to vote to approve the ‘Scheme’ and ‘Change the Articles’ to make Utmost Life and Pensions the sole Member of Equitable. The deadline is 30 October 2019.

(4) Following a report carried out by Mercer, analysing the merit of the Equitable closure proposal for our members, which concluded that in their opinion it would be appropriate to vote in favour of the proposals, APF voted in favour of both the approval of the scheme and in favour of the change to the articles to make Utmost Life and Pensions the sole Member of Equitable Life.

(5) Equitable Life have reported on their website that the proposals on the Scheme and the Change to the Articles were both passed by an overwhelming majority.

(6) The Equitable will now ask the High Court to approve the Scheme and the Transfer at the Second Court Hearing starting on 22 November 2019.

(7) If the High Court gives that approval, then they expect the Proposal to be implemented with effect from 1 January 2020. The Uplift will be applied to any with-profits policies as soon as practicable after 1 January.

4 FINANCIAL IMPLICATIONS

4.1 The administrative and management costs incurred by Avon Pension Fund are recovered from the employing bodies through the employer's contribution rates.

4.2 Any other specific financial implications will be reported as appropriate.

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.

6 CLIMATE CHANGE

6.1 The Fund is implementing a digital strategy across all its operations and communications with stakeholders to reduce its internal carbon footprint. The Fund acknowledges the financial risk to its assets from climate change and is in the process of addressing this through its strategic asset allocation to Low Carbon Equities and renewable energy opportunities. The strategy is monitored and reviewed by the Committee.

7 OTHER OPTIONS CONSIDERED

7.1 None

8 CONSULTATION

8.1 This report is primarily for information and therefore consultation is not necessary.

Contact person	*Kate Shore, Technical & Compliance Advisor; Tel 01225 395283*
Background papers	*LGA Bulletins* *SAB Meeting Minutes*
Please contact the report author if you need to access this report in an alternative format	

This page is intentionally left blank

List of current developments affecting or expected to affect Scheme Administration - Nov 2019

SCHEME ADVISORY BOARD [SAB]	
****New Item** CMI Data Request**	GAD have been approached by the actuarial profession's Continuous Mortality Investigation (CMI) to request LGPS (E&W) mortality data. A letter from CMI to GAD setting out their proposal (and information for pension schemes) is on the Board website, see link here. The Board was advised that the committee had endorsed the request from Continuous Mortality Investigation (CMI) for GAD to release local mortality data in exchange for a benchmarking facility to administering authorities.
Local Pension Boards	**Latest Update:-** **SAB Meeting 5 November 2019:-** The Local Pension Board survey is currently being prepared by an external provider and online publication is expected before Christmas. The survey will run for two months. **Previous Updates:-** **SAB Meeting 8 July 2019:-** The Board agreed that members should be given until the end of July to comment on the draft survey prepared by the Investment, Governance and Engagement committee. The Secretariat will then prepare the survey for publication in August with a deadline of completion by the end of November. This will allow provisional findings to be reported to the Board when it next meets on the 4th November. The Secretariat was also tasked to open discussions with stakeholders on the best way of distributing the survey to ensure a good response. **SAB Meeting 8 Apr 2019:-** Board members were advised that a working draft of the new local pension board survey was near to completion. It was agreed that delegated authority should be given to the Chair of the Investment committee to agree the final draft and publication arrangements to ensure that the survey was undertaken outside of the main Summer holiday break. **SAB Meeting 16 Jan 2019:-** Following concerns raised at the Investment committee about the effectiveness of some local pension boards, the Board agreed that the Secretariat should prepare a draft survey to build on the one undertaken in 2017. The draft will be considered by the Board when it next meets in April and, subject to their agreement, will be undertaken in the early Summer.

LGPS SAB Cost Management Process / McCloud Judgment	**Latest Updates:-** **SAB Meeting 5 November 2019:-** The Board Secretary updated members on the McCloud legal case. He explained that the Employment Tribunal has started to meet on the Judges and Firefighters' schemes but that government had yet to comment on how remedies will be applied to the other public service pension schemes. Discussions with GAD on potential costs will continue. Any resolution this financial year is unlikely. The Board agreed the committee's recommendation that a small working group should be established to work with MHCLG, GAD and other scheme stakeholders to develop proposals and costing for the scheme's remedy arrangement **On 17 October 2019** GAD issued a formal request for valuation data as at 31 March 2019 as part of the cost management process. APF data was submitted to GAD before the deadline of 18 November 2019. **On 2 October 2019** the LGA contacted administering authorities with a request for data from MHCLG and HM Treasury. They have requested the information to help with policy planning in relation to McCloud and wider pension tax issues affecting the public sector. APF supplied the necessary data before the deadline of 8 November 2019. **Previous Updates:-** **On 15 July 2019** the Chief Secretary to the Treasury announced in a written statement that 'the government believes that the difference in treatment will need to be remedied across all those schemes. This includes schemes for the NHS, civil service, local government, teachers, police, armed forces, judiciary and fire and rescue workers. **At the SAB Meeting 8 July 2019** the Board was advised that a meeting between MHCLG, external auditors and GAD would take place shortly to discuss the implications of the Supreme Court's decision to refuse the government's application to appeal the McCloud judgement and, in particular, the impact this is having for signing off local authority accounts. Although there is now certainly that the McCloud judgement stands and that the case will now go back to the Employment Tribunal for remedy, there was clear support for the Board to issue a message to scheme stakeholders clarifying the uncertainties that remain. The Board agreed that the Secretariat should prepare a draft statement for consideration and approval of the Chair. **On 27 June 2019** the Supreme Court denied the Government's request for an appeal in the McCloud and Sargeant case. The case concerns the transitional protections provided to older members of the judges and firefighter pension schemes when the schemes were reformed in 2015, as part of the public sector pension scheme changes. On 20 December 2018 the Court of Appeal found that these protections were unlawful on the grounds of age discrimination and could not be justified. The Supreme Court ruling of 27 June 2019 means that the Court of Appeal's decision will be upheld and the case will be returned to an employment tribunal for a detailed decision. The cost management page of the English and

Welsh SAB website, link here, contains background information on the case, including a Q&A which has been updated to take into account the Supreme Court ruling.

On 14 May 2019 central guidance was issued from the SAB on how the McCloud/Cost Management should be taken account in the 2019 valuation, this can be found here. Also CIPFA provided a separate note on accounting for McCloud/Cost Management which can be found here.

On 8 April 2019, at the SAB meeting, the Board was advised that the Civil Service Pension Scheme's Advisory Board had recently written to their Minister setting out their agreed package to recover the cap breach of 5.4% and asking that the process, despite being paused, should be allowed to proceed as far as is possible. Board members were further advised that similar actions were being taken by the advisory boards of the other public service pension schemes and that it was open to them to agree to do likewise for the LGPS. The Board agreed that a letter in these terms should be drafted by the Secretariat for members to consider and approve. The letter will invite the Minister to open discussions with the Board about any alternative cost management package and seek his agreement that the Board must be part of any future discussions surrounding the remedy package should the McCloud judgement stand.
Around 70 responses were received to the previous question posed to Administering Authorities, with regards to the 2019 valuation (see previous update), with the significant majority expressing a preference to receive central guidance, following which board published an advice note covering the implications of McCloud/Cost Cap in relation to the 2019 fund valuations on 14 May 2019.

On 16 Jan 2019 at the SAB Meeting the Board was advised that since it had last met, there had been ongoing discussions with MHCLG and other interested parties regarding the package of scheme improvements formulated by the technical group commissioned by the Board and subsequently agreed by the Board itself to bring the scheme's costs of 19.0% back to the target cost of 19.5%. It was confirmed that a Q&A document to assist administering authorities in explaining the cost cap arrangement and its implications to scheme employers and others would be produced.
Board members expressed concern that in the absence of any agreement by government on the Board's agreed package that the deadline of 1st April 2019 for regulatory changes to be introduced was becoming increasingly challenging.

On 30 Jan 2019 the Government announced a pause in the cost cap process due to uncertainty caused by a court ruling on elements of the 2014/15 scheme reforms. The Written Ministerial Statement setting out the reason for the pause can be found here, together with a summary of and the full Court of Appeal ruling in the case of The Lord Chancellor and Secretary of State for Justice and another v McCloud and Mostyn and others [2018] and Sargeant v London Fire and Emergency Planning Authority and others [2018]. Also listed is a letter from MHCLG confirming that the WMS applies equally to the LGPS as to the unfunded public service schemes.

	On 7th February the SAB received confirmation that the cost cap pause and the uncertainty caused by the McCloud case announced in the Written Ministerial Statement applies equally to the LGPS as to the unfunded public service pension schemes. Given that confirmation the SAB considered it had no option but to pause its own cost management process pending the outcome of McCloud. As a result there are currently no changes to benefits planned in respect of the cost cap. This situation will be reviewed once McCloud is resolved which is not expected for some months. **On 14th February** the SAB published a Q&A on the McCloud case and it's potential impact on cost cap for administering authorities, the link can be found here. There was an action for administering authorities to respond to the below question regarding the 2019 valuations:- Question for LGPS administering authorities With regards to the 2019 valuations would you prefer:- A) To receive guidance from the SAB designed to promote a consistency of approach on how McCloud and/or cost management should be taken account of as part of the 2019 triennial valuation exercise. Such guidance would take the form that; If there is no finalised outcome on McCloud/Cost cap (including a commitment by government to detailed benefit changes) by 31st August 2019 then the scheme benefit design used in the valuation should be as set out in current regulations. Each administering authority would then, with their Actuary, consider how they approach (and reflect in their FSS) the risk around this matter in the same way as they would for other financial, employer and demographic risks. Once the outcome of McCloud is known and appropriate benefit changes are made administering authorities would, if they deem appropriate, re-visit employer contributions under such guidance or provision in regulation as may be available at that time. A consistent approach to delaying or method of estimating exit credits and payments Or B) To have no central guidance and instead leave it to each administering authority to determine their own approach to their valuation (including any potential cost from McCloud or cost cap) taking advice from their actuarial adviser. APFs response was submitted in favour of option A as we believe consistency across the scheme is preferable. However the guidance should not be too rigid or prescriptive, leaving funds with local discretion to have flexibility to apply within the framework of their valuation outcome. Therefore the guidance should be limited to principles and direction. **Previous Update:-** SAB members were provided with a summary of the statement made by the Chief Secretary to the Treasury on the 6th September regarding the scheme valuations for the public service pension schemes, including the LGPS. Unfunded schemes, A reduction in the discount rate that will significantly increase employer contributions.

	the 2% cost cap floor breached leading to member benefits improvements. Funded Scheme LGPS Cost cap floor breeched but discount rate does not directly impact employer rates. LGPS, employer rates are set by local fund valuations (next in 2019) but the cost cap mechanism does potentially impact as will lead to improved member benefits. SAB has its own cost management which will allow any agreed changes to benefits to be taken into account before the HM Treasury process begins. As advised by the SAB's actuarial adviser, the total cost of the scheme (employer and employee) under the SAB's process is 19% against a target total scheme cost of 19.5%. SAB agreed to delegate to the Chair and a representative from both the employers and employees' sides, assisted by a small technical group, responsibility for agreeing a package of benefit changes to return the scheme to its total target cost of 19.5% while also looking at employee contributions at the lower end. The resultant package will be put to the full SAB for agreement as soon as possible to ensure that scheme changes are on the statute book by April 2019. SAB was also advised that discussions are underway to move local fund valuations to a quadrennial timeframe to ensure consistency with future scheme valuations. This will not, however, have any bearing on the 2019 valuation which will proceed as normal.
Good Governance in the LGPS (Previously Identifying the potential benefits of further increasing the level of separation between the host authority and scheme manager role.)	**Latest Update:-** **At the SAB Meeting in November** the Board were advised that two working groups had been established to develop proposals for new standards of governance and administration and how these can be measured and assessed independently. As a result, a draft Phase II report was made available in time for it to be considered by the Board. The Board considered the draft Phase II report into the findings of both working groups and agreed that it should be published with comments invited from scheme stakeholders, see link to report which was published 15 Nov 2019 here. The Board also considered and approved the recommendation that the Secretariat should proceed with Phase III of the project including working up a set of key performance indicators and drafting instructions for revised statutory guidance on governance compliance statements. Proposals will be considered by the Board when it next meets on the 3rd February 2020. **Previous Updates:-** **On 8 August 2019** The Scheme Advisory Board invited the Hymans Robertson project team to assist the Secretariat in taking forward the next stage of the good governance project. Two working groups will be established, one to focus on defining good governance outcomes and the guidance needed to clearly set them out and the other to focus on options for the independent assessment of outcomes and mechanisms to improve the delivery of those outcomes. Both groups will comprise a wide range of scheme stakeholders to ensure a full range of views and options are considered.

	At the SAB Meeting in July the project team at Hymans Robertson presented the final draft report to the Board and the final report was subsequently published on 31 July 2019, see link here. The Board agreed that the Secretariat should, in conjunction with the project team and scheme stakeholders, work to develop a detailed plan to present to the Board in November to implement the report's findings and conclusions. Scheme stakeholders will be given the opportunity to comment on the Board's recommended implementation plan before any formal approach is made to MHCLG Ministers for changes to the scheme's regulations or guidance. **Update from SAB Meeting 8 Apr 2019:-** The project team at Hymans Robertson updated the Board on progress to date and next steps. Members were advised that Hymans had approached 15 individuals across the scheme to identify relevant issues concerning administration and governance of the scheme as a means to ensure that future stages of the project, including an online questionnaire, are focussed on relevant and topical issues. The UNISON representative expressed concern that none of the options listed in the paper allowed for wholly new bodies, within the local government legal framework, to be recommended. The Board agreed that Option 4 in the paper should be re-drafted to accommodate for this outcome. Otherwise the Board agreed that Hymans can proceed. **On 17 April 2019** Hymans Robertson launched the Good Governance Project Survey to capture as many views as possible from those working within the LGPS with a closing date for submissions of 31 May. The findings will form the basis for a report that will be submitted to the SAB in July. APF officers have completed the survey. **Previous Update from SAB Meeting 16 Jan 2019:-** The Board was advised that on the 29th November that the project had been awarded to Hymans Robertson. However, concerns were subsequently raised about how Hymans Robertson would manage the potential conflict of interest given their position as clients to a number of LGPS administering authorities and the potential for recommendations to lead to paid work advising on TUPE transfers. At the Board's request, Hymans Robertson prepared a statement explaining how they would manage any conflict of interest given their position as clients to a number of LGPS administering authorities and the potential for recommendations to lead to paid work advising on TUPE transfers, which was subsequently accepted by the Chair and Vice Chair on the Board's behalf. The Board also agreed that the project should be re-named from the previous 'Separation Project' as this name had given rise to unfounded fears that options around removing the scheme from Local Authority control were being considered. It was agreed that "Good Governance in the LGPS" better reflected the aims and ambitions of the project to enhance the delivery of the function within local authority structures. This work will begin immediately and Hymans Robertson will be in touch with administering authorities with details of the project, including information on how to complete a questionnaire and further engagement plans.

	Previous Update:- The separation project was put on hold while pooling was in its initial stages however a request has been made to reinstate the project. The objective would be identify both the issues deriving from the current scheme administrative arrangements and the potential benefits of further increasing the level of separation between host authority and the scheme manager role. **<u>Discussed and agreed at SAB meeting 10 Oct 2018</u>** • 3 bids received to undertake the project • SAB members invited to comment on the bids • SAB Chair and Vice-Chair given delegated authority to make final decision
Review of Academies	**Previous Updates** **SAB Meeting 16 Jan 2019:-** The Board was advised that the work of the academies administration working group had been put on hold due to competing priorities, in particular, work on the Board's cost cap arrangement. Work on this project will now be resumed as a matter of urgency. **Previous Update:-** Ministers agreed that DFE, MHCLG, GAD and the Board should continue to work closely together to pursue solutions, engaging key stakeholders including pension funds, actuarial firms and academy trusts as appropriate. Two working groups have been set up Administration and Funding **Administration** This group has focussed on 4 key areas :- More consistency in pensions administration More effective communication Improved training at local, regional and national level, and Clarifying the duties and responsibilities of stakeholders **Funding** The funding working group is exploring proposals to standardise conversion methodologies, move to single future service rates within each LGPS fund and to better enable MATS to consolidate their schools in one LGPS fund.

	An option to achieve these objectives from the group was to be discussed at the meeting of the DFE academy working group on 20th June. GAD issued its report: Academies LGPS pension arrangements on 14 Sept 2018 which can be found here. On average academies currently pay 2% of payroll less in contributions than local authorities (LAs) - 21% versus 23%, respectively - despite being 11% worse funded on average (73% versus 84%, respectively). No recommendations but suggest that DfE and MHCLG consider what changes to academy pension arrangements within the LGPS might be appropriate in order to meet policy objectives. It should be noted that, if changes to the current arrangements are not made, we would expect material volatility in academy contribution rates (against local authority rates and other academies) to persist. **Discussed/agreed at SAB meeting 10 Oct 2018** • The Board agreed that the administration working groups work on agreeing a standard monthly data extract should continue to completion • Further work will also be undertaken on training and improving communication within the academy sector • The future programme of the funding working group is to be the subject of discussion with DfE and MHCLG A link to full information on the review of academies is available on the SAB website here.
Tier 3 Employers	**Previous Updates** **SAB Meeting 16 Jan 2019:-** The Board was advised that the work of the third tier employers' project working group had been put on hold due to competing priorities, in particular, work on the Board's cost cap arrangement. Work on this project will now be resumed as a matter of urgency. **Previous Update:-** Covers those Fund employers with no tax raising powers or guarantee. SAB is keen to identify the risk to LGPS Funds of default by such employers. There are currently two concurrent phases of work involved – Collating data and identification of issues. SAB tier 3 employer project carried out by Aon Hewitt– extension of surveys deadline to 31 January 2018 APF have

	completed survey SAB will then assess the risks to Funds and consider next steps. **Discussed / agreed at SAB meeting 10 Oct 2018** • Aon's report was published on the 24th September • A working group from the Board will evaluation the various options included in the report and report back to the Board A link to full information on Tier 3 Employers is available on the SAB website here.
Code of Transparency - Compliance System	**Latest Update:-** **At the SAB Meeting in November,** the Board was advised that Byhiras had been successful in the exercise to procure an entity to ensure compliance with the Code by asset managers. The system being developed would enable asset owners to compare their own data against the average at asset class and cost type level. A programme of meetings with stakeholders in conjunction with initial testing has begun, with further engagement planned over the coming months. **Previous Updates:-** **On 1 Sept 2019** the board announced that it has appointed Byhiras to develop and host a system designed to enable managers to evidence compliance with its Code of Transparency and provide a range of reporting and comparison tools for LGPS funds and pool companies. Once live in Q1 2020 the system will; 1. Enable managers to evidence compliance with the Code via a single online portal 2. Enable the uploading of template data in LGPS, CTI, CTI machine readable and ILPA formats 3. Provide LGPS clients with a range of reporting and comparison tools 4. Link to new CIPFA reporting formats 5. Provide facilities for LGPS pool companies as both receiver and provider of templates The Board has produced a briefing note covering the code and the compliance system which can be downloaded here. The note provides the background to the code, the procurement of a compliance system, and answers FAQ from the points of view of both the Investment Managers and LGPS clients. **On 21 May 2019** Liam Robson emailed administering authorities to confirm that a framework of templates and guidance had been published by the Cost Transparency Initiative (CTI). This is as an important step in achieving clarity in cost and

	value for asset owners and pension scheme members. The templates and guidance have been adopted as an integral part of the SABs Code of Transparency. SAB are eager to work with existing and new signatories in ensuring the new framework is a success and welcome feedback from managers as they implement or transition to the new templates. **SAB Meeting 8 Apr 2019:-** The Board was advised that a technical breach meant that the procurement project had to be cancelled and started afresh. **SAB Meeting 16 Jan 2019:-** The Board was advised that the deadline for bids for the Compliance contract was the 22nd January and that to date, four bids had been received. Once the procurement process has been completed, recommendations will be made by the bidding panel for the Board's consideration. The Board also agreed that the Northern Ireland LGPS should be added to the Code of Transparency. **Previous Update:-** The Board has committed to securing a third party checking service **Discussed at SAB meeting 10 Oct 2018** • 91 Signatories have signed up to the code covering £180bn of scheme assets • OJEU contract notice has been published for the procurement of a code compliance utility A link to full information on Code of Transparency is available on the SAB website here.
Cross Pooling	**Latest Update:-** **At the SAB Meeting in November**, the Chair reported that a meeting had been held with the Chairs of the pool companies and that a further meeting with the Chairs of the various joint committees were planned. Board members discussed engagement with LGPS pools and agreed that this was an important area of work considering the differing roles, relationships and transition oversight. The Board also agreed that the Chair should write to the three asset pools asking for their reasons why membership of their governance arrangement has not been extended to include scheme member representatives. **Previous Updates:-** **In May 2019**, at the PLSA Local Authority Conference, Rishi Sunak the Minister for local government pensions announced that a formal consultation on pooling guidance would be published in the forthcoming months. **From SAB Meeting 8 Apr 2019:-** The MHCLG representative confirmed to the Board that 93 responses had been received in response to the consultation and that many of these were very detailed and would need very careful

	consideration. APFs response was submitted on 25 March, a copy of the final response is attached to Item 9 as Appendix 2. **From SAB Meeting 16 Jan 2019:-** In January 2019 MHCLG prepared new statutory guidance on LGPS asset pooling. This will set out the requirements on administering authorities, replacing previous guidance, and builds on previous Ministerial communications and guidance on investment strategies. MHCLG are now inviting views on the draft guidance, see link to consultation here. The MHCLG representative confirmed to the Board that the consultation was not a public consultation and has been sent to interested parties (administering authorities, local boards, the SAB and pool companies) for informal comment. Closing date for comments is the 28th March. The Board agreed that member's comments should be sent to the Secretariat who would then draft a composite response to be considered and agreed by the Chair. This would not prevent individual organisations represented on the Board from responding directly to MHCLG provided that it was made clear that it does not represent the views of the Board. Administering authorities are welcome to share the draft guidance with advisors and incorporate their views within the authority's response. **Previous Update:-** In February 2018 SAB approved an elected member led Cross Pool Forum comprising three representatives from each of the eight pools and three trade union representatives to share and disseminate information on the pooling of LGPS assets and steps are being be taken to establish this As a result of the responses to the consultation on 27th March 2018 the Chairs of LGPS pension committees and local pension boards attended an open session where representatives from the eight asset pools reported on their progress in establishing their organisational structures and governance arrangements. The slides from this session are available here.
Responsible Investment	**Latest Update:-** **At the SAB Meeting in November,** the Board was advised that the committee had considered and approved the draft of Part I of the responsible investment guidance that aims to set out the parameters within which investment decision makers in the LGPS can operate under scheme regulations, statutory guidance, the general public law and their fiduciary duty. The Board approved the committee's recommendation and agreed that the draft guidance should be published for consultation until the end of the year.

	The Board also approved the committee's recommendation that the Secretariat should commence work on Part II of the guidance the aim of which is to offer practical help to investment decision makers who want to increase the integration of ESG policies in their investment strategies. **Previous Updates:-** **SAB Meeting 8 Apr 2019:-** The Board agreed with the recommendation from the Investment, Governance and Engagement committee ("Investment Committee") that the guidance should be web based rather than published in hard copy. A web based project will allow greater flexibility when updating and will also cater for linking with other related work and projects. The Board also agreed the recommendation from the Investment committee that a paper to be submitted by UNISON based on the report they commissioned from ShareAction on ESG policies, in particular, on climate change risk, should be considered by the Board at a future date. **SAB Meeting 16 Jan 2019:-** The Board agreed with the recommendation from the Investment, Governance and Engagement committee ("Investment Committee") that the draft guidance should be extended to include a checklist enabling administering authorities to measure whether their ESG policy, including climate change risk, represents the minimum to comply with the law, good practice or best practice. Work would also be undertaken in conjunction with scheme stakeholders to assist administering authorities in developing a specific policy, if they wish, on climate change risk. **SAB Meeting 10 Oct 2018:-** • SAB agreed that the guidance on Responsible Investment should include reference to the government's latest position on Environmental, Social and Governance (ESG) and, in particular, climate risk. • SAB was advised that Share Action may be approaching LGPS funds to discuss their approach to ESG policies.
MINISTRY FOR HOUSING COMMUNITIES & LOCAL GOVERNMENT [MHCLG]	
****New Item **** **SF3 Data Published**	**On 16 October 2019** MHCLG published LGPS funds for England and Wales: 2018 to 2019 (SF3) statistics, see link here. Highlights include: • Total LGPS expenditure in 2018-19 was £12.7 billion. Removing the effect of mergers and large transfers in 2017-

	18 there was a like-for-like increase of £0.7 billion or 5.7% on 2017-18. • Total LGPS income in 2018-19 was £15.1 billion. Removing the effect of mergers and large transfers in 2017-18 and 2018-19, there was a like-for-like decrease of £2.3 billion or 13.2% on 2017-18. This is mainly due to an increase in employers' contributions in 2017-18. • Employers' contributions to LGPS in 2018-19 amounted to £7.1 billion, down 24.7% on 2017-18, and employees' contributions to the scheme were £2.2 billion. The decrease in employers' contributions is largely due to some large upfront pension contribution payments made in 2017-18 following the triennial valuation. • The market value of the LGPS funds at the end of March 2019 was £287.2 billion, an increase of £16.3 billion or 6.0%. • The LGPS encompassed 5.9 million people at the end of March 2019. Of this number, 2.0 million are employees who are still contributing to the scheme, 1.7 million are pensioners and 2.2 million are former employees who are entitled to a pension at some time in the future. • There were 83,508 retirements from the LGPS in 2018-19, an increase of 7,554 or 9.9% compared with 2017-18. MHCLG welcomes comments on any issues relating to this statistical release. Please send any comments to sf3.statistics@communities.gov.uk.
Simplification Project	**Previous Update Sept 2019:-** MHCLG have identified a need to make the Scheme regulations more adaptable, flexible and easy to administer, whilst maintaining a degree of consistency of approach across administering authorities. This project is called the 'Simplification project'. The Simplification project is supported by a working group made up of representatives from trade unions, actuarial services, MHCLG, SAB, LGA and where necessary scheme employers, payroll software providers, administering authorities and software providers. The terms of reference were agreed at the first meeting held on 8 May 2019. Also at that meeting the group considered a couple of administrative areas that may be improved / simplified. Should these considerations proceed further, a wider consultation will occur. These were: (a) application of assumed pensionable pay, and (b) employee and employer contributions during the 1st 30 days of an authorised absence)
MHCLG Consultation on LGPS Local Valuation Cycle and the Management of	**Previous Updates:-** **On 12 July 2019** APF submitted their response to this consultation, a copy of which is attached to Item 9 as Appendix 2. The LGA also submitted a response which can be found here. MHCLG received around 280 responses and expect to publish their response in the autumn of 2019.

Employer Risk	**An update from the Scheme Advisory Board following their meeting in July is as follows:-** On the proposal to move local fund valuations in the scheme to a four yearly valuation cycle in line with valuations undertaken by unfunded public service pension schemes and all scheme valuations. The next round of scheme valuations will be undertaken in 2020 and 2024 which means that there would be a potential 5 years between the current 2019 LGPS local valuations and the first of the four year period valuations. The Board agreed that five years without local valuations would not be the best way forward and that despite the administrative complexities of the alternative of an interim full set of valuations after 3 years, that is, in 2022 followed by another set in 2024, this was marginally the better of the two options. The Board also agreed that the response should record some concern about allowing administering authorities too much flexibility in exercising the proposed facility to hold an interim valuation. The Board took the view that the regulations and guidance must be clear that the circumstances in which the interim valuation power is to be used must be fully set out in an authority's Funding Strategy Statement. On exit payments, the Board was advised that the proposals included a new concept of "deferred employer" that would allow employers to continue to be recognised as such despite having no active members and having exited the scheme. The Board agreed the draft response on exit payments and noted that supplementary guidance would help to provide a robust framework to govern the exercise of the proposed power. On exit credits, the Board was advised that the draft response included representations to close an unintended loophole whereby administering authorities were liable to pay exit credits at the end of a contract even though steps had been taken by the employer to remove any risk from the contractor. The draft response agreed by the Board proposes that the amending regulations should include a provision requiring fund actuaries to take any side agreement into consideration when assessing exit credit payments. On the proposal in the consultation to change the status of HE/FE bodies from scheduled to designated bodies, although a view was expressed that the proposed response was too negative regarding the potential impact on the scheme; the substantive view taken was that that this part of the consultation should be deferred until the outcome of the Third Tier Employer's project is concluded and that such a delay was necessary to properly assess the impact of the proposed changes on scheme membership and cash flow positions. The Board agreed that the Board Secretary should re-draft the relevant section of the consultation response to reflect the different views expressed by Board members. **Previous Update:-** **On 8 May 2019** MHCLG launched a 12 week consultation on policy proposals to amend the rules of the Local Government Pension Scheme 2013 in England and Wales, see link here. It covers the following areas:

	1. Amendments to the local fund valuations from the current three year (triennial) to a four-year (quadrennial) cycle 2. A number of measures aimed at mitigating the risks of moving from triennial to quadrennial cycles 3. Proposals for flexibility on exit payments 4. Proposals for further policy changes to exit credits 5. Proposals for policy changes to employers required to offer LGPS membership APF are current in the process of drafting a response to this consultation.
MHCLG Consultation on Fair Deal	**Previous Updates:-** The Board was advised that discussions are continuing with MHCLG, in particular, on what the default position should be if negotiations between employer and contractor fail to reach agreement. The Board agreed that the "deemed employer" option should be the default position given that it would give employers, contractors and scheme members complete clarity about the position should no agreement be reached on whether the "deemed employer" or "admitted body" should apply. The Board agreed the draft response. **Previous Update:-** APF submitted their response to this consultation on 2 April 2019 a copy of which is attached to Item 9 as Appendix 3. At their meeting on 8 March the LGPS Technical group agreed on their response which can be found as an appendix to their March 2019 minutes here. The LGPC also submitted a response which can be found here. MHCLG have since reported the following on the response to Fair Deal consultation:- - Total responses received was 79, 35 from LG funds & 9 from scheme employers (+ 7 from outsourced contractors) Disappointing return from scheme employers of which there are now circa 15,000. MHCLG are in the process of analysing all responses & will work with SAB on provision of Guidance. It is hoped that guidance will be published by end of 2019 even if this is ahead of the required change in regulations. **Previous Update:-** On 10 January 2019 MHCLG launched a policy consultation and draft regulations on 'Fair Deal – strengthening pension protection' in the LGPS. The consultation contains proposals to strengthen the pension protections that apply when an employee of a LGPS employer is compulsorily transferred to the employment of a service provider. The proposed

	amendments to the LGPS Regulations 2013 would, in most cases, give transferred staff a continued right to membership of the LGPS. These changes are intended to bring the LGPS in line with the government's October 2013 Fair Deal guidance that applies in relation to transfers from central government. The consultation closes on 4 April 2019. The LGPC will be responding to the consultation in due course. In addition, the national LGPS Technical Group have created a sub-group to review the impact of the consultation and to make recommendations for response. The sub-group will be working closely with the LGA and MHCLG. Avon Pension Fund will be responding to the consultation and circulating details of the consultation to employers for them to respond also.
HM TREASURY [HMT]	
Indexation and equalisation of GMP in public service pension schemes	**Previous Update September 2019:-** The GMP Equalisation Working Group, launched by the Pensions Administration Standards Association (PASA), has published guidance outlining methods that schemes could use to equalise for the sex-based inequalities of GMPs. The guidance, which follows a "call to action" launched by the PASA in July, also suggests how schemes should deal with common issues that may arise when implementing an equalisation project. See link here. **Previous Update:-** The DWP have published guidance on how the GMP conversion legislation might be used to achieve equalisation, see link here. Whilst this guidance does not apply to public sector pension schemes, MHCLG and HM Treasury may decide on future changes that would affect the LGPS and this guidance provides information on the possible routes that could be taken. HMRC announced that it is forming a working group with industry representatives to consider pension tax issues relating to GMP equalisation. **Previous Update:-** On 4 December, HMT issued an updated direction (dated 3 December 2018) under Section 59A of the Social Security Pensions Act 1975 which replaced the direction issued on 6 April 2016 and is backdated to that same date. The direction continues existing indexation provisions and, as a result of HMT's 2017 consultation on GMP indexation and equalisation, extends the arrangements to some additional groups of pensioners and provides for the payment of increases to survivors whose SPa is after 5 April 2021.

	Previous Update:- APF responded to consultation in Feb 2017 On 22 January 2018, HMT published its response to the consultation. The government has been implementing an "interim solution" between 6 April 2016 and 5 December 2018. The consultation directs that this solution will be extended for a further two years and four months. This will cover those members of public service schemes with a GMP who reach state Pension Age on or after 6 December 2018 and before 6 April 2021. During this period, the government will investigate the possibility of an alternative long-term methodology, known as "conversion"". Government Actuary has issued an addendum to the guidance for Transfer and Divorce calculations HMRC to set up working group in 2019
Public Sector Exit Payments Cap	**Latest Update:-** HMT still intend to bring forward regulations on the 95k Cap but there has been no confirmation when this will be. April 2020 is a possibility if the government publishes its response to the earlier consultation in the New Year. **Previous Updates:-** **On 28 June 2019** APF submitted their response to this consultation, a copy of which is attached to Item 9 as Appendix 3, along with Annex 1 which contains analysis APF carried out on the profile of members that would have been affected by the cap based on cases processed over the last 3 years. A response was also submitted by the SAB, which can be found here, and by the LGA, which can be found here. HMT received approximately 600 responses, and it is likely they will publish their response in the autumn of 2019. We understand that HMT are to introduce the cap no sooner than 1 April 2020. **On 10 April 2019** HM Treasury launched a consultation called 'Restricting exit payments in the public sector: consultation on implementation of the regulations', see link here. This is a 12-week consultation closing on 3 July 2019 and APF are currently drafting a response. The LGPC have produced a briefing note which ties together the contents of the consultation documents. The briefing

note and the consultation documents can be found here. The key points in the latest consultation are as follows:-

- No change from the earlier proposal that the maximum exit payment will be £95,000.
- The cap will apply to a wide range of public sector employers, including employees of councils in England and Wales, fire authorities, police forces, academies and maintained schools.
- The £95,000 cap will include the value of any early retirement strain payments, and it is envisaged that the ability to take an unreduced early retirement pension will therefore be severely restricted in some cases.
- Certain employers in the LGPS e.g. Universities and Colleges appear not to be covered which will means members would be treated differently within the LGPS depending on their employer on exit.
- As previously indicated, there will be provisions for the cap to be waived in some circumstances. However, the tone of the consultation makes clear that any waiver is expected to be the exception rather than the norm.

There will be some details to be ironed out in relation to the LGPS in England and Wales. We expect the MHCLG will run a separate consultation, and which will cover amongst other things the agreement and implementation of a common costing methodology and factors for strain payments.

HMT welcomes responses to the consultation from employers, employees and their representatives, HR, payroll and pension experts, and anyone else who might be impacted by the proposals.

Introducing a cap on exit payments will have significant implications for employers as well as for administering authorities. APF have communicated details of the consultation to fund employers to ensure that they also have an opportunity to respond.

It is expected that MHCLG will run a separate consultation in relation to the LGPS in England and Wales, which will cover amongst other things the agreement and implementation of a common costing methodology.

Previous Update:-
The Bill was initially expected to have its second reading debate on Friday 25 Jan 2019, however, it now shows that the date for the second reading is to be announced.

A link to the latest updates on this bill can be found here.

Previous Update:-
Further clarification on the claw back for re-employment in first year and setting the exit cap at £95k are still awaited Work is going on behind the scenes and subject to Parliamentary time these could be issued by the end of the year

	The third more broader proposals in the third consultation no immediate development on these has been reported, see link to consultation here. A Private Member's Bill the Public Sector Exit Payments (Limitations) Bill 2017 was introduced in Sept 2017 and its further rescheduled second reading is set for 26 OCT 2018; to date no details have been made available. Link to the Enterprise Act can be found here.
THE PENSION REGULATOR (TPR)	
****New Item** 2019 Governance and Administration Survey**	**On 5 November 2019** APF published their response to the annual TPR Governance & Administration Survey, see link here.
****New Item** TPR Publishes Regulatory Intervention Report**	**On 25 October 2019** TPR published a regulatory intervention report outlining how it worked with the London Borough of Barnet Pension Fund's scheme manager to improve the fund's governance and administration standards, see link here.
****New Item** TPR Initiative to Improve Data Quality**	**On 2 October 2019** the Pensions Regulator announced a crackdown on poor record keeping, see link here. TPR is in the process of contacting 400 schemes that it believes have not reviewed their data in the past three years. TPR will ask those schemes to conduct a data review within six months. We understand that some LGPS administering authorities are included in that group and that TPR planned to contact those affected by 25 October. TPR will contact a further 1,200 schemes to remind them to carry out data reviews of common and scheme-specific data every year.
****New Item** TPR Governance and Administration Risks in PSPS Report**	**On 19 September 2019** TPR published its report into the governance and administration risks in public service pensions, see link here. The report follows on from their engagement with 10 UK local government funds, between October 2018 and July 2019, to understand scheme managers' approaches to a number of key risks. The report summarises the key findings against the Regulator's Code of Practice 14 both in terms of exceeding and falling short of required standards and will be discussed in detail at the next SAB meeting on 6th November 2019.
TPR Codes of	**Previous Update Sept 2019:-**

Practice	The Pensions Regulator (TPR) has announced changes to existing codes of practice. The content of the 15 current codes of practice will be combined to form a single shorter code. The changes will reflect the Occupational Pension Schemes (Governance) (Amendment) Regulations 2018. Codes most affected by these regulations will be addressed first, and this includes Code of Practice 14 (public sector schemes). Schemes will need to demonstrate that they have an effective governance system within 12 months of the date the updated codes are published.
ITEMS FROM OTHER SOURCES	
****New Item** The Queen's Speech**	The Queen's Speech, delivered on **14 October 2019,** confirmed that a new Pension Schemes Bill will be introduced, see link here. According to the Pensions Schemes Bill and background briefing notes, the Bill will: • strengthen TPR's powers • provide a framework to support pensions dashboards and • introduce regulations covering the right to a pension transfer.
****New Item** Recommendation for Reforms to the Taxation System**	**On 10 October 2019** the Office of Tax Simplification published a report that includes recommendations to help tackle complex tax issues that affect UK tax payers. Their recommendations relating to pension taxation are to: • Review the annual and lifetime allowances and how they deliver policy objectives, taking account of the 'distortions' they sometimes produce. • Review the operation of the Money Purchase annual allowance and consider whether it is set at the correct level. • Improve the information about tax provided to a person when they first start to receive the State Pension.
****New Item** Public Sector Bodies (Website and Mobile Applications) (No 2) Accessibility Regulations 2018**	**On 23 September 2018,** The Public Sector Bodies (Website and Mobile Applications) (No 2) Accessibility Regulations 2018 came into force. The regulations state that public sector websites and mobile apps must meet the international WCAG 2.1 AA accessibility standard. A new public sector website set up on or after 23 September 2018 must meet the accessibility standards by 23 September 2019. An accessibility statement must be published by the same date. Existing websites that were published before 23 September 2018 must comply with the regulations by 23 September 2020. However, if new features are introduced to an existing website or if substantial changes are made, these new areas

	will need to be fully accessible from 23 September 2019. Mobile apps must meet the accessibility requirements by 23 June 2021. Further information about the accessibility requirements is available on the gov.uk website.
****New Item** September 2019 rate of CPI**	**On 16 October 2019** the Office for National Statistics announced that the Consumer Prices Index (CPI) rate of inflation for September 2019 was 1.7%. Government policy in recent years has been to base both pensions increase and revaluation of LGPS pension accounts on the rate of CPI for September of the previous year. We await confirmation from the Government that the revaluation of pension accounts and the pensions increase to apply to deferred LGPS pensions and LGPS pensions in payment in April 2019 will be 1.7%.
****New Item** Consultation on Changes in RPI Methodology**	Chancellor of the Exchequer Sajid Javid has announced that the Government intends to consult on whether to align the RPI with the housing cost-based version of the CPI, known as CPIH. The consultation on the proposed changes will open in January 2020, and will ask whether the change should be made before 2030. A change in RPI would affect the revaluation (while the member is active, deferred or the pension is in payment) of extra pension bought under an ARC contract that started between 1 April 2008 and 31 March 2012.
****New Item** TPO Corporate Plan**	**On 2 Oct 2019** The Pensions Ombudsman published its Corporate Plan for 2019-2022, see link here. The plan sets out TPO's strategic aims for the next three years and key priorities for 2019-20.
Shareholder Rights Directive II	**Latest Update:-** **At the SAB Meeting in November,** the Board was advised that the Financial Reporting Council has published the new stewardship code that will come into effect in the New Year. Bob Holloway explained that the FRC will be taking a more proactive approach in checking activity under the new code. Existing signatories to the Code will need to re-apply under the new code. **Previous Update:-** On 11 September 2019 the DWP published an explanation of the requirements established by Shareholder Rights Directive II (SRD II) relating to workplace pension scheme stewardship and governance, which will be adopted into UK law from 1 October 2019. Please see a link to the factsheet here, which confirms the actions DB schemes must take and by when. APF already comply with the actions required by the 1 October 2019 deadline as this is already in the guidance for our Investment Strategy Statement (ISS). We also comply with most of the rest but will be updating the ISS after our investment review and at that point will incorporate this directive. We understand that SAB/MHCLG guidance will follow on this and will increase requirements for LGPS but more in terms of fuller disclosure.
CMA Order	**Latest Update:-**

	At the SAB Meeting in November, the Board was advised that new advice has been posted on the Board's website. In summary, the scheme would not be affected by remedy 1 of the Order (procurement of fiduciary managers) but will need to comply with remedy 7, setting strategic objectives for external consultants. This will need to be in place by the 10th December 2019 but the Board was advised that MHCLG will not be in a position to make necessary amendments to scheme provisions until after that date. Administering authorities are therefore being advised to anticipate the new requirement and have their strategic objectives in place before the deadline of the 10th December. **Previous Update:-** **On 10 June 2019** the Competition and Market's Authority (CMA) published The Investment and Fiduciary Management Market Investigation Order 2019. The Order defines fiduciary management services and potentially has implications for LGPS pools. The SAB has produced a briefing note to raise awareness of the content of the Order, link here. The note states that 'It is understood that MHCLG may come forward with some provisions for LGPS authorities but that these would only include the obligations under Part 7 (Investment Consultancy Services)'. **On 29 July 2019** DWP launched a consultation which seeks views on the draft Occupational Pension Schemes (Governance and Registration) (Amendment) Regulations 2019. The draft regulations enact the provisions of the CMA Order on the obligations of Schemes with regard to FM and IC services. Chapter 2 of the consultation document covers scope and explicitly rules out coverage of the LGPS. This short consultation closed on 2 September 2019. The CMA made recommendations in its final report for TPR to produce guidance to support trustees in complying with the new duties. TPR have issued a consultation containing the guidance to support these recommendations. The consultation closed on 11 September 2019.
Equitable Life	**Latest Update:-** Following a report carried out by Mercer analysing the merit of the Equitable closure proposal for our members which concluded that in their opinion it would be appropriate to vote in favour of Equitable's proposals, APF voted in favour of the approval of the scheme and in favour of the change to the articles to make Utmost Life and Pensions the sole Member of Equitable Life. Equitable Life have reported on their website that the proposals on the Scheme and the Change to the Articles were both passed by an overwhelming majority. The next steps are: • The Equitable will now ask the High Court to approve the Scheme and the Transfer at the Second Court Hearing starting on 22 November 2019. • If the High Court gives that approval, then they expect the Proposal to be implemented with effect from 1 January

	2020. The Uplift will be applied to any with-profits policies as soon as practicable after 1 January. **Previous Update Sept 2019:-** Equitable Life announced that they had entered into an agreement to transfer the Society and all its policies to Utmost Life and Pensions (formerly known as Reliance Life), with the transfer taking place during the latter part of 2019. As part of the transfer deal, the Equitable Life With-Profits Fund will close and will be disinvested, initially into a deposit fund, but then into unit linked funds. Details of the Proposal can be found on Equitable Life's website. Equitable Life has recently written to all administering authorities affected by the Proposal. Administering authorities as 'Scheme Policy Holders' and 'Eligible Members' are being asked to vote to: • approve the 'Scheme' • 'Change the Articles' to make Utmost Life and Pensions the sole Member of Equitable. The 'Scheme': • increases with-profits investments with an immediate one-off 'Uplift' • removes any investment guarantees, and • converts with-profits policies to unit-linked investments. Administering authorities are also able to object to the transfer of Equitable Life's business to Utmost Life and Pensions (which does not require a vote but does need the approval of the High Court). The deadline for the receipt of postal and online votes is 10am on 30 October 2019. In an email to administering authorities on 28 August 2019, Lorraine Bennett confirmed that the LGA is considering obtaining legal advice on the potential risk to administering authorities of future challenge associated with the above, but before doing wanted to gauge how many administering authorities are affected.
Discretionary Policies	**Latest Update:-** APF are currently in the process of reviewing their discretionary policies and will present a paper to Committee at it's March meeting for approval. APF are in the process of purchasing a tool from JLT to assist employers when developing their discretionary policies and will carry out an exercise, when the tool is available, to support employers in reviewing and updating their discretions to incorporate the amendments below.

➢ **Action**	**Previous Update:-** The Secretariat has published revised versions of the Discretionary policy list and guide (versions 1.7 and 1.9 respectively). Clean and tracked changes versions, can be found in the guides and sample document pages of www.lgpsregs.org. **Action for administering authorities and scheme employers** The documents have very minor changes though will require an amendment to both scheme employers' and administering authorities' mandatory discretionary policies: • whether to grant the application for early payment of deferred benefits (in respect of a member who left active membership before 1 April 1998) on compassionate grounds - application may now be granted by the administering authority where the former employer no longer exists. • where a member who opted out of the scheme continues to be employed by a Scheme employer, the member is only entitled to receive their benefits at NRD if their employer consents to them doing so (in respect of a member who opted out of the scheme after 31 March 1998 and before 1 April 2008).
Requirement to Pay Refund Under 2013 Regulations	**Previous Update Sept 2019:-** As reported previously, the National Technical Group made a recommendation to the SAB to remove the requirement to pay a refund of contributions within five years under the 2013 regulations. The SAB have agreed to proceed with this change and are in the process of making recommendations to MHCLG. **On 12 March 2019** the National Technical Group made a recommendation to SAB to change the regulations to reflect the position prior to 1 April 2014 (i.e. to remove the prescription that requires an administering authority to pay a refund on the expiry of a period of five years beginning with the date the person's active membership ceased if no request is made before then – regulation 18(5) of the LGPS Regulations 2013 [SI 2013/2356]). In making this recommendation the group acknowledged that interest would be added up to the date of payment, as opposed to on the expiry of 5 years. **From National Technical Group Meeting – Dec 2018** Under the 2014 scheme a refund must be paid on the expiry of 5 years from the date of leaving or, if earlier, at age 75. If payment cannot be made before within this timeframe then this is classified as a breach and as such would need to be reported to pensions committee, Local Pension Board and included on the breaches register. Additionally, the payment could not be treated as a Short Service Refund Lump Sum payment under section 166 and paragraph 5 of the Finance Act 2004 if the member:

	a) Had previously had a BCE in the Scheme, and/or, b) Holds deferred benefits in the Scheme, and/or, c) Has reached age 75 If any of the above circumstances have occurred, the payment would be an unauthorised payment, as such would need to be reported on the event report and the payment would be subject to both member tax charges and admin authority tax charges. Under all previous regulations there is no time limit by when the refund must be paid and the Technical Group are considering whether the current regulations can be amended to match. In the meantime, Technical Group have made a group policy recommendation on how to approach such cases and this is set out in the minutes available here.
DWP: Pension's Dashboard	**Previous Update:-** The Money and Pensions Advice Service (MAPS) will lead the delivery of the initial phase of the pensions dashboards and will bring together a delivery group made up of stakeholders from across the industry, consumer groups, regulators and government. The delivery group will be accountable to the MAPS board, and MAPS are in turn accountable to the Department for Work and Pensions (DWP). Chris Curry was appointed as Principal of the Pensions Dashboard Industry Delivery Group and Angela Pober as its implementation Director. Chris Curry published his first blog on 25 July which is available in the MAPS website. **Previous Updates:-** The LGPCs response to this consultation can be found here. On **4 April 2019** the government published its response to the consultation, which can be found here. Key details of the government's plans include: • Legislation to compel pension providers to make consumers' data available on the dashboard • Staged onboarding of schemes with the majority of schemes participating within 3 to 4 years • The inclusion of state pension data • A commitment to multiple dashboards, with a non-commercial dashboard being overseen by the Money and Pensions Service (MAPS).

	The DWP advises the pensions industry to get ready, in the next three to four years, to submit data. The hope is that the dashboards project will move into a test phase beginning in 2019. Meanwhile, the DWP will need to find a legislative vehicle by which to compel recalcitrant pension schemes to feed data into the dashboards system. Compulsion will require primary legislation. Pensions Minister Guy Opperman has indicated his Department's intention to include a Pensions Bill in the next Queen's Speech. The results of the feasibility study to explore the options for the delivery of online pensions dashboards were released in the form of a government consultation on 3 December 2018. The consultation was seeking views on how the government can best facilitate an industry-led delivery of pensions dashboards. The consultation closed on 28 January 2019. The consultation proposals included: • a non-commercial dashboard be hosted by the Single Financial Guidance Body (SFGB) together with multiple commercial dashboards hosted by different organisations, in order to improve consumer choice and enable them to use the dashboard that most suits their needs. • the establishment of a delivery group convened and stewarded by the SFGB, which would work towards the successful implementation of the technology that will allow pensions dashboards to operate. • a single 'Pension Finder Service' (PFS) will act as a search engine to find pension schemes linked to an individual. • state pension data will ultimately be part of the service. • with the consent of the individual, pension schemes will be required in legislation to provide an individual's data via pensions dashboards. • public service pension schemes be given longer lead-in times to prepare their data prior to on boarding. It is expected that the pensions industry will start to supply data to a dashboard, on a voluntary basis, from 2019. The majority of schemes will be on-boarded within 3 to 4 years from the first dashboards being available to the public. **Previous Update:- Pensions dashboard – results of feasibility study delayed** In bulletin 167, it was reported that DWP were conducting a feasibility study to explore the options for delivering the dashboard and that this was due to be published at the end of March 2018. The findings of this feasibility study have still to be published. Given it is now less than a year until the dashboard was originally due to launch (in April 2019), this would appear to make these timescales increasingly difficult to achieve. There have been some mixed opinions raised as to whether this is still achievable but the Department has recently confirm that it remains a key objective

Key:- Any text highlighted in Grey was previously reported with latest updates indicated where applicable.
Newly reported items are labelled **New Item**

Where action is required, this is indicated in first column where appropriate

This page is intentionally left blank

Bath & North East Somerset Council			
MEETING:	**AVON PENSION FUND COMMITTEE**		
MEETING DATE:	**06 December 2019**	**AGENDA ITEM NUMBER**	10
TITLE:	**Brunel Pension Partnership – Update on pooling**		
WARD:	ALL		
AN OPEN PUBLIC ITEM			

List of attachments to this report:

Exempt Appendix 1 – Project plan for transition of Avon's assets to Brunel portfolios

Exempt Appendix 2 – Risk Register for transition of Avon's assets to Brunel portfolios

Appendix 3 – APF Risk Dashboard March 2019

1 THE ISSUE

1.1 This report outlines the progress on pooling of assets covering governance, investments and operational/financial aspects of the pool.

1.2 The Investment Panel reviews specific investment aspects at its regular meetings.

1.3 The Fund has its own project plan for transitioning its assets to Brunel, consistent with the Brunel project plan. The Fund's plan identifies governance and risks for the Fund and Committee.

1.4 A verbal update will be provided at the meeting.

2 RECOMMENDATION

That the Committee notes:

2.1 **the progress made on pooling of assets.**

2.2 **the updated project plan for the transition of assets.**

3 FINANCIAL IMPLICATIONS

3.1 The management fees that Avon will pay to Brunel are included in the budget for 2019/20. They have been calculated in line with the current pricing policy. The fees and pricing policy have been approved by the Shareholders.

4 PROGRESS UPDATE

4.1 **Governance:**

a) Brunel Oversight Board (BOB) has met once since the September 2019 update report. The minutes of the November 2019 meeting are not yet available. The next BOB meeting is in March 2020.

b) The Client Group (CG) meets monthly with weekly update calls as required. Six sub-groups work with Brunel on specific aspects of the services to be delivered. Sub-group activity and output is discussed at each meeting/call.

c) The Assurance Framework is now in place covering the transition of assets, monitoring of portfolios post transition and monitoring Brunel at the corporate level. Quarterly performance and KPI reporting is reviewed by BOB consisting of RAG reporting on agreed metrics and commentary on action taken by Brunel if underperformance or areas of concern including RAG reporting for each portfolio, and performance of each of the internal teams (Compliance & Risk, Investments, Operations) against their KPIs. Each client receives a fund specific quarterly investment monitoring report; CG reviews each portfolio in more depth on a quarterly basis and will highlight any issues/ areas of concern to BOB.

d) A verbal update of the governance review will be provided at the meeting. Any changes to the governance arrangements will require unanimous approval of the shareholders.

e) Client engagement days were held in November for Pension Committee and Board members. The focus was the investment portfolios and Responsible Investing.

4.2 **Investments:**

a) The transition remains on track with the plan. Our Emerging Markets Equity assets have transitioned to Brunel's Emerging Markets Equity portfolio. Our Global Equity mandate managed by Schroders is transitioning to the Brunel portfolio. The selection of managers for the DGF, Global Small Cap and Sustainable Equity portfolios are in progress (all due to transition in 2020).

b) Brunel's quarterly investment performance and stewardship activity reports are now included in the Investment Panel meeting paper; Panel will highlight any issues or areas of concern via its normal reporting (covering all our managers) to Committee.

c) Brunel is developing its Climate Change Policy which is due to be published shortly.

d) Avon's project plan for the transition of its assets (see Exempt Appendix 1) is based on Brunel's timeline for transitioning the assets. There is a slight delay in the transition for the Multi Asset Credit portfolio, but it does not affect the overall transition timeline. The timing of transitioning of assets is continuously reviewed by Brunel and CG to ensure client priorities are considered. Actual timing will depend on a number of considerations including the complexity of each transition and market conditions. Please note that this plan only includes the portfolios relating to Avon mandates; additional portfolios will be established along the same timelines. Avon will only be responsible for the transition costs relating to the portfolios the Fund invests in.

e) Avon's project plan includes a Risk Register (see Exempt Appendix 2) of risks specific to the transition for Avon. There is no change in the risks.

4.3 **Operational/Financial:**

a) Brunel provides BOB with a business update at each meeting which includes high level monitoring of the budget and the transition plan. CG monitors the budget variances in detail on a quarterly basis, raising any issues with BOB. The projected outturn for current year is an underspend of £455k with £291k being carry forward to 2020/21, leaving projected underspend of £164k.

b) BOB considered Brunel's business plan and budget for 2020/21 at its November meeting. The budgets are broadly within the cost envelope agreed as part of the 2018/19 Business Plan. Some custody costs that were in Brunel's budget will be charged direct to the ACS or Clients. The 2020/21 budget includes the appointment of the new CEO and an increase in resources to support the Responsible Investment service provision for clients.

c) The FCA is changing the basis for calculating the regulatory capital requirements for asset managers. It is anticipated that this will mean extra capital will need to be raised from clients in mid-2020 to meet the new requirement.

d) The Business Case for pooling is updated following each transition, once fees and costs are known, and is reviewed by CG. A high level review of the Original Business Case (OBC) is done annually. This shows Brunel remains on target to deliver savings of £718m, against the OBC target of £550m, with the break-even year still being in 2023. By 2025, fee savings are projected to be £34.5m (9.1 bps), compared to 8.9bps in the OBC. To date only 3 portfolios have transitioned: UK equities, passive equities and Low Volatility equities. The actual savings and transition costs realised to date are ahead of the budget (i.e. fee savings are greater than estimated; transition costs are lower than expected). Following Avon's transition to each portfolio, the Committee is provided with an update on fee savings and transition costs.

4.4 The Avon Brunel Risk dashboard is in Appendix 3. There are no changes.

5 BRUNEL WORKING GROUP

5.1 The Brunel Working Group has not met since the September Committee.

5.2 SRM16 which was discussed at the September Committee meeting has been re-issued and approved by Avon in line with the recommendation from the Working Group at its meeting on 21/08/19.

6 RISK MANAGEMENT

6.1 The Avon Pension Fund Committee is the formal decision-making body for the Fund. As such it has responsibility to ensure adequate risk management processes are in place. It discharges this responsibility by ensuring the Fund has an appropriate investment strategy and investment management structure in place that is regularly monitored. The creation of an Investment Panel further strengthens the governance of investment matters and contributes to reduced risk in these areas.

7 CLIMATE CHANGE

7.1 The Fund is implementing a digital strategy across all its operations and communications with stakeholders to reduce its internal carbon footprint. The Fund acknowledges the financial risk to its assets from climate change and is in the process of addressing this through its strategic asset allocation to Low Carbon Equities and renewable energy opportunities. The strategy is monitored and reviewed by the Committee.

8 OTHER OPTIONS CONSIDERED

8.1 None.

9 CONSULTATION

9.1 The Council's Monitoring Officer and Section 151 Officer has had the opportunity to input to this report and have cleared it for publication.

Contact person	Liz Woodyard, Investments Manager 01225 395306
Background papers	Client Group and BOB papers
Please contact the report author if you need to access this report in an alternative format	

Bath & North East Somerset Council

Access to Information Arrangements

Exclusion of access by the public to Council meetings

Information Compliance Ref: LGA 1731/19

Meeting / Decision: Avon Pension Fund Committee
Date: 06 December 2019

Author: Liz Woodyard
Report Title: Brunel Pension Partnership – Update on pooling **Exempt Appendix 1–** Project plan for transition of Avon's assets to Brunel portfolios **Exempt Appendix 2 –** Risk Register for transition of Avon's assets to Brunel portfolios Appendix 3 – APF Risk Dashboard March 2019

The Appendices to the Report contain exempt information, according to the categories set out in the Local Government Act 1972 (amended Schedule 12A). The relevant exemption is set out below.

Stating the exemption: *3. Information relating to the financial or business affairs of any particular person (including the authority holding that information).*

The public interest test has been applied, and it is concluded that the public interest in maintaining the exemption outweighs the public interest in disclosure at this time. It is therefore recommended that the Exempt appendices be withheld from publication on the Council website. The paragraphs below set out the relevant public interest issues in this case.

<u>PUBLIC INTEREST TEST</u>

If the Committee wishes to consider a matter with press and public excluded, it must be satisfied on two matters.

Firstly, it must be satisfied that the information likely to be disclosed falls within one of the accepted categories of exempt information under the Local Government Act 1972. Paragraph 3 of the revised Schedule 12A of the 1972

Act exempts information which relates to the financial or business affairs of the organisations which is commercially sensitive to the organisations. The officer responsible for this item believes that this information falls within the exemption under paragraph 3 and this has been confirmed by the Council's Information Compliance Manager.

Secondly, it is necessary to weigh up the arguments for and against disclosure on public interest grounds. The main factor in favour of disclosure is that all possible Council information should be public and that increased openness about Council business allows the public and others affected by any decision the opportunity to participate in debates on important issues in their local area. Another factor in favour of disclosure is that the public and those affected by decisions should be entitled to see the basis on which decisions are reached.

The exempt appendices contain information on potential future trades by the fund, and include information on costs and structures that may impact the ability to procure efficiently in the near future. This information is commercially sensitive and would prejudice the commercial interests of the organisation if released. It would not be in the public interest if advisors and officers could not express in confidence opinions or proposals which are held in good faith and on the basis of the best information available.

It is also important that the Committee should be able to retain some degree of private thinking space while decisions are being made, in order to discuss openly and frankly the issues under discussion in order to make a decision which is in the best interests of the Fund's stakeholders.

The Council considers that the public interest has been served by the fact that a significant amount of information regarding the Report has been made available – by way of the main report. The Council considers that the public interest is in favour of not holding this matter in open session at this time and that any reporting on the meeting is prevented in accordance with Section 100A(5A)

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

Document is Restricted

This page is intentionally left blank

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

Document is Restricted

This page is intentionally left blank

Appendix 3

Brunel – Avon Pension Fund Risk Dashboard

Governance & Legal

Risk Area	Aspects	Status
Council sign off of Full Business Case	• 1Q2017	Complete
Key legal documents	• Articles of Association, Shareholders Agreement, Services Agreement, Pricing Policy, Remuneration Policy, Exit Policy, Funding Policy	Complete
Avon representation	• Committee representative on Oversight Board • Officer representatives on Client Group	Complete

People & Resources

Risk Area	Aspects	Status
Staffing implications	• Brunel Staff recruitment • Resourcing of APF team ○ Governance and Risk Manager ○ Senior Investment Officer	Amber Complete Amber – in progress

Processes and providers

Risk Area	Aspects	Status
Relationship management	• Identify all contract and specification changes (advisors, managers, custodian during transition)	Green - Ongoing
Custody contract	• Transitioned to new custodian Dec 2017	Complete
Client Group activity (CG)	• Portfolios • CG sub groups to focus on key areas: ○ Accounting ○ Financial ○ Operations ○ Investments ○ Responsible Investing ○ Strategic & Governance	Green Avon is represented on the financial, investments and RI subgroups
Internal process /policy change	• Cash Management, Rebalancing, Custody processes, Investment management and reporting	Green – in progress
Transition of assets	• Transition plan • Monitor transition plan, transitions, risks and costs/savings • Avon plan for transitioning legacy assets	Green – on track Green – Avon project plan; Brunel providing reports to capture costs and analyse transitions to Brunel portfolios Amber – due late 2020/21

Budget & expenditure

Risk Area	Aspects	Status
Clarity on budget agreed as part of Original Business Case	• Budget update reported to Oversight Board and Client Group • 2020/21 Budget & 3 year Business Plan agreed by Shareholders	Green – ongoing
APF budget for Brunel costs	• Investment and operational costs of Brunel included in APF 2019/20 budget • Governance costs of supporting Client side work included separately	Green – Brunel investment management fees in fee budget; CG support in governance costs
Delivery of OBC objectives - costs/savings	• Will be monitored as part of client reporting suite • Client Group to review costs against OBC	Green – reporting to BOB began 2018 including actual costs vs. budget, transition costs & fee savings, investment performance Green – ongoing after each transition

This page is intentionally left blank

Bath & North East Somerset Council		
MEETING:	**AVON PENSION FUND COMMITTEE**	
MEETING DATE:	**6 DECEMBER 2019**	**AGENDA ITEM NUMBER**
TITLE:	**INVESTMENT PANEL ACTIVITY**	
WARD:	**ALL**	
AN OPEN PUBLIC ITEM		
List of attachments to this report: **Appendix 1** – Minutes from Investment Panel meeting held 19 November 2019 – TO FOLLOW **EXEMPT Appendix 2** – Exempt Minutes from Investment Panel meeting held 19 November 2019 – TO FOLLOW		

1 THE ISSUE

1.1 The Investment Panel is responsible for addressing investment issues including the investment management arrangements and the performance of the investment managers. The Panel has delegated responsibilities from the Committee and may also make recommendations to Committee. This report informs Committee of decisions made by the Panel and any recommendations.

1.2 The Panel has held one formal meeting since the September 2019 Committee meeting, on 19 November 2019. The draft minutes of this meeting provide a record of the Panel's debate before reaching any decisions or recommendations.

2 RECOMMENDATION

2.1 Notes the minutes of the Investment Panel meeting on 19 November at Appendix 1 and Exempt Appendix 2.

3 FINANCIAL IMPLICATIONS

3.1 In general the financial impact of decisions made by the Panel will have been provided for in the budget or separately approved by the Committee when authorising the Panel to make the decision.

3.2 There are transactional costs involved in appointing and terminating managers. Where these arise from a strategic review allowance will be made in the budget. Unplanned changes in the investment manager structure may give rise to transition costs which will not be allowed for in the budget.

4 RECOMMENDATIONS AND DECISIONS

4.1 **Equity Protection Strategy:** Under delegated authority from Committee, Panel came to a decision on how to implement an interim equity protection strategy. The interim equity protection strategy is designed to protect the value of the Fund's equity assets on maturity of the existing structure whilst work continues regarding the suitability of alternative protection strategies. Panel further delegated the implementation process to Officers and Mercer. If market pricing should deviate significantly from what was agreed by Panel at the meeting, Officers will revert to Panel offline before proceeding. Details of the decisions made can be found at Exempt Appendix 2.

4.2 Liability Driven Investment Strategy: Following the breach of three inflation triggers over the quarter**,** Panel have requested that the Consultant and Officers review the extent to which inflation hedging is permitted to outstrip interest rate hedging on the premise that too much of a gap between the two could result in an increase in unwanted risk. As part of the routine Risk Monitoring Paper, Mercer will review and make a recommendation to Panel at its next meeting as to whether the current permitted hedge differential remains appropriate.

5 INVESTMENT PANEL DELEGATION

5.1 The activity was undertaken under the delegation set out in the Fund's Terms of Reference approved in May 2015:

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.*

6 RISK MANAGEMENT

6.1 The Avon Pension Fund Committee is the formal decision-making body for the Fund. As such it has responsibility to ensure adequate risk management processes are in place. An Investment Panel has been established to consider in greater detail investment performance and related matters, and to carry out responsibilities delegated by the Committee.

6.2 A key risk to the Fund is that the investments fail to generate the returns required to meet the Fund's future liabilities. This risk is managed via the Asset Liability Study which determines the appropriate risk adjusted return profile (or strategic benchmark) for the Fund.

7 CLIMATE CHANGE

7.1 The Fund is implementing a digital strategy across all its operations and communications with stakeholders to reduce its internal carbon footprint. The Fund acknowledges the financial risk to its assets from climate change and is in the process of addressing this through its strategic asset allocation to Low Carbon Equities and renewable energy opportunities. The strategy is monitored and reviewed by the Committee.

8 OTHER OPTIONS CONSIDERED

8.1 None.

9 CONSULTATION

9.1 The Council's Monitoring Officer and Section 151 Officer have had the opportunity to input to this report and have cleared it for publication.

Contact person	Nathan Rollinson, Assistant Investments Manager (Tel: 01225 395357)
Background papers	none
Please contact the report author if you need to access this report in an alternative format	

This page is intentionally left blank

Bath & North East Somerset Council	
MEETING:	**AVON PENSION FUND COMMITTEE**
MEETING DATE:	**6 DECEMBER 2019**
TITLE:	**INVESTMENT PERFORMANCE AND STRATEGY MONITORING (for periods ending 30 September 2019)**
WARD:	**ALL**
AN OPEN PUBLIC ITEM	

List of attachments to this report:

Appendix 1 – Fund Valuation

Appendix 2 – Mercer Quarterly Investment Review

Appendix 3 – LAPFF Quarterly Engagement Monitoring Report

1 THE ISSUE

1.1 This paper reports on the investment performance of the Fund and seeks to update the Committee on routine strategic aspects of the Fund's investments and funding level; and policy and operational aspects of the Fund.

1.2 This report contains performance statistics for periods ending 30 September 2019.

2 RECOMMENDATION

The Avon Pension Fund Committee is asked to:

2.1 **Note the information set out in the report**

2.2 **Note LAPFF Quarterly Engagement Report at Appendix 3**

3 FINANCIAL IMPLICATIONS

3.1 The returns achieved by the Fund from 1 April 2016 will affect the 2019 triennial valuation. Section 4 of this report discusses the trends in the Fund's liabilities and the funding level.

4 FUNDING LEVEL

4.1 Using information provided by the Actuary, Mercer has analysed the funding position as part of the report at Appendix 2 (section 2). This analysis shows the impact of both the assets and liabilities on the (estimated) funding level. **It should be noted that this is just a snapshot of the funding level at a particular point in time.**

4.2 Key points from the analysis are:

(1) The estimated funding level was unchanged over the quarter at c.98%

(2) The increase in the value of the assets, largely driven by developed market equities, was broadly matched by an increase in the present value of the liabilities.

5 INVESTMENT PERFORMANCE

A – Fund Performance

5.1 The Fund's assets increased by £46m (c.1.2%) over the quarter ending 30 September 2019 giving a value for the Fund of £4,992m. Appendix 1 provides a breakdown of the Fund valuation and allocation of monies by asset class and manager. Manager performance is monitored in detail by the Investment Panel. The Fund's investment return and performance relative to the benchmark is summarised below. The Fund's currency hedge detracted -0.5% over the quarter.

Table 1: Fund Investment Returns (Periods to 30 September 2019)

	3 Months	12 Months	3 Years (p.a)
Avon Pension Fund (incl. currency hedging)	1.2%	5.0%	6.6%
Avon Pension Fund (excl. currency hedging)	1.7%	6.3%	7.1%
Strategic benchmark (no currency hedging) *(Currency hedge impact)*	2.2% (-0.5%)	6.5% *(-1.3%)*	7.6% *(-0.5%)*

5.2 **Fund Investment Return:** Global equity markets ended the quarter in positive territory. Developed markets increased c.1.7% over the quarter while emerging markets declined. US and UK equities were up by 1.6% and 0.7% respectively. UK 10-year gilt yields fell 0.35% over the quarter and ended the quarter at 0.49%. The Fund's strongest performance came from the corporate bond and global equity managers. The Fund's infrastructure and multi-asset credit mandates posted positive returns as did the DGF's and property funds. Sterling weakened against the US Dollar and the Yen by 3.2% and 2.9% respectively and strengthened against the Euro by 1.1%. The net effect meant the currency hedge detracted c.0.5% from total Fund returns.

5.3 **Fund Performance, exclusive of currency hedging and LDI, was 2.2% over the quarter versus a Benchmark return of 2.0% The relative 0.2% over the quarter is attributed to;**

(1) **Asset Allocation:** Asset allocation contributed **0.1%** over the quarter, driven by an overweight in developed overseas equities versus the strategic benchmark. There was a negative swing in the value of the equity protection strategy (c. £12.6m) which detracted value.

(2) **Manager Performance:** Active manager impact over the quarter was **0.1%,** driven primarily by the Fund's core infrastructure manager.

5.4 **Currency Hedging:** The hedging programme is in place to manage the volatility arising from overseas currency exposure, in particular to protect the Fund as sterling strengthens and returns from foreign denominated assets reduce in sterling terms. The hedging programme detracted -0.5% over the quarter and detracted -1.3% over the year.

5.5 **Liability Risk Management Strategy Performance:** The liability risk management strategy seeks to 'lock in' to attractive levels of real interest rates to achieve increased long-term certainty of real returns. Any increase in the present value of the Fund's liabilities should be met with a subsequent increase in the value of the liability hedging component of the BlackRock Qualifying Investor Fund (QIF). Over the quarter, the liability hedging component posted a positive return as a result of changes in market conditions over the period. Interest rate expectations fell across the curve and inflation expectations rose at the shorter but fell materially at the medium and longer durations. The LDI trigger framework was reviewed in October 2019 in light of the RPI reform consultation announcement due to start in January 2020. Longer dated triggers were adjusted to reflect any likely change in inflation reform.

5.6 **Equity Protection Strategy (EPS) Performance:** The EPS is structured to protect the Fund from a sharp draw down in equity valuations over the 2019 triennial valuation as equities, although c. 40% of assets, contribute c. 70% of risk. The EPS will pay out a cash amount to compensate for any significant falls in the equity market and simultaneously allow the Fund to participate in upside gains to a predetermined level or 'cap'. Over the third quarter the underlying equity markets returned 3.1% in GBP terms as equity markets rose across all four hedged regions, particularly in the US. As a result, the corresponding market value of the equity options fell by 0.7% due to the market levels being further from the protection in place and consequently decreasing the value of the insurance contracts. Panel are currently reviewing options to renew the EPS once the existing protection expires.

5.7 **Corporate Bond Buy and Maintain Portfolio:** The buy-and-maintain corporate bond portfolio cash flow matches the 'low-risk' bucket of liabilities that are valued on a corporate bond basis, in order to reduce funding risk in respect of these liabilities and is inflation hedged. The yield on the portfolio is 2.3%, the duration is 12 years and has an average credit rating of A- with a subordinated debt allocation of 6.3%.

B – Investment Manager Performance

5.8 Under the Red Amber Green (RAG) framework for monitoring manager performance, the Panel consider updates on all managers not currently achieving Green status including progress on action points. Any change in the RAG status of any manager is reported to Committee with an explanation of the change. **There were no changes to manager ratings this quarter.**

5.9 Absolute returns over the quarter were largely positive, with global equities, corporate bonds, real assets, credit and DGFs posting positive absolute returns. On a relative basis, active manager returns were mixed. One emerging market mandate significantly outperformed its benchmark while the Fund's global active equity mandate lagged. Over the 12 months to 30 September the majority of managers posted positive absolute returns but struggled to outperform on a relative basis. This was also true of 3 year returns, where the majority of managers posted positive absolute returns but failed to keep pace with their respective benchmark with the exception of infrastructure which exceeded its cash benchmark by c.9%. Detailed analysis of investment manager performance can be found at Appendix 2.

6 INVESTMENT STRATEGY

6.1 **Asset Class Returns:** Developed market equity returns over the last 3 years were 12.6% p.a., ahead of the assumed strategic return of 8.1% p.a. on the same basis. The 3 year return from emerging market equities was 8.4%; below the assumed 3 year return of 8.7%. Over the three-year period index-linked gilts returned 5.3% p.a. versus an assumed return of 2.2%. Similarly, property and infrastructure are ahead of their assumed strategic returns on a 3 year basis. Hedge fund returns remain below long-term averages and the strategic return of 5.1% p.a.

6.2 **Private Markets Commitments to Brunel Portfolios:** The Fund has an allocation of 7.5% to Secured Income which is managed by Brunel. The drawdown of the committed capital started in Jan 2019. During 3Q19 a further commitment was made to a UK operating infrastructure equity fund which focuses on renewable energy assets. Investment into UK operating infrastructure is considered complimentary to traditional long-lease assets and serves to reduce the time taken to deploy capital (long investor queues remain in traditional long-lease funds) and also dampens sensitivity to the UK property market while not fundamentally altering the return profile of these predominantly inflationary-linked, income based investments. Separately, capital calls totalling £8.6m were issued by Brunel's underlying renewable infrastructure managers over the quarter. The Fund has now invested c.17% (£19.5m) of its total 2.5% (£115m) commitment to renewable infrastructure.

7 PORTFOLIO REBALANCING AND CASH MANAGEMENT

Portfolio Rebalancing

7.1 As at 30 September 2019 all asset allocations were within the control ranges for rebalancing based on the strategic benchmark. The Multi-Asset Credit (MAC) mandate remains overweight with redemptions matching the pace of Private Markets capital calls. MAC currently represents c. 8% against a strategic allocation of 6%.

Cash Management

7.2 Cash is held by the managers at their discretion within their investment guidelines, and internally to meet working requirements. The officers closely monitor the management of the Fund's cash held by the managers and custodian with a particular emphasis on the security of the cash.

7.3 Management of the cash held internally by the Fund to meet working requirements is delegated to the Council's Treasury Management Team. The monies are invested separately from the Council's monies.

8 STEWARDSHIP UPDATE

8.1 During the quarter, the Fund's external managers undertook the following voting activity on behalf of the Fund:

Companies Meetings Voted:	3641
Resolutions voted:	39483
Votes For:	36545
Votes Against:	2586
Abstained:	219
Withheld* vote:	133

** A withheld vote is essentially the same as a vote to abstain, it reflects a view to vote neither for or against a resolution. Although the use of 'abstain' or 'withheld' reflects the different terms used in different jurisdictions, a 'withheld' vote can often be interpreted as a more explicit vote against management. Both votes may be counted as votes against management, where a minimum threshold of support is required.*

8.2 The Fund is a member of LAPFF, a collaborative body that exists to serve the investment interests of local authority pension funds. In particular, LAPFF seeks to maximise the influence the funds have as shareholders through co-ordinating shareholder activism amongst the pension funds. LAPFF's activity in the quarter is summarised in their quarterly engagement report at Appendix 3.

8.3 **Responsible Investment (RI) Activity:** The Fund signed the Global Investor Statement to Governments on Climate Change. The statement is a call from investors to policy makers for the urgent implementation of the Paris Agreement, a quicker transition to a low carbon economy and greater climate-related financial reporting. It has been signed by 515 investors managing over $35 trillion in assets, including Brunel. Over the quarter, Brunel signed the investor statement on deforestation and forest fires in the Amazon, which has to date been endorsed by 244 investors representing approximately $17.2 trillion in assets. The statement urgently requests companies to redouble their efforts and demonstrate clear commitment to eliminating deforestation within their operations and supply chains. Hermes - Brunel's appointed voting and engagement provider – also supported the investor statement. Appendix 5 includes details of the work being undertaken by Brunel as an active member of the PRI Plastic Working Group and presents the key findings of the most recent Transition Pathway Initiative Report on the Energy sector.

8.4 **Voting and Engagement Activity:** Hermes engaged with 25 companies held by Avon in the Brunel segregated portfolios on a range of 68 ESG issues. Environmental topics featured in 36.8% of engagements, 40% of which related directly to climate change. Social topics featured in 14.7% of engagements, where human capital management and corporate conduct and culture featured prominently. Of the 33.8% of Governance related engagements the majority of discussions revolved around executive remuneration. Aggregate voting data across all of the Fund's investment managers will be reported to Committee at their next meeting. Post quarter end, Brunel supported a shareholder resolution calling on BHP Group to withdraw from industry groups with positions contrary to the Paris Agreement. Avon holds BHP Group in the Brunel UK active equity portfolio. The resolution won 27.1% support and despite not being carried has led to further engagement between company management and shareholders, which will inform BHP's 2019 Industry Association Review.

9 RISK MANAGEMENT

9.1 A key risk to the Fund is that the investments fail to generate the returns required to meet the Fund's future liabilities. This risk is managed via the Asset Liability Study which determines the appropriate risk adjusted return profile (or strategic benchmark) for the Fund and through the selection process followed before managers are appointed. An Investment Panel has been established to consider in greater detail investment performance and related matters and report back to the committee on a regular basis.

10 CLIMATE CHANGE

10.1 The Fund is implementing a digital strategy across all its operations and communications with stakeholders to reduce its internal carbon footprint. The Fund acknowledges the financial risk to its assets from climate change and is in the process of addressing this through its strategic asset allocation to Low Carbon Equities and renewable energy opportunities. The strategy is monitored and reviewed by the Committee

11 OTHER OPTIONS CONSIDERED

11.1 None.

12 CONSULTATION

12.1 The Council's Monitoring Officer and Section 151 Officer have had the opportunity to input to this report and have cleared it for publication.

Contact person	Nathan Rollinson, Assistant Investments Manager (Tel: 01225 395357)
Background papers	Data supplied by Mercer & SSBT Performance Services
Please contact the report author if you need to access this report in an alternative format	

APPENDIX 1

AVON PENSION FUND VALUATION - 30 SEPT 2019

	Brunel Portfolios	Cash Management Strategy	QIF	Active Equities				Funds of Hedge Funds	DGFs		MAC	Property		Infra-stucture	Currency Hedging	In House Cash	TOTAL	Avon Asset Mix %
All figures in £m	Multi	BlackRock	BlackRock	Jupiter (SRI)	Genesis	Unigestion	Schroder Global	JP Morgan	Pyrford	Ruffer	Loomis	Schroder (UK)	Partners (Overseas)	IFM	Record	General Cash		
Equities																		
UK	193.7			189.8													383.5	7.7%
Emerging Markets					125.7	112.0											237.7	4.8%
Global Developed Markets			487.1	12.1			418.2										917.3	18.4%
Global Low Carbon	580.8																580.8	11.6%
Equity Derivatives[1]			-54.0												5.3		-48.7	-1.0%
Total Overseas	***580.8***		***433.0***	***12.1***	***125.7***	***112.0***	***418.2***										***1681.8***	**33.8%**
Total Equities	**774.5**		**433.0**	**201.9**	**125.7**	**112.0**	**418.2**								**5.3**		***2070.5***	**41.5%**
Exchange-Traded Funds		**32.5**															***32.5***	**0.7%**
DGFs									**223.0**	**395.0**							***618.1***	**12.4%**
Hedge Funds								**250.9**									***250.9***	**5.0%**
MAC											**429.8**						***429.8***	**8.6%**
Property												**221.8**	**215.9**				***437.7***	**8.8%**
Infrastructure														**365.4**			***365.4***	**7.3%**
Renewable Infrastructure	**19.3**																***19.3***	**0.4%**
Secured Income	**17.1**																***17.1***	**0.3%**
LDI Assets & Bonds																		
LDI Assets			537.9														537.9	10.8%
Corporate Bonds			125.3														125.3	2.5%
Total Bonds			**663.1**														***663.1***	**13.3%**
Cash			0.9	13.5			8.1					7.6				85.1	***115.2***	**2.3%**
FX Hedging															-28.4		***-28.4***	**-0.6%**
TOTAL	**810.9**	**32.5**	**1097.0**	**215.4**	**125.7**	**112.0**	**426.3**	**250.9**	**223.0**	**395.0**	**429.8**	**229.4**	**215.9**	**365.4**	**-23.1**	**85.1**	**4992.3**	**100.0%**

[1] Negative equity values mean the equity protection strategy in the BlackRock QIF has detracted from overall performance

This page is intentionally left blank

AVON PENSION FUND

COMMITTEE INVESTMENT PERFORMANCE REPORT QUARTER TO 30 SEPTEMBER 2019

NOVEMBER 2019

IMPORTANT NOTICES

This contains confidential and proprietary information of Mercer and is intended for the exclusive use of the parties to whom it was provided by Mercer. Its content may not be modified, sold or otherwise provided, in whole or in part, to any other person or entity, without Mercer’s prior written permission.

The findings, ratings and/or opinions expressed herein are the intellectual property of Mercer and are subject to change without notice. They are not intended to convey any guarantees as to the future performance of the investment products, asset classes or capital markets discussed. Past performance does not guarantee future results. Mercer’s ratings do not constitute individualised investment advice.

Information contained herein has been obtained from a range of third party sources. While the information is believed to be reliable, Mercer has not sought to verify it independently. As such, Mercer makes no representations or warranties as to the accuracy of the information presented and takes no responsibility or liability (including for indirect, consequential or incidental damages), for any error, omission or inaccuracy in the data supplied by any third party.

This does not contain regulated investment advice in respect of actions you should take. No investment decision should be made based on this information without obtaining prior specific, professional advice relating to your own circumstances.

This does not constitute an offer or a solicitation of an offer to buy or sell securities, commodities and/or any other financial instruments or products or constitute a solicitation on behalf of any of the investment managers, their affiliates, products or strategies that Mercer may evaluate or recommend.

For the most recent approved ratings of an investment strategy, and a fuller explanation of their meanings, contact your Mercer representative.

For Mercer’s conflict of interest disclosures, contact your Mercer representative or see www.mercer.com/conflictsofinterest.

Mercer’s universes are intended to provide collective samples of strategies that best allow for robust peer group comparisons over a chosen timeframe. Mercer does not assert that the peer groups are wholly representative of and applicable to all strategies available to investors.

Please also note:

- The value of investments can go down as well as up and you may not get back the amount you have invested. In addition investments denominated in a foreign currency will fluctuate with the value of the currency.
- The valuation of investments in property based portfolios, including forestry, is generally a matter of a valuer’s opinion, rather than fact.
- When there is no (or limited) recognised or secondary market, for example, but not limited to property, hedge funds, private equity, infrastructure, forestry, swap and other derivative based funds or portfolios it may be difficult for you to obtain reliable information about the value of the investments or deal in the investments.
- Where the investment is via a fund of funds the investment manager typically has to rely on the underlying managers for valuations of the interests in their funds.
- Care should be taken when comparing private equity / infrastructure performance (which is generally a money-weighted performance) with quoted investment performance (which is generally a time-weighted performance). Direct comparisons are not always possible.

CONTENTS

Page 77

SECTION 1

EXECUTIVE SUMMARY

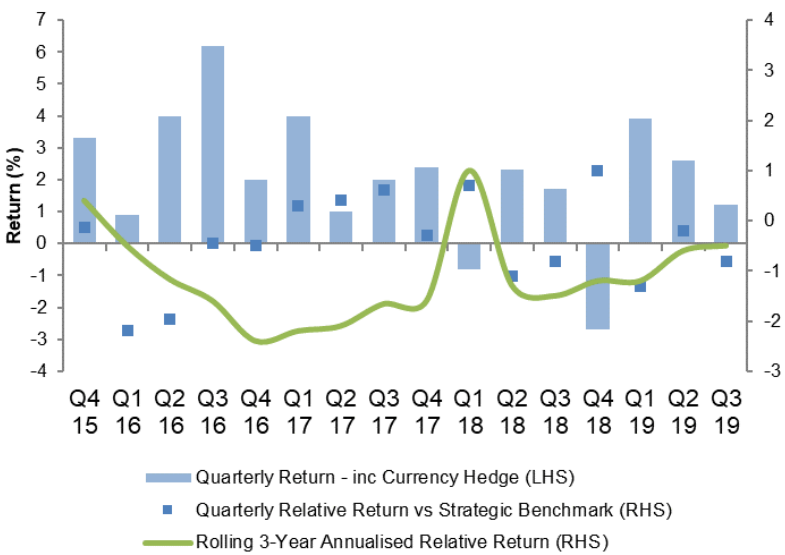
Page 78

EXECUTIVE SUMMARY

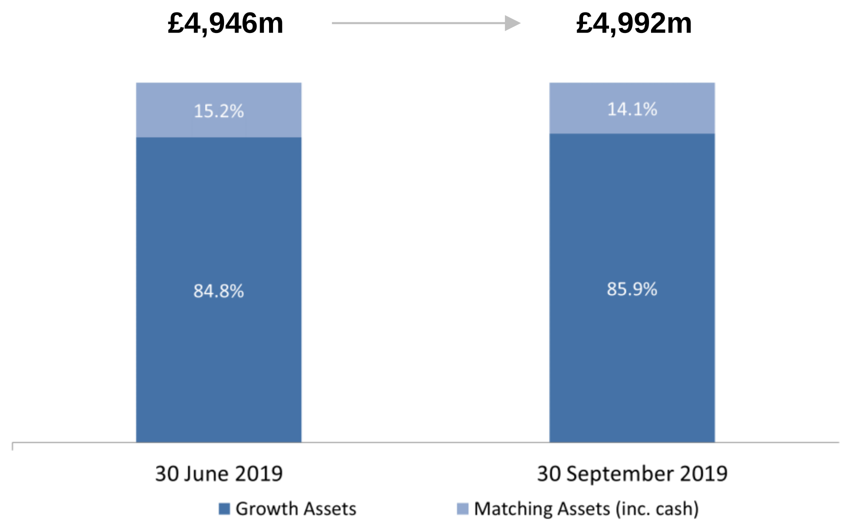
	3 Months (%)	1 Year (%)	3 Years (% p.a.)
Total Fund	1.2	5.0	6.6
Total Fund (ex currency hedge)	1.7	6.3	7.1
Strategic Benchmark (ex currency hedge)	2.2	6.5	7.6
Relative	**-1.0**	**-1.5**	**-1.0**

Page 79

Excess Return Chart



Asset Allocation



Commentary

Over the quarter, total Fund assets increased from £4,946m to £4,992m. This increase was driven primarily by positive returns from overseas equities.

At the end of the quarter, all asset classes were within the agreed tolerance ranges, except for Infrastructure holdings which drifted slightly above.

The Fund underperformed the Strategic Benchmark over the quarter, as well as over the one and three year periods. Since Sterling depreciated over all these time horizons, the currency hedging mandate has detracted value.

EXECUTIVE SUMMARY

This report has been prepared for the Investment Panel of the Avon Pension Fund ("the Fund"), to assess the performance and risks of the investment managers of the Fund.

Funding Level

- The estimated funding level was unchanged over the third quarter at c.98%, as the assets increased by broadly the same amount as the liabilities.

Fund Performance

- The value of the Fund's assets increased by £46m (net of cashflow) over the third quarter of 2019, to £4,992m as at 30 September 2019. This increase was driven primarily by positive returns from overseas equities.

Strategy

- Global (developed) equity returns over the last three years were 12.6% p.a., above the assumed strategic return of 8.05% p.a. from the review in April 2017. We remain broadly neutral in our medium-term outlook for developed market equities (over the next one to three years). Developed market equities had another positive performing quarter. Favourable market behaviour and easier monetary policy is offset by elevated valuations and a macro environment which is subject to headline risk and fairly fragile to unpredictable geopolitical disruptions.
- Emerging market equities have returned 8.4% p.a. over the three-year period, below the assumed return of 8.70% p.a. Despite our view that attractive valuations, a better earnings outlook and more favourable market sentiment exist in emerging markets, these factors continue to be obscured by the uncertain macro environment and uncertainty surrounding the trade dispute. As a resolution to the trade dispute does not appear imminent, we recommend a neutral weight in recognition that the potential for downside is likely to persist longer than originally anticipated.
- UK government bond returns over the three-year period remain higher than the long-term assumed strategic returns as investor demand for gilts remains high. Fixed interest gilts returned 5.3% p.a. versus an assumed return of 1.90% p.a. and index-linked gilts also returned 5.3% p.a. versus an assumed return of 2.15% p.a. Gilt yields decreased over the quarter, and as a result gilt returns were positive over the period.
- UK corporate bonds returned 3.2% p.a. over the three-year period, marginally below the assumed strategic return of 3.25% p.a.
- The three-year UK property return of 7.7% p.a. remains higher than the assumed return of 5.75% p.a.
- Hedge fund returns were negative over the quarter in local currency terms, and remain below long-term averages and the strategic return of 5.10% p.a., having been affected by low cash rates. Active managers in general have struggled to generate meaningful returns in recent years.
- The Fund's currency hedging policy was negative overall for Fund performance, since Sterling depreciated against major foreign currencies over the quarter.

Managers

- Manager total returns over the quarter were mainly positive, with the strongest performance coming from the corporate bond and global equity managers. The Fund's infrastructure and multi-asset credit mandates were other strong performers over the period and the two Diversified Growth Fund ("DGF") and two property mandates also generated positive returns. The Fund's fund of hedge funds and the defensive, high quality emerging market equity manager generated negative total returns over the quarter.
- Absolute returns over the year to 30 September 2019 were broadly positive across the Fund's investment managers with all of the managers (aside from the defensive, high quality emerging market equity manager) delivering positive returns over the period.
- Relative performance for the Fund's active equity managers was mixed over the quarter, with the one of the emerging market equity mangers and UK equity funds outperforming their benchmarks.
- Relative performance has also been mixed over the year to 30 September 2019. The infrastructure, global sustainable equity and one of the emerging market equity mandates have generated strong relative returns over the one-year period.
- Over the three-year period, all mandates with a three-year track record produced positive absolute returns. The majority of active funds underperformed their benchmarks over the period, with only the infrastructure, UK property and one of the emerging market equity mandates generating positive relative returns.

SECTION 2

MARKET BACKGROUND

Page 82

MARKET BACKGROUND
INDEX PERFORMANCE

Equity Market Review

The global economy has continued to slow with the latest current economic activity indicators showing below trend growth for both developed and emerging markets. Manufacturing remains in a downturn, capital expenditure is soft while service indicators remain stable, albeit weaker than in the recent past. Growth remains thus reliant on consumption spending which has been strong, driven by healthy labour markets but employment growth has started to show signs of flattening out.

In the UK, GDP contracted by 0.2% over the quarter to June 2019 and is expected to be flat in Q3 at best. CPI inflation fell to 1.7% at the end of August from 2.0% at the end of June. The Bank of England kept monetary policy unchanged with short-dated interest rates at 0.75%.

Within global equity markets, the US economy grew by an annualised 2.0% over the quarter to June 2019 but this is expected to have slowed a bit in Q3. The Federal Reserve made good on its promise to ease and cut the benchmark rate twice (in July and September) from 2.25% - 2.5% to 1.75% - 2.0%. The US manufacturing PMI for September fell by the most in a decade. Consumer spending on the other hand has been holding up. Economic growth remains largely subdued in the Eurozone and Japan.

While emerging countries have more favourable growth prospects for the coming year along with reasonably stable inflation and improving current account balances in most cases, trade uncertainty remains an issue.

Bond Market Review

Nominal yields were again down across the curve over the quarter.

The Over 15 Year Gilt Index generated a return of 11.0%, outperforming the broader global bond market over the quarter.

Real yields also fell across the curve over the quarter. The Over 5 Year Index-Linked Gilts Index also returned 8.7% as a result.

Credit spreads were mostly flat over the quarter, as investors left risk allocations largely unchanged given the ongoing slowdown fears. The sterling Non-Gilts All Stocks Index credit spread ended the quarter at c.1.3% p.a., and UK credit assets delivered a return of 3.7% over the quarter.

Currency Market Review

Over the quarter, Sterling weakened against the US Dollar and Yen (-3.2% and -2.9% respectively) and strengthened against the Euro by 1.1%.

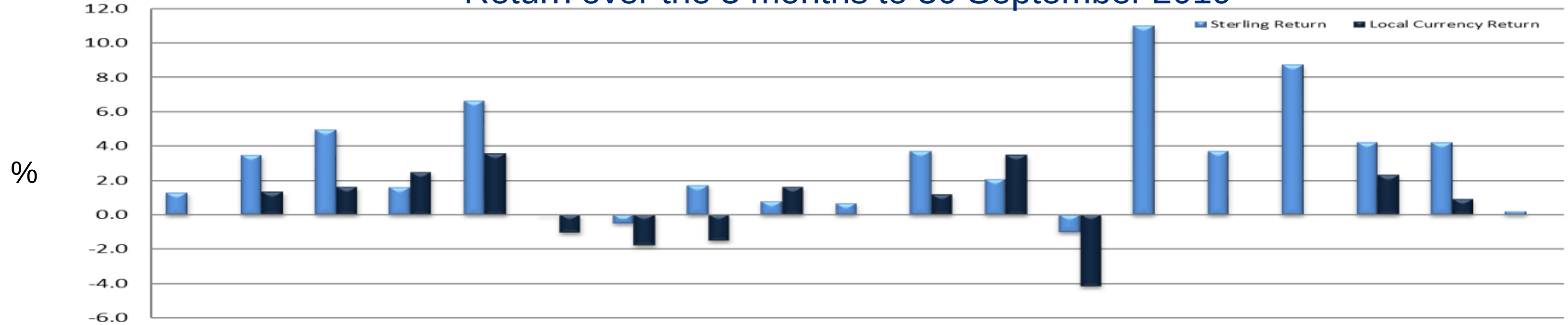
Commodity Market Review

Commodity performance was negative as a whole, which was driven by economic slowdown fears. Precious metals, driven by gold, did well due to their safe haven characteristics. The pick-up in US inflation as well as lower opportunity costs of holding gold amid falling yields added to its momentum. In spite of the alleged attack by Iran on Saudi Arabian oil facilities that led to a spike in oil prices the following day, slowdown fears and rising inventories led to negative performance for the energy sector. The ongoing epidemic of African Swine fever in China boosted meat prices across the world, leading to positive returns for the livestock sector.

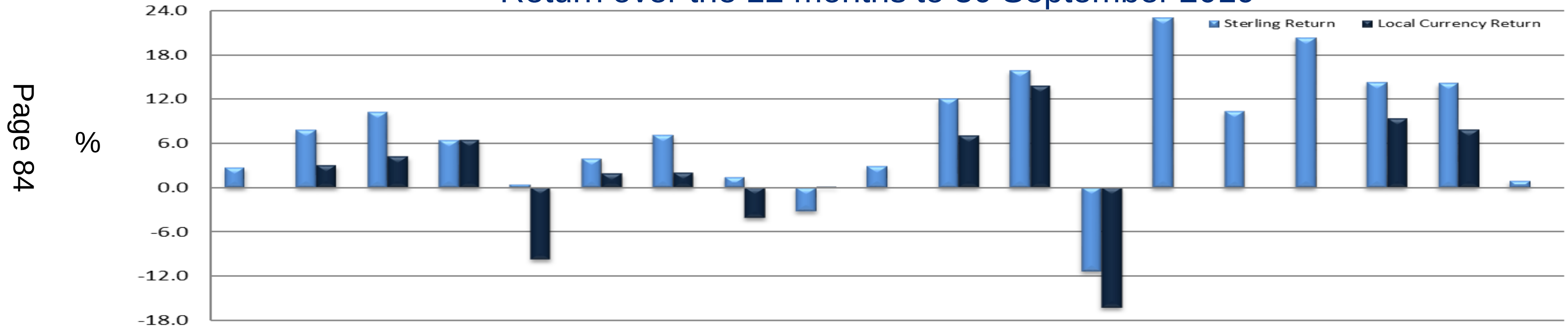
Source: Thomson Reuters Datastream, Consensus Economics, ONS

MARKET BACKGROUND
INDEX PERFORMANCE

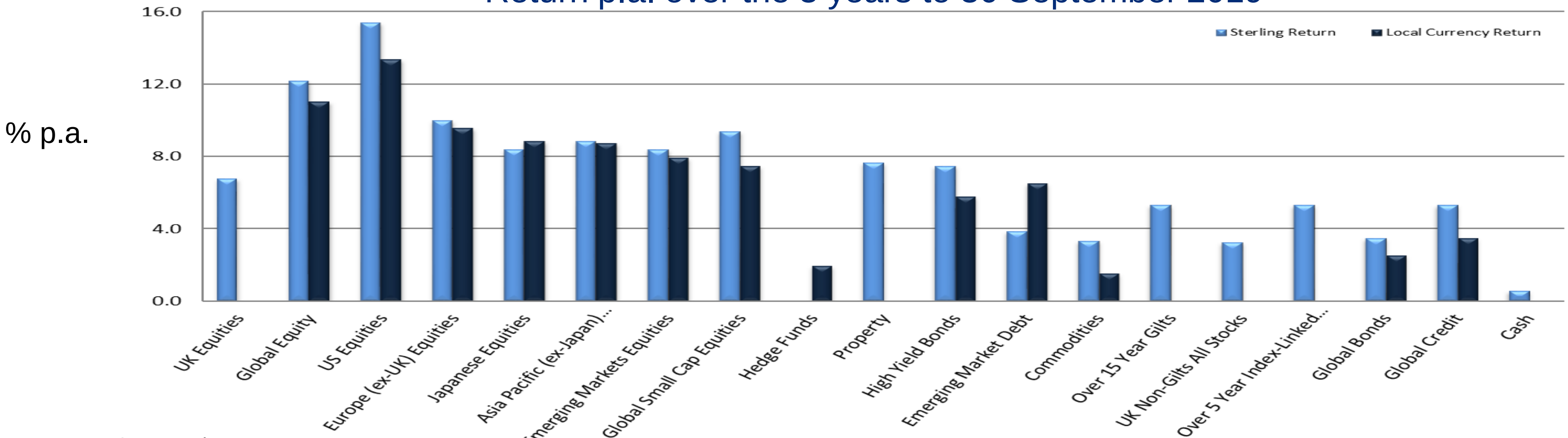
Return over the 3 months to 30 September 2019



Return over the 12 months to 30 September 2019



Return p.a. over the 3 years to 30 September 2019



Source: Thomson Reuters Datastream.

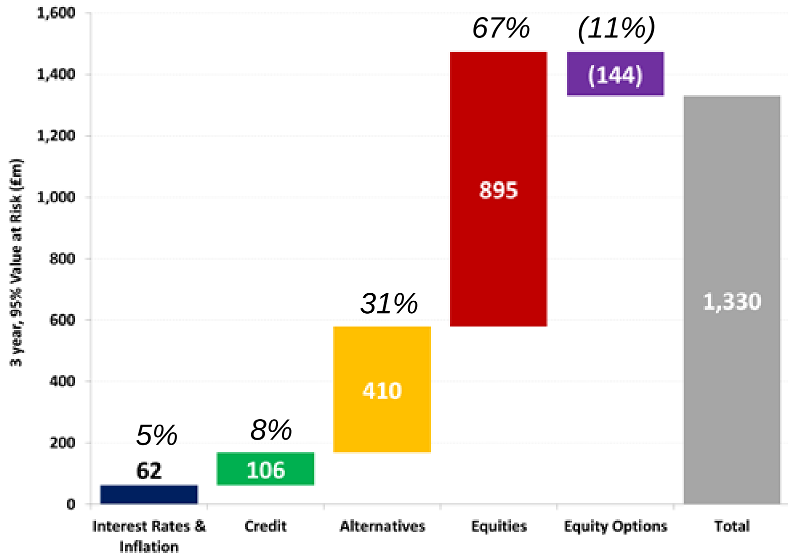
SECTION 3

Page 85

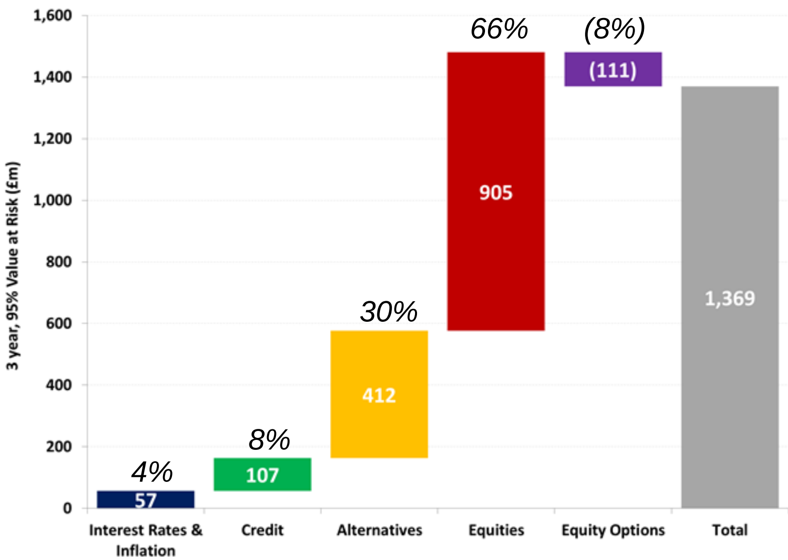
STRATEGIC CONSIDERATIONS

STRATEGIC CONSIDERATIONS
RISK DECOMPOSITION

30 June 2019



30 September 2019



- The two charts to the left illustrate the main risks that the Fund is exposed to on the 2016 funding basis and the size of these risks in the context of the change in the deficit position.
- The purpose of showing these charts is to ensure there is an awareness of the risks faced and how they change over time and to initiate debate on an ongoing basis, around how to best manage these risks, so as not to lose sight of the 'big picture'.
- The grey column on the right hand side of each chart shows the estimated 95th percentile Value-at-Risk (VaR) over a one-year period. In other words, if we consider a downside scenario which has a 1-in-20 chance of occurring, what would be the impact on the deficit relative to our 'best estimate' of what the deficit would be in three years' time.
- If we focus on the chart at 30 September 2019, it shows that if a 1-in-20 'downside event' occurred over the next three years, the deficit would increase by at least an additional **£1.4bn** on top of the current deficit of **£0.1bn**, creating a deficit of **c.£1.5bn.**
- Each bar to the left of the grey bar represents the contribution to this total risk from the primary underlying risk exposures (interest rates and inflation, changes in credit spreads volatility of alternative assets and equity markets, and the benefit from equity options).
- The two charts show that the three-year **VaR has increased by c.£39m over the quarter**. This is partly attributable to the continued rise in equity markets over the period, resulting in a higher total asset value, and proportion of total assets. The equity options are also due to expire in early 2020 hence the reduction in their offset, though the Committee have agreed in principal to extend these.

The VaR figures shown are based on approximate liability data rather than actual Fund cashflows, and are based on the strategic asset allocation at the time. They are therefore illustrative only and should not be used as a basis for taking any strategic decisions.

MARKET BACKGROUND
INDEX PERFORMANCE VERSUS STRATEGY

Asset Class	Strategy Assumed Return % p.a.	3 year Index Return % p.a.	Comment
Developed Equities (Global) (FTSE All-World Developed)	8.05	12.6	*Remains ahead of the assumed strategic return. This fell slightly from 14.2% p.a. last quarter, as the latest quarter's return of 3.9% was slightly lower than the return of Q3 2016, which fell out of the 3 year return.*
Emerging Market Equities (FTSE AW Emerging)	8.70	8.4	*The three year return from emerging market equities fell below the assumed strategic return this quarter, having decreased from 12.5% p.a. last quarter. The return over Q3 2019 was negative at -0.5%, and materially lower than the return for the quarter that fell out of the period (11.2%).*
Diversified Growth	6.95 (Libor + 4% / RPI + 5%)	6.0 (4.6 / 8.2)	*DGFs are expected to produce an attractive return over the long term but with lower volatility than equities – this is the basis for the Libor and RPI based benchmarks. Low cash rates means benchmark has underperformed the long term expected return from equity, but recent higher inflation means RPI benchmark has outperformed. An absolute strategic return of 6.95% p.a. has been used, along with the specific manager targets for comparison. During periods of strong equity returns we would expect DGFs to underperform equities.*
UK Gilts (FTSE Actuaries Over 15 Year Gilts)	1.90	5.3	*UK gilt returns remain above the long term strategic assumed return as yields remain low relative to historic averages. Over the last quarter, returns were positive for nominal gilts and index linked gilts as yields continued to fall.*
Index Linked Gilts (FTSE Actuaries Over 5 Year Index-Linked Gilts)	2.15	5.3	
UK Corporate Bonds (BofAML Sterling Non Gilts)	3.25	3.2	*Corporate bond returns, however, fell below the assumed strategic returns, as the return over the quarter of 3.7% was lower than the return in Q3 2016, which fell out of the period.*
Fund of Hedge Funds (HFRX Global Hedge Fund Index)	5.10	-0.4	*Hedge fund returns turned negative over the quarter and remain below long term averages and the strategic return, as they are affected by low cash rates. It should be noted that the index includes a wide variety of strategies that may have had very divergent returns.*
Property (IPD UK Monthly)	5.75	7.7	*Actual property returns continue to be ahead of the expected returns. The asset class returned 0.6% over the third quarter of 2019, and saw the three year return grow. This has defied concerns to some extent over slowing rental growth post-Brexit and weak fundamentals, though a cautious outlook may still be required.*
Infrastructure (S&P Global Infrastructure)	6.95	9.9	*The infrastructure three year return is above the strategic return. This performance was in part driven by currency as sterling depreciated against the US dollar and euro over the last three years. Returns of this index have been largely driven by currency moves. The 100% hedge in place for the infrastructure mandate removes the currency effect from the actual returns earned. This is also true for the global property mandate with Partners.*

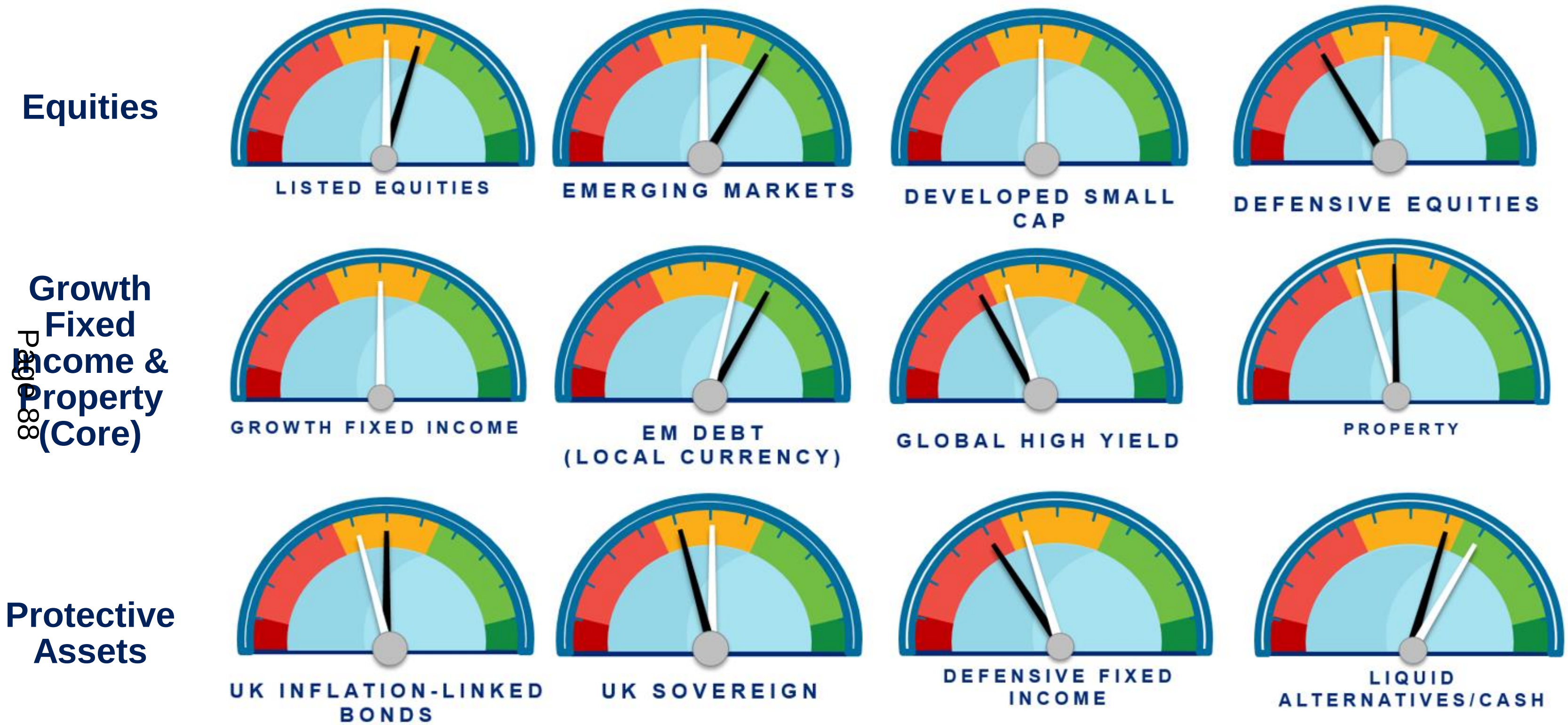
Source: Thomson Reuters Datastream. Returns are in sterling terms.

DYNAMIC ASSET ALLOCATION (DAA) DASHBOARD – Q4 2019

- Extremely Unattractive
- Unattractive
- Neutral
- Attractive
- Extremely Attractive

Mercer's current DAA position/view

Position/view last time (if changed)



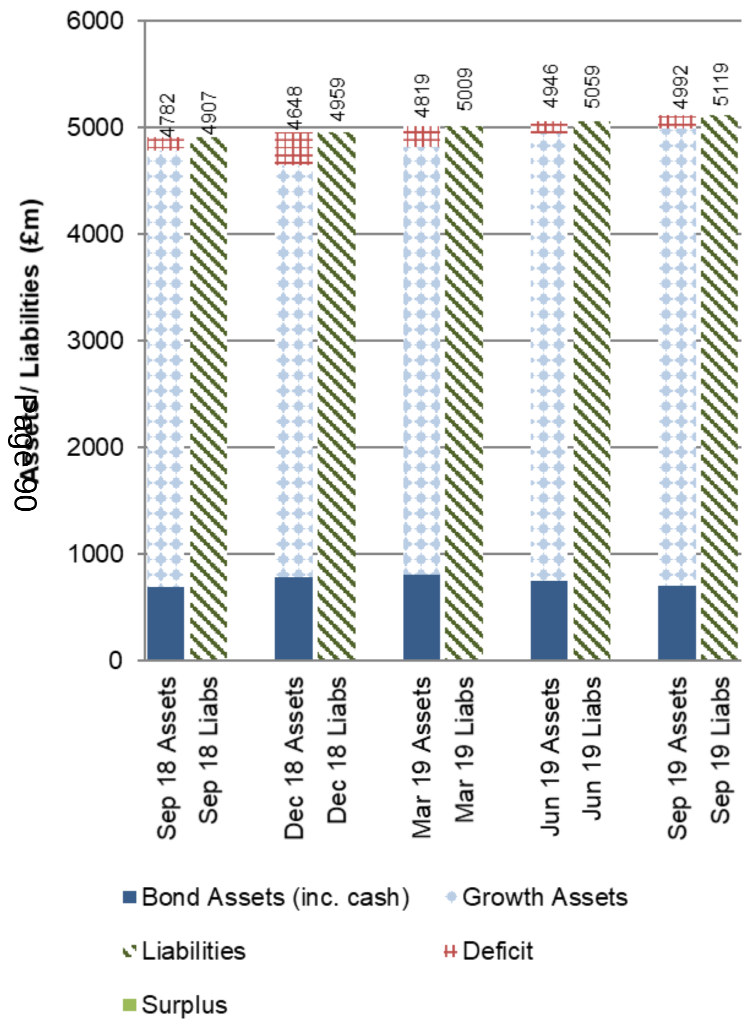
The charts above summarise Mercer's views on the medium term (1-3 years) outlook for returns from the key asset classes. These views are relevant for reflecting medium term market views in determining appropriate asset allocation. We do not expect the Fund to make frequent tactical changes to their asset allocation based upon these views.

SECTION 4

CONSIDERATION OF FUNDING LEVEL

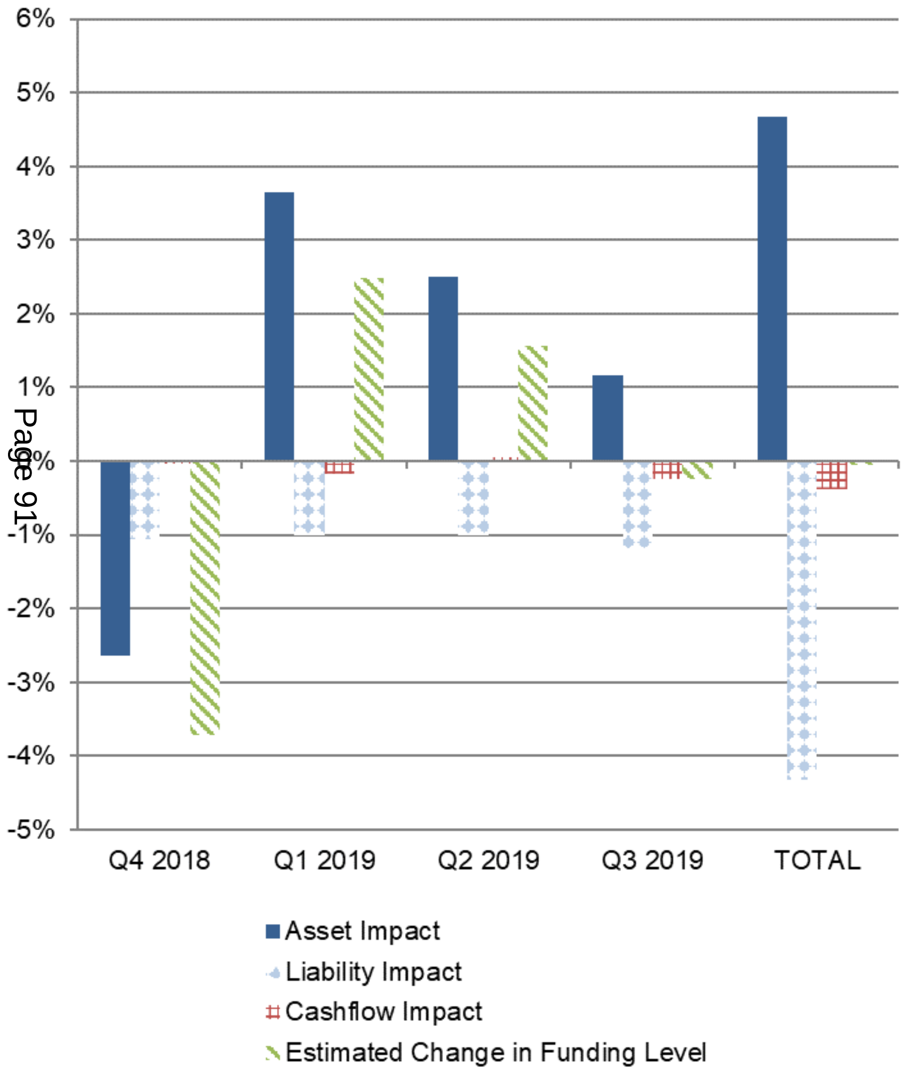
Page 89

CONSIDERATION OF FUNDING LEVEL
ATTRIBUTION OF CHANGE IN DEFICIT/SURPLUS



- Based on financial markets, investment returns and net cashflows into the Fund, the deficit was estimated to have increased slightly over the third quarter of 2019, from £113m to £127m.
- This occurred as the present value of the liabilities increased a bit more than the value of the assets over the period.
- This is calculated using the actuarial valuation assumptions as at 31 March 2016 and the ‘CPI plus’ discount basis.

CONSIDERATION OF FUNDING LEVEL
ATTRIBUTION OF CHANGE IN FUNDING LEVEL



Page 91

- The Fund's assets returned 1.2% over the quarter, whilst the Fund's liabilities also increased by an estimated 1.2%.
- The combined effect of this, also allowing for cashflow over the period, was that the funding level remained broadly unchanged at c.98%.
- Over the one-year period, the funding level was also estimated to be broadly unchanged.

SECTION 5
FUND VALUATIONS

FUND VALUATIONS
VALUATION BY ASSET CLASS

Asset Allocation

Asset Class	Start of Quarter (£'000)	End of Quarter (£'000)	Start of Quarter (%)	End of Quarter (%)	Target Strategic Benchmark (%)	Ranges (%)	Difference (%)
Developed Market Equities	1,847,732	1,903,608	37.4	38.1	34.0	29 - 39	+4.1
Emerging Market Equities	237,109	237,739	4.8	4.8	6.0	3 - 9	-1.2
Diversified Growth Funds	608,926	618,077	12.3	12.4	15.0	10 - 20	-2.6
Fund of Hedge Funds	239,766	250,926	4.8	5.0	5.0	0 - 7.5	0.0
Property	474,133	462,454	9.6	9.3	10.0	5 - 15	-0.7
Infrastructure	362,675	384,700	7.3	7.7	5.0	0 - 7.5	+2.7
Multi-Asset Credit	424,019	429,778	8.6	8.6	11.0	6 - 16	-2.4
Corporate Bonds	119,134	125,865	2.4	2.5	2.0	No set range	+0.5
LDI*	511,798	484,721	10.3	9.7	12.0	No set range	-2.3
Cash (including currency instruments)	121,101	94,488	2.4	1.9	-	0 - 5	+1.9
Total	**4,946,392**	**4,992,355**	**100.0**	**100.0**	**100.0**		**0.0**

Source: Investment Managers, Mercer. Green numbers indicate the allocation is within tolerance ranges, whilst red numbers indicate the allocation is outside of tolerance ranges.
* Valuation includes mark-to-market value of equity protection strategy.

- Invested assets increased over the quarter by £46m due to positive returns from overseas equities in particular. Infrastructure has drifted to marginally above its tolerance range, although all other asset classes remain within their ranges.

FUND VALUATIONS
VALUATION BY MANAGER

Manager Allocation						
Manager	**Asset Class**	**Start of Quarter (£'000)**	**Cashflows (£'000)**	**End of Quarter (£'000)**	**Start of Quarter (%)**	**End of Quarter (%)**
BlackRock	Global Equities	469,102		487,210	9.5	9.8
BlackRock	Corporate Bonds	119,134		125,865	2.4	2.5
BlackRock	LDI*	511,798		484,721	10.3	9.7
BlackRock	Cash	75,328	-45,000	32,544	1.5	0.7
Brunel	Global Low Carbon Equities	556,894		580,755	11.3	11.6
Brunel	UK Equities	193,138		193,703	3.9	3.9
Jupiter	UK Equities	200,068		203,303	4.0	4.1
Jupiter	Global Sustainable Equities	11,679		12,064	0.2	0.2
Schroder	Global Equities	416,537		426,266	8.4	8.5
Genesis	Emerging Market Equities	123,271		125,730	2.5	2.5
Unigestion	Emerging Market Equities	113,837		112,010	2.3	2.2

Source: Investment Managers, Mercer. Totals may not sum due to rounding.
* Valuation includes mark-to-market value of equity protection strategy.

FUND VALUATIONS
VALUATION BY MANAGER CONTINUED

Manager Allocation

Manager	Asset Class	Start of Quarter (£'000)	Cashflows (£'000)	End of Quarter (£'000)	Start of Quarter (%)	End of Quarter (%)
Pyrford	DGF	221,023		223,048	4.5	4.5
Ruffer	DGF	387,902		395,029	7.8	7.9
JP Morgan	Fund of Hedge Funds	239,766		250,926	4.8	5.0
Schroder	UK Property	242,250	-14,025	229,400	4.9	4.6
Partners	Property	214,950	-2,458	215,926	4.3	4.3
Brunel	Secured Income	16,933		17,128	0.3	0.3
IFM	Infrastructure	352,075		365,379	7.1	7.3
Brunel	Infrastructure	10,600	+8,607	19,321	0.2	0.4
Loomis Sayles	Multi-Asset Credit	424,019		429,778	8.6	8.6
Record Currency Management	Currency Hedging	-6,405		-23,146	-0.1	-0.5
Internal Cash	Cash	52,178		85,090	1.1	1.7
Total		**4,946,392**		**4,992,355**	**100.0**	**100.0**

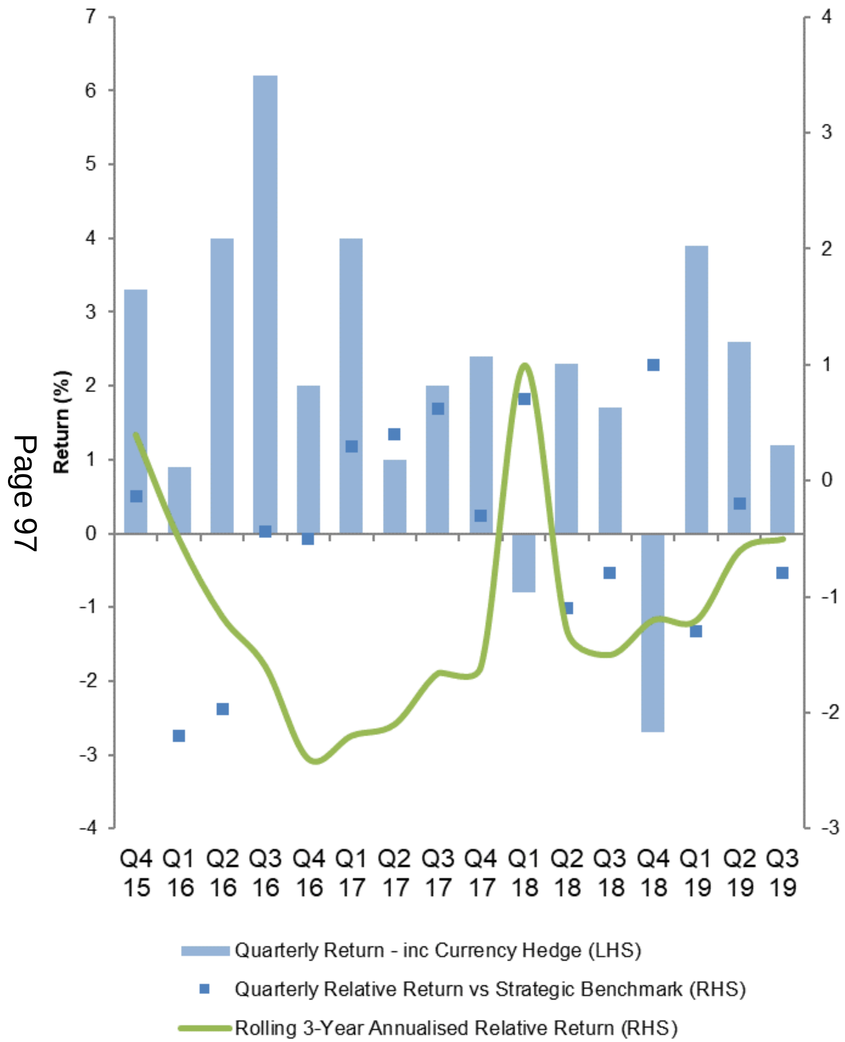
Source: Investment Managers, Mercer. Totals may not sum due to rounding.
The cashflow column shows only the cash movements within the asset portfolio. It does not include non-investment cash movements such as employer contributions or pension payments made, however these amounts are included in the 'Internal Cash' start and end balance to reflect the asset value position of the total Fund.

SECTION 6

PERFORMANCE SUMMARY

Page 96

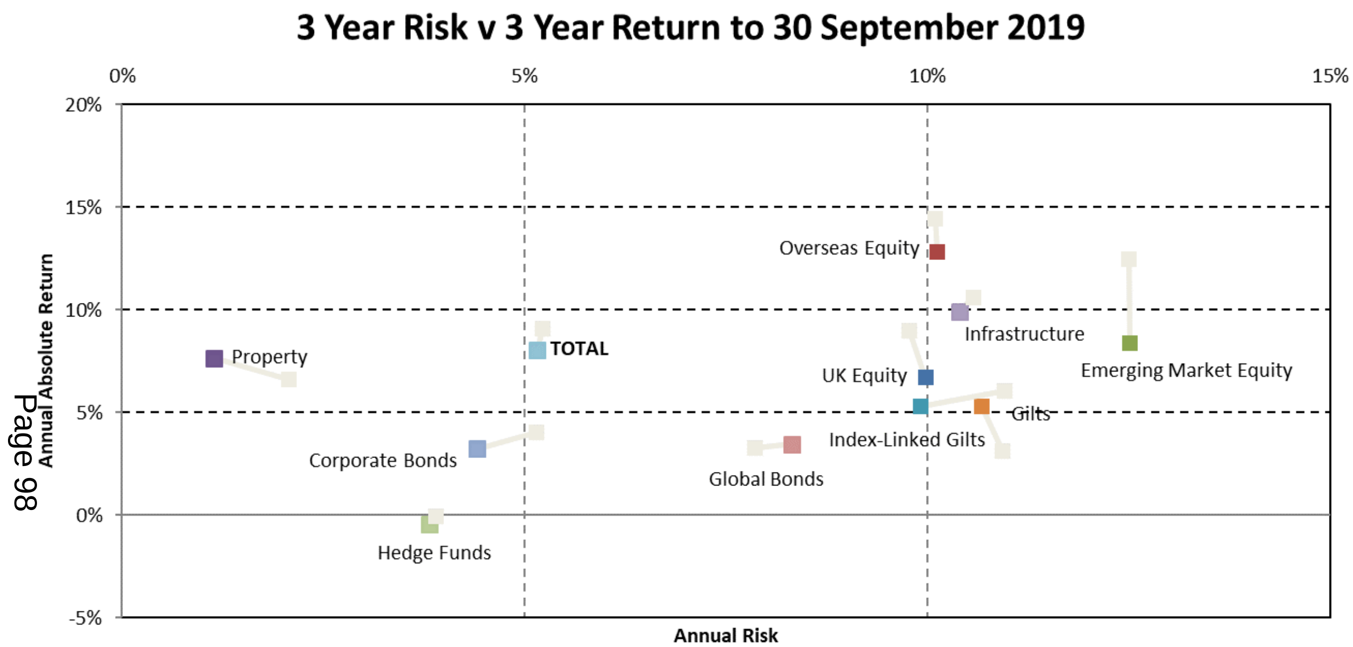
PERFORMANCE SUMMARY
TOTAL FUND PERFORMANCE



	3 Months (%)	1 Year (%)	3 Years (% p.a.)
Total Fund	1.2	5.0	6.6
Total Fund (ex currency hedge)	1.7	6.3	7.1
Strategic Benchmark (ex currency hedge)	2.2	6.5	7.6
Relative	**-1.0**	**-1.5**	**-1.0**

- Over the quarter, the Fund underperformed the Strategic Benchmark by 1.0%. The Fund also underperformed the Strategic Benchmark over the year by 1.5%, and over the three year period by 1.0%.
- Since Sterling has depreciated over each of the periods in question, the Fund's currency hedging mandate has detracted value.

MANAGER MONITORING
RISK RETURN ANALYSIS



Page 98

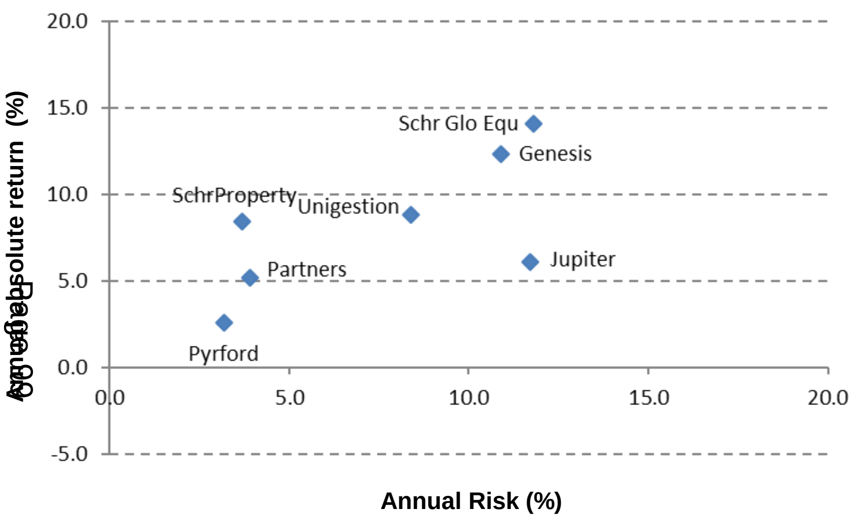
This chart shows the 3 year absolute returns against three year volatility (based on monthly data in sterling terms), to the end of September 2019, for each of the broad underlying asset benchmarks (using the indices set out in the Appendix), along with the total Fund strategic benchmark (using the benchmark indices and allocations from BNY Mellon). We also show the positions as at last quarter, in grey.

Comments

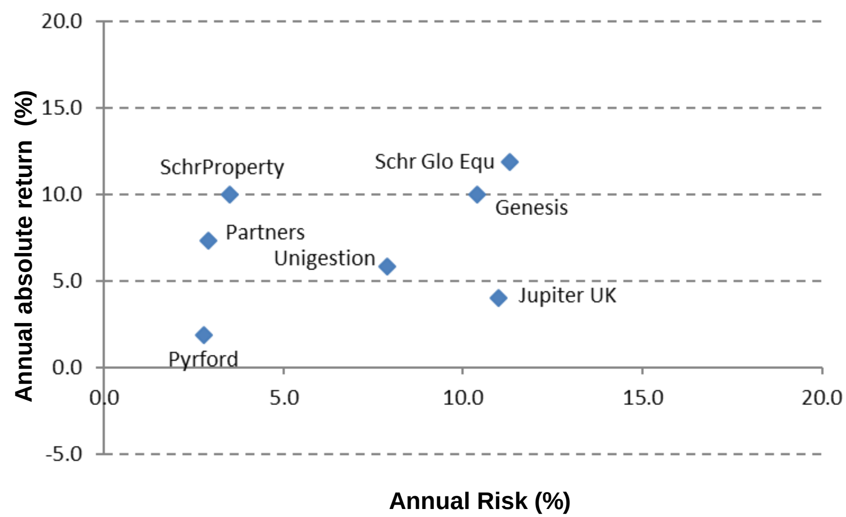
- Most asset classes saw decreases in observed returns over the three-year period, with notable falls coming from Overseas and Emerging Market Equity.
- Associated volatilities also fell across most asset classes. These changes were less pronounced, although some declines of note came from Property and Index-Linked Gilts.

MANAGER MONITORING
RISK RETURN ANALYSIS

3 year Risk vs 3 year Return to 30 June 2019



3 year Risk vs 3 year Return to 30 September 2019



Comments

- The property mandates saw their three-year return increasing modestly over the quarter, while all of the equity and DGF mandates saw their three-year return fall slightly (with the exception of Jupiter).

MANAGER MONITORING
MANAGER PERFORMANCE TO 30 SEPTEMBER 2019

Manager/ Asset Class	3 Months Fund (%)	3 Months B'mark (%)	3 Months Relative (%)	1 Year Fund (%)	1 Year B'mark (%)	1 Year Relative (%)	3 Year Fund (% p.a.)	3 Year B'mark (% p.a.)	3 Year Relative (% p.a.)	3 Year Performance Target (% p.a.)	3 Year Performance vs Target
BlackRock Equities	1.6	1.4	+0.1	6.7	6.1	+0.6	12.6	12.3	+0.3	-	N/A
BlackRock Corporate Bonds	5.7	5.7	0.0	15.9	15.9	0.0	3.8	3.9	0.0	-	N/A
BlackRock LDI	3.3	3.3	0.0	8.4	8.4	0.0	4.9	4.9	0.0	-	N/A
Brunel UK Equity	0.3	1.3	-1.0	N/A	N/A	N/A	N/A	N/A	N/A	-	N/A
Brunel Passive Low Carbon Equity	4.3	4.3	0.0	9.0	9.0	0.0	N/A	N/A	N/A	-	N/A
Jupiter UK Equity	1.6	1.3	+0.3	1.0	2.7	-1.7	3.9	6.8	-2.7	+2	Target not met
Jupiter Global Sustainable Equity	3.3	3.4	-0.1	13.0	7.9	+4.7	N/A	N/A	N/A	+2-4	N/A
Schroder Equity	2.3	3.4	-1.1	6.5	7.9	-1.3	11.9	12.3	-0.4	+4	Target not met
Genesis	2.0	-1.0	+3.0	14.0	4.1	+9.5	10.1	8.3	+1.7	-	Target met
Unigestion	-1.6	-1.1	-0.5	-2.4	3.7	-5.9	5.6	7.9	-2.1	+2-4	Target not met
Pyrford	0.9	1.8	-0.9	2.9	7.6	-4.4	1.9	8.3	-5.9	-	Target not met
Ruffer	1.8	1.5	+0.3	1.5	6.0	-4.2	N/A	N/A	N/A	-	N/A
JP Morgan	-0.4	1.4	-1.8	2.0	5.6	-3.4	4.5	4.8	-0.3	-	Target not met
Schroder Property	0.4	0.4	0.0	2.3	2.2	+0.1	6.8	6.7	+0.1	+1	Target not met
Partners Property*	1.7	2.5	-0.8	5.3	10.0	-4.3	4.6	10.0	-4.9	-	Target not met
Brunel Secured Income	1.2	0.6	+0.6	N/A	N/A	N/A	N/A	N/A	N/A	-	N/A
IFM	0.5	1.2	-0.8	8.2	5.4	+2.7	13.9	4.3	+9.2	-	N/A
Brunel Infrastructure	1.6	0.6	+1.0	N/A	N/A	N/A	N/A	N/A	N/A	-	N/A
Loomis Sayles	1.4	1.2	+0.2	6.5	4.9	+1.5	N/A	N/A	N/A	-	N/A

- Source: Investment Managers, Mercer estimates.
- **Returns are in GBP terms**, consistent with overall fund return calculations before currency hedging is applied, **except for JP Morgan and Partners, whose performance is shown as IRR in local currency terms, as well as IFM, whose performance is shown in TWR in USD terms.**
- In the relative performance columns, returns in blue text exceeded their respective benchmarks, those in red underperformed, and black text shows performance in line with benchmark.
- In the table above, and throughout this report, relative returns have been calculated geometrically (i.e. the portfolio return is divided by the benchmark return) rather than arithmetically (where the benchmark return is subtracted from the portfolio return).
- In the table above, Partners performance is measured against an IRR target of 10% p.a.
- A summary of the benchmarks for each of the mandates is given in Appendix 1.

* Performance to 30 June 2019 as this is the latest date that this is available to.

APPENDIX 1
SUMMARY OF MANDATES

Page 101

SUMMARY OF MANDATES

Manager	Mandate	Benchmark	Outperformance Target (p.a.)
Brunel	Passive Global Low Carbon Equities	MSCI World Low Carbon	-
BlackRock	Passive Global Equites	MSCI World	-
BlackRock	Buy-and-Maintain Corporate Bonds	Return on bonds held	-
BlackRock	Matching (Liability Driven Investing)	Return on liabilities being hedged	-
Brunel	Active UK Equities	FTSE All Share	+2%
Jupiter Asset Management	UK Equities (SRI)	FTSE All Share	+2%
Jupiter Asset Management	Global Sustainable Equities (SRI)	MSCI AC World	+2-4%
Schroder	Global Equities (Unconstrained)	MSCI AC World	+4%
Genesis	Emerging Market Equities	MSCI Emerging Markets IMI TR	-
Unigestion	Emerging Market Equities	MSCI Emerging Markets NET TR	+2-4%
Pyrford	Diversified Growth Fund	RPI +5% p.a.	-
Ruffer	Diversified Growth Fund	3 Month LIBOR +5% p.a.	-
JP Morgan	Fund of Hedge Funds	3 Month LIBOR +3% p.a.	-
Schroder	UK Property	IPD UK Pooled	+1%
Partners	Overseas Property	Net IRR of 10% p.a. (local currency)	-
Brunel	Secured Income	CPI	+2%
IFM	Infrastructure	6 Month LIBOR +2.5% p.a.	-
Brunel	Infrastructure	CPI	+4%
Loomis Sayles	Multi-Asset Credit	3 Month LIBOR +4% p.a.	-
Record	Passive Currency Hedging	N/A	-
Cash	Internally Managed	7 Day LIBID	-

APPENDIX 2

MARKET STATISTICS INDICES

Page 103

MARKET STATISTICS INDICES

Asset Class	Index
UK Equities	FTSE All-Share
Global Equity	FTSE All-World
Overseas Equities	FTSE World ex UK
US Equities	FTSE USA
Europe (ex-UK) Equities	FTSE W Europe ex UK
Japanese Equities	FTSE Japan
Asia Pacific (ex-Japan) Equities	FTSE W Asia Pacific ex Japan
Emerging Markets Equities	FTSE AW Emerging
Global Small Cap Equities	FTSE World Small Cap
Hedge Funds	HFRX Global Hedge Fund
High Yield Bonds	BofA Merrill Lynch Global High Yield
Emerging Market Debt	JP Morgan GBI EM Diversified Composite
Property	IPD UK Monthly Total Return: All Property
Infrastructure	S&P Global Infrastructure
Commodities	S&P GSCI
Over 15 Year Gilts	FTA UK Gilts 15+ year
Sterling Non Gilts	BofA Merrill Lynch Sterling Non Gilts
Over 5 Year Index-Linked Gilts	FTA UK Index Linked Gilts 5+ year
Global Bonds	BofA Merrill Lynch Global Broad Market
Global Credit	Barclays Capital Global Credit
Eurozone Government Bonds	BofA Merrill Lynch EMU Direct Government
Cash	BofA Merrill Lynch United Kingdom Sterling LIBOR 3 month constant maturity

These are the indices used in this report for market commentary; individual strategy returns are shown against their specific benchmarks.

APPENDIX 3
CHANGES IN YIELDS

Page 105

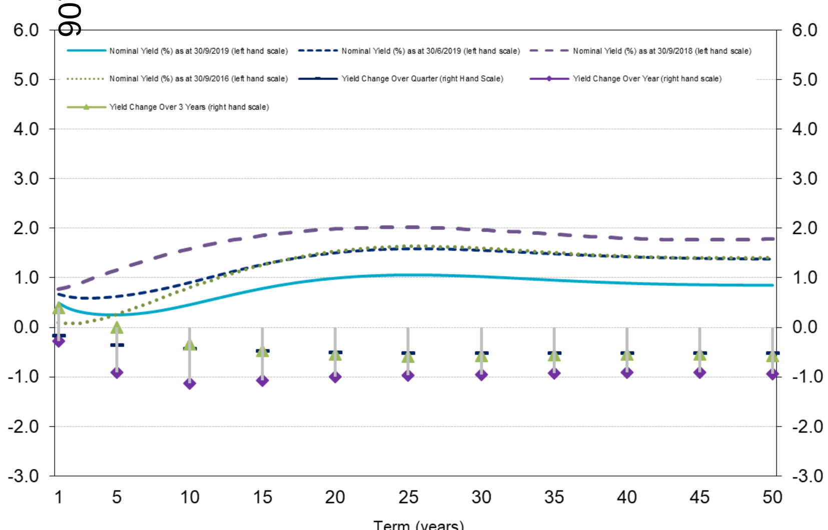
CHANGES IN YIELDS

Asset Class Yields (% p.a.)	30 Sep 2019	30 Jun 2019	30 Sep 2018	30 Sep 2017
UK Equities	4.21	4.13	3.80	3.68
Over 15 Year Gilts	0.91	1.40	1.86	1.84
Over 5 Year Index-Linked Gilts	-2.20	-1.89	-1.49	-1.51
Sterling Non Gilts	1.84	2.16	2.63	2.30

- Nominal yields were again down across the curve over the quarter.
- The Over 15 Year Gilt Index generated a return of 11.0%, outperforming the broader global bond market over the quarter.
- Real yields also fell across the curve over the quarter. The Over 5 Year Index-Linked Gilts Index also returned 8.7% as a result.
- Credit spreads were mostly flat over the quarter, as investors left risk allocations largely unchanged given the ongoing slowdown fears. The sterling Non-Gilts All Stocks Index credit spread ended the quarter at c.1.3% p.a., and UK credit assets delivered a return of 3.7% over the quarter.

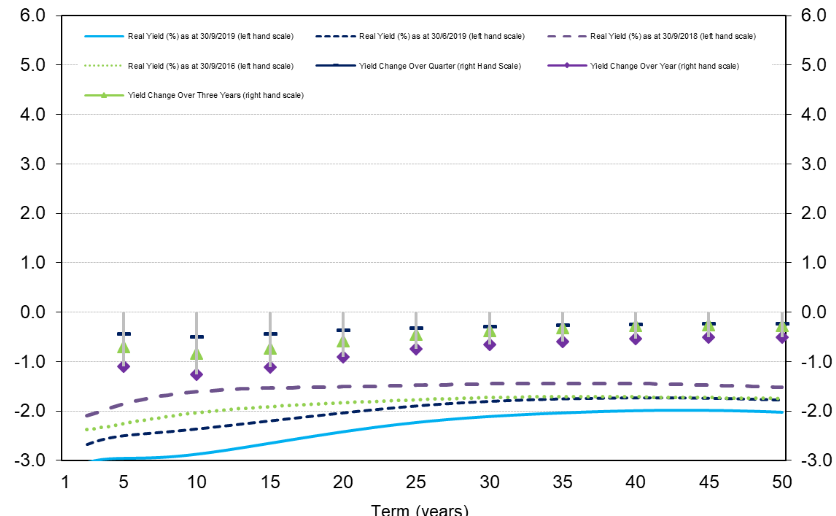
Page 106

Nominal yield curves



Source: Mercer.

Real yield curves



Source: Mercer.

MAKE
TOMORROW,
TODAY

This page is intentionally left blank

https://www.paimages.co.uk/image-details/2.40966766 https://c7.alamy.com/comp/FPA9ER/london-uk-18-

Quarterly Engagement report

July-September 2019

BAE Systems, Boeing, Lockheed Martin, Petrobras, ArcelorMittal, National Grid

Local Authority Pension Fund Forum

lapfforum.org.uk

Amnesty International campaigners drawing attention to UK-manufactured arms being used to commit war crimes in Yemen.

YEMEN

LAPFF engages with defence contractors over Yemen

LAPFF uses community engagement to link stakeholder input to investor value

Objective: ascertain if defence companies have increased their scope for building leverage in setting or influencing contract terms with national governments in relation to social and environmental factors.

Achieved: the reputational damage facing local authority funds as a result of holding Aerospace and Defence companies has been outlined.

In progress: through dialogue the companies have begun to recognise the populations affected by their products as one of their stakeholder groups.

After four years of deadly civil war, according to the UN, over 18 million Yemenis currently lack access to clean drinking water

Over the summer, LAPFF has been engaging with a number of defence companies cited for their role in supplying weapons to the Saudi coalition for the war in Yemen. The LAPFF Executive approved this engagement because LAPFF funds have been targeted by protestors concerned about the role of local authorities in funding this war.

Initially, the Forum contacted nine companies for engagements – BAE Systems, Boeing, Lockheed Martin, Raytheon, Thales, General Electric, General Dynamics, Textron, and Airbus. LAPFF has managed to hold meetings with three companies, BAE, Boeing and Lockheed, despite expecting little or no response from the companies approached.

A limited response was expected owing to the close relationship between defence companies and national governments. This relationship also meant it was not clear at first how to structure these engagements. If companies are contracting with governments in relation to national security, there seems to be little scope for them to influence the governments' approaches to this issue, and the companies engaged pushed this line hard. However, the pre-meeting research and the company discussions have helped to clarify how companies might push back in these situations.

"It is important for companies to recognise all those affected by the products they make and sell as important stakeholders. Without appropriate recognition, companies are unable to build a complete picture of the market and leave themselves exposed to unexpected changes in market dynamics."

Cllr Doug McMurdo
LAPFF Chair

First, in reviewing company materials, it was evident that although defence companies often espouse the principle of stakeholder engagement, affected communities – such as the Yemeni population being bombed – are not included in the scope of stakeholders considered. This omission likely affects the decision-making about the impact of the products

YEMEN

and services these companies offer. In consideration of this likelihood, LAPFF pushed for companies to consider communities affected by these companies' products and services as stakeholders.

Second, different companies have different ways of contracting. For instance, BAE and Lockheed contract almost exclusively with governments. Boeing, however, has a much more robust commercial component. Consequently, Boeing arguably has more leverage in being able to push governments to comply with international human right standards. For example, in this situation, if a government client were to commission weapons that a company isn't comfortable with, or that are to be used for a purpose that a company isn't comfortable with, it would likely be easier for the company to ramp up its commercial production and refuse the government contract.

Third, a number of defence companies are looking at different defence options. For example, cyber security is an area of interest for defence contractors. This area might be considered non-traditional for defence companies, but there seems to be scope for these companies to develop this type of technology – both on a military and commercial basis – rather than continuing to focus exclusively on traditional weaponry. Some companies, like Lockheed, are also selling these services to government clients such as energy departments, not just the military services. Therefore, by developing client relationships with government departments other than the military, companies might be able to pull back when faced with dubious military contracts.

All of the defence companies reviewed for this engagement had values such as 'respect for life' and 'integrity'. It is hard to see how companies can uphold these values if they are trapped in contracts that, by definition, require them to betray these values. Therefore, LAPFF will continue to apply what it has learned so far in engaging with defence contractors to work with these companies to uphold not only their own values, but LAPFF's policies too. The engagements are not easy or straightforward, but at least now there appear to be ways to move the human rights agenda forward in a way that should produce more sustainable returns for LAPFF members, as well as other investors.

Boeing has a joint direct attack munition contract and a wideband global satellite communication contract with the US Air Force, an MH-47G Block II Chinook (pictured below) contract with the US Army Special Operations, and an F/A-18 service life modification contract with the US Navy.

The UK has suspended granting new export licenses for arms that might be used by the Saudi Arabia-led coalition in Yemen while it considers a landmark court ruling that found the government's decision-making processes were unlawful. The outcome of this litigation could have implications for BAE, and specifically the planned export to Saudi Arabia of 48 of its Eurofighter Typhoon jets worth £5 billion (top).

COMPANY ENGAGEMENT

GOVERNANCE RISK

Anti-Corruption Engagements Ramp Up

Along with Sarasin, Church Commissioners and Royal London Asset Management, LAPFF has been engaging with Glencore over concerns about corruption in the Democratic Republic of Congo. The issues raised during this engagement prompted the Forum to send engagement requests to four other companies embroiled in corruption probes – Shell, ENI, Petrobras and Total.

As with the Yemen engagement, there was doubt about whether the companies would be willing to discuss on-going corruption allegations. Shell wrote back re-stating the content of the company's annual report on the matter and batting back the meeting request. However, both ENI and Petrobras got back almost immediately to offer meetings. Total has also now agreed to a meeting.

To date, the meetings with Petrobras and ENI have taken place. It is interesting to note that Petrobras is still a partly state-owned enterprise, although the Brazilian President, Jair Bolsonaro, has stated he would like the Company to be privatised by 2022. ENI began life as a state-owned company but became public in 1992. Shell and Total are both public companies. Given the role of state parties in corruption cases, these distinctions might be highly relevant and will be explored in the remainder of the engagements.

The Petrobras engagement centred around the Car Wash Investigation, a money laundering scandal that found that executives at Petrobras had accepted bribes in return for awarding contracts to construction firms. This outcome led to Petrobras' writing off US$2,527 million of capitalised costs for overpayment to contractors and suppliers

Objective: Ensure companies have made provisions for the potential liabilities associated with the corruption scandals. Ensure companies have updated internal mechanisms for finding and dealing with corruption across all levels of company operations.
Achieved: clarification gained on the extent of the corruption allegations and a the ultimate financial cost that might be incurred as a result of the litigation and the financial damage.
In Progress: dialogue on companies disclosing the extent to which ongoing corruption investigations are impacting profitability and growth.

"Companies leave themselves exposed to significant legal, financial and reputational risks if they fail to implement effective anti-corruption control mechanisms. The scandal at Petrobras outlines well the negative impact corruption scandals can have on shareholder value."

Cllr Rob Chapman - LAPFF Vice Chair

Operation Car Wash or 'Lava Jato' is an ongoing corruption investigation which initially started in 2008 involving Petrobras, politicians and construction companies.

COMPANY ENGAGEMENT

VOTING ALERTS

Sports Direct
LAPFF issued two voting alerts during the period under review. The first alert related to Sports Direct, a company that has recently faced the ire of investors after its latest results highlighted underwhelming performance as well as substantial unpaid taxes. These issues led to the company's primary auditor, Grant Thornton, announcing the intention to resign ahead of the company AGM. It is clear to LAPFF that although the Board has undergone significant change in recent years - improving independent oversight at Board level - the new directors have not held Mr Ashley to account, as evidenced by the company's continued spree of disparate retail aquistions. This acquisition strategy has raised significant concerns amoung investors. As a result, LAPFF recommended that member funds vote to oppose the entire board. Given the continued confusion with Grant Thornton and the controversy around Sports Direct's Belgian tax payments, LAPFF also recommended opposing the report and accounts, which are unlikely to give an accurate view of the business.

Ryanair
The second alert relates to Ryanair. LAPFF has requested that the company improve its governance practices for a number of years. Despite signing recognition agreements with a number of unions, Ryanair management still appears to struggle to work constructively with unions and staff to negotiate mutually beneficial terms and conditions of employment. With a board lacking in independence, LAPFF considers the board should be refreshed with a greater proportion of independent directors and skill sets appropriate to address and challenge the current company positions. On this basis, LAPFF recommended that members vote to oppose all board directors who are not independent.

ENGAGEMENT MEETINGS

Remuneration

As part of a wider investor discourse, LAPFF joined a call with Southern Company to discuss the implementation of compensation mechanism which links executive remuneration with climate factors. Southern Company is the second largest gas and electric utility company in the US and has recently set GHG reduction targets of 50% by 2030 (compared 2007 output) and 'low-to-no carbon emissions' by 2050. In support of this target, the company has also announced a new compensation metric that is tied to the carbon reduction goal.

The metric has both quantitative and qualitative components, ranging from adding zero-carbon megawatts and retiring coal to leadership in energy policy and R&D investment. The linking of GHG emissions to executive compensation is becoming more frequent across the energy sector, with Shell announcing similar metrics at the end of 2018.

Whilst the move has been welcomed by stakeholders, a number of concerns relating to Southern's remuneration mechanism were voiced at the meeting. These concerns raised three concerns about whether or not the proposed metrics can be considered effective in incentivising performance: (1) Southern has already announced GHG reductions of over 4,000 MW compared to the maximum award goal of 3,500 MW; (2) a net reduction in GHGs is not conditional upon achieving full vesting of the award as failure to reduce emission output can be offset by the generation of zero-carbon energy; and (3) the GHG reduction element of the award represents just 10% of the CEO's total opportunity under the long-term incentive.

LAPFF also asked the company if they would consider tying the GHG metric to the pay of other executive officers.

COMPANY ENGAGEMENT

AGM ATTENDANCE THE CLIMATE CRISIS: CLEAN ENERGY AND STRATEGIC RESILIENCE

National Grid

National Grid will be critical player in delivering the infrastructure needed to decarbonise the UK economy and meet government targets. LAPFF has therefore been engaging the company for a number of years to ensure it is managing the risks of a rapid transition. At this year's AGM, Cllr Glyn Carron welcomed the company's recent progress including its analysis on how net zero carbon emissions could potentially be achieved by 2050 and what this would mean for energy demand and use. Cllr Caron also congratulated the company for joining the Powering Past Coal Alliance, which had been a request at the last meeting with the company. Cllr Carron asked whether National Grid were confident they would be able to meet the new demands on the energy system and infrastructure if there was a rapid shift towards decarbonisation, not least regarding electrification of cars and heating of homes. The company outlined some of the challenges of moving away from certain types of fuel and initiatives they were undertaking with government on electric charging points.

"This initiative makes clear that mobilizing for the planet goes hand-in-hand with protecting our pensions, and we need these commitments now."

Scott F Stringer, New York City Comptroller

PROGRESS

- National Grid is planning to implement carbon pricing on all major investment decisions by 2020.

- LAPFF joins an international grouping of investors sending a Statement to over 30 global oil and gas companies, on methane management, disclosure, and the importance of strong U.S. federal methane regulation.

- Earlier this year LAPFF joined other Climate Majority Project coalition members calling on the 20 largest carbon emitting US utility companies to commit to achieving net-zero carbon emissions by 2050, and to make this commitment by September 2020. In late September both DTE Energy and NRG Energy made unambiguous commitments to net-zero carbon emissions by 2050.

- LAPFF also signed up to an investor statement on deforestation and forest fires in the Amazon. The statement called on companies to disclose and implement a commodity-specific no deforestation policy with quantifiable, time-bound commitments covering the entire supply chain. This statement, which was co-ordinated by the PRI, was issued in direct response to the escalating crisis of deforestation and forest fires in in Brazil and Bolivia during the period under review.

The largest steel-maker in the world, ArcelorMittal

LAPFF met with senior executives of ArcelorMittal in early July, following the publication of the company's first Climate Action report.

•**The commitment:** ArcelorMittal has committed to carbon neutrality in Europe by 2050 and to substantial reductions globally.

•**How the company plans to achieve it:** the Climate Action report has quite detailed low emission technology pathways, with the commercial time horizon for each set out.

•**Target setting:** the meeting had a strong focus on target setting, which ArcelorMittal aim to do in 2020, when the methodology for science-based targets for the steel industry is released. The current target is for an 8% carbon footprint reduction by 2020, against a 2007 baseline.

•**Limitations:** Lakshmi Mittal, ArcelorMittal's joint chair, chief executive has been very clear on his view for the need for a green border tax to make implementation of many of the low carbon technologies commercially viable.

•**Focus for future engagement:** as with other Climate Action 100+ engagements, trade association memberships and target setting are key themes. Company participation in the Energy Transitions Commission, which had been a request at the AGM, has emphasised the view of the need to move to hydrogen technology using renewable energy. ArcelorMittal has already launched a new project in Hamburg to use hydrogen on an industrial scale for the direct reduction of iron ore in the steel production process.

SSAB – Swedish steel-making technology with virtually no carbon footprint

A joint investor call/webinar with the Swedish steelmaker, SSAB, provided useful context for understanding how companies are approaching the technological challenges of moving to low or net-zero carbon steel-making.

SSAB are working in partnership with a mining company (LKAB) and a utility (Vattenfall) on the Hybrit project. The Hybrit project is a hydrogen based process, with a byproduct of water instead of carbon dioxide. The partnership appears

COMPANY ENGAGEMENT

a crucial underpin to its success.

There has been much interest in Hybrit from other steel companies, and almost all major steel companies in Europe have launched similar initiatives. Currently, there is a projected 20-30% increase in cost for this steel, but with renewable electricity costs dropping over time, and the EU emissions trading scheme costs for carbon emissions rising, SSAB has concluded that in future, steel from this process will be able to compete in the market with traditionally made steel. In the interim, SSAB considers customers will be willing to pay a premium for low to zero carbon steel. Ultimately, SSAB is aiming for carbon-neutral production by 2045 in line with the national target for Sweden.

Centrica plans to exit oil and gas exploration and production

Following on from a meeting with Centrica's new Chair, Charles Berry, in May, LAPFF participated in an investor meeting/webinar with Centrica executives which provided the opportunity to not only hear about changes to the company's strategy, but also to probe further into the context for Centrica's target setting.

Centrica plans to exit oil and gas production, including selling its stake in Cuadrilla which operates fracking operations in Lancashire. This move supports a strategic focus on customers, which is mirrored by its target setting for carbon reduction. Customer emissions represent 90% of total company emissions, and the target is to reduce the use of gas and electricity by customers by 25% by 2030, with a goal of net zero by 2050.

For many companies, customer emissions are much larger than their direct and operational emissions, so investors keep a keen eye on target setting in this area, as an indication that boards are addressing this primary carbon reduction challenge. BHP has been notable amongst the diversified miners in this regard, announcing in July that it will set and disclose goals in 2020 to tackle emissions from customers that use its iron ore and coking coal for steelmaking and other products.

Carmakers in the US

LAPFF alongside other investors has been engaging both Ford and General Motors (GM) on their approach to climate change, which became more pressing with the US administration planning a roll-back on fuel efficiency standards. LAPFF and other investors were initially calling on companies to engage with the federal government but also with California. The Forum had previously written to the companies to continue to work with California on agreed standards to reduce greenhouse gas emissions regardless of the federal approach. GM responded to a separate correspondence from the investor coalition outlining their investment in electric vehicles and stating that they were encouraging a negotiated national solution. However, there was a more positive response from Ford alongside BMW, Volkswagen and Honda who have agreed a deal with California on fuel efficiency standards. The Forum wrote to those companies thanking them for their agreement to voluntarily comply with California's rules while also calling on GM to follow suit. This agreement is a major win for the Forum and will potentially have significant environmental and economic benefits for all stakeholders.

SOCIAL RISK ENGAGEMENTS
DIVERSITY

Aveva Group

LAPFF has identified the technology sector as having particularly low levels of women represented on company boards and therefore has focused diversity engagements in this sector. As part of this engagement strand, the Forum spoke with the Philip Aiken (pictured), chair of UK-based technology company Aveva, to gain a better understanding of how Aveva is tackling management of diversity throughout the company as well as any target setting on gender diversity in particular. Mr Aiken provided a clear outline of measures the company was taking in recruiting and retaining women in Aveva's workforce and the approach to boardroom appointments, with the latest appointments split equally between men and women. Further improvement in board level diversity is unlikely in the short-term, with no board appointments imminent, leaving the company still falling short of 30% female board representation mark.

COLLABORATIVE ENGAGEMENTS

Methane: regulatory oversight

Four oil and gas majors have come out publicly in support of federal methane regulation (Shell, BP, Exxon Mobil and Equinor) with Shell's statement being the strongest. Despite this, the Trump Administration is seeking to remove methane from regulatory oversight. LAPFF has supported an Investor Statement which asks a range of these 'non-renewable' companies to speak out publicly on the need to maintain both the federal regulation of methane and the US Environmental Protection Agency (EPA)'s 'Endangerment Finding'. This finding dates from 2009 and requires the EPA to take action under the Clean Air Act to curb emissions of carbon dioxide, methane and other greenhouse gases which would endanger 'the public health and welfare of current and future generations'. The Investor Statement is also being sent to a number of US Electric Power companies on the risk posed to downstream companies including Dominion, Duke, Xcel, Exelon, Southern and NRG. LAPFF has also written to the National Grid Chair with the Statement as the company has significant operations in the US distributing electricity and natural gas.

The Powering Past Coal Alliance

The government department for Business, Energy and Industrial strategy (BEIS) is working to develop Finance Principles for the UK and Canadian government-led 'Powering Past Coal Alliance'. The PPCA Finance Principles are covered in the government's new Green Finance Strategy.

LAPFF has signed up to be a partner to the 'Powering Past Coal Alliance'. This decision is in line with LAPFF policy that there should be no new investment in coal. This position will be made public in New York in late September as part of UN Climate Action Summit (pre)meetings. There will be further opportunities for

COMPANY ENGAGEMENT

LAPFF members to join PPCA through to and including COP26 in late 2020.

US Corporate Lobbying positions

Companies have significant influence on climate and energy policies and LAPFF has concerns, shared by other investors, about lobbying activities that are inconsistent with addressing the risks posed by climate change.

LAPFF, through its CERES membership, has therefore joined other signatories to an investor letter to 55 US companies to share expectations on the topic of corporate lobbying on climate change and to request information about how each company ensures that its lobbying activities are consistent with the goals of the Paris Agreement on climate change. Some members wishing to take a more active approach have taken up the opportunity to file or co-file resolutions to US companies that have been identified with significant federal and state lobbying expenditures and that lack or have poor disclosure on trade association memberships.

POLICY ENGAGEMENTS

Reliable accounts updates

There have been few developments in this area since the last Quarterly Engagement Report, other than the fact that the new Chair of the Audit, Reporting and Governance Authority (ARGA) has been announced as Simon Dingemans.

Further to the penalties on Tesco plc, following accounting irregularities in 2014, LAPFF has again approached the Financial Conduct Authority (FCA) and a meeting between the LAPFF Chair and the FCA is pending. LAPFF made the point that the system the FCA had used, compensating one class of shareholder at the cost of another, was disadvantageous to long-term shareholders.

As part of an investor group led by Sarasin & Partners LLP, LAPFF attended a meeting with PwC about the extent to which auditors are able to provide assurance that companies are accounting for material climate risks. The concern is whether audit committees, as well as the auditors themselves, are able to ensure that a company's financial statements convey a true and fair view of the businesses financial performance if climate considerations are not adequately disclosed. The balance sheets of oil and gas companies (now classified as 'non-renewables') are particularly at risk of potential overstatement given the increase in risk of asset depreciation consequent to changes in government policies, technological advances and public opinion amongst other factors. PwC acknowledged the role of the auditor in reporting climate risks. It became apparent during the discussion that the primary obstruction to consistency in reporting climate risks originates from the judgement auditors make around whether financial statements that do not outline climate change as a material risk remain compliant with reporting requirements.

Investing in a Just Transition to a Net Zero Economy – What needs to change?

Changes to secure investment in the Just Transition were discussed at the Liberal Democrat, Conservative and Labour conferences. Organised by the Smith Institute, the meetings provided a platform for LAPFF to set out what these changes should be. Both the LAPFF Chair, Cllr Doug McMurdo and Vice-chair, Cllr Rob Chapman identified that partnership is critical to the success of the Just Transition. So a core recommendation from LAPFF was that the UK government should establish a Just Transition Commission, along the lines of the Scottish Commission, to bring public and private sectors together.

A consensus from the Liberal Democrat meeting was that there needed to be much more certainty around environmental regulation and policy to support the move to a net zero economy in a just way. The regulatory environment was also central to discussions at the Conservative fringe meeting with a call for greater cross government collaboration and a dedicated cabinet minister and governmental department. At the Labour meeting, there was agreement that the target of net zero emissions by 2030 achieved in a 'just' way was ambitious and that there should be focus on making as much progress in the short term as possible.

MEDIA COVERAGE

Pension fund anger at Sports Direct's Mike Ashley: 'There's a problem here'
Yahoo! Finance, 11 September 2019

A third of Sports Direct investors vote against re-electing Mike Ashley
The Guardian, 11 September 2019

Sports Direct in race against time to find new auditor
Financial Times, 11 September 2019

Sports Direct shares recover some losses
The BBC News, 29 July 2019

Results debacle hits Sports Direct shares
The Times, 30 July 2019

Investors urge cement makers to cut emissions
Financial Times, 21 July 2019

Super Fund corrals $13trn for livestreaming action
Newsroom, 20 August 2019

Germany and Slovakia head list of new Alliance members at UN Climate Action Summit
Powering Past Coal Alliance, 22 September 2019

Inside view: How to be an effective steward of assets
Funds Europe Magazine, 25 September 2019

NETWORKS AND EVENTS

ClientEarth 'Climate Change and the Law' Seminar - This event explored how to use the existing legal framework to better encourage companies to report both on their climate change impacts and on how they will be affected by climate change.

LAPFF attended the launch of the FAIRR Protein Producer Index. The Index benchmarks the largest global meat, dairy and aquaculture producers using environmental, social and governance risk factors in line with the Sustainable Development Goals.

> The processing of 70 billion animals for human consumption annually is responsible for 14% of the world's greenhouse gas emissions.
> *Jeremy Coller - Coller FAIRR Protein Producer Index*

COMPANY PROGRESS REPORT

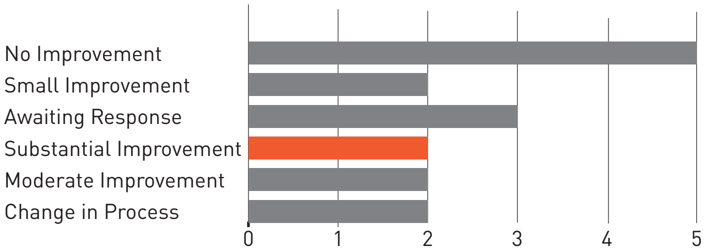
108 Company engagements over the quarter including the following meetings, voting alert submissions and filing of shareholder resolutions

Company	Activity	Topic	Outcome
ARCELORMITTAL SA	Meeting	Climate Change	Change in Process
BAE SYSTEMS PLC	Meeting	Human Rights	No Improvement
CENTRICA PLC	Meeting	Climate Change	Substantial Improvement
GENERAL MOTORS COMPANY	Meeting	Environmental Risk	Small improvement
GLENCORE PLC	Meeting	Audit Practices	Small Improvement
NATIONAL GRID PLC	AGM	Climate Change	Substantial Improvement
PETROBRAS-PETROLEO BRASILIERO	Meeting	Reputational Risk	Moderate Improvement
RYANAIR HOLDINGS PLC	Alert Issued	Governance (General)	
SOUTHERN COMPANY	Meeting	Climate Change	Change in Process
SPORTS DIRECT INTERNATIONAL PLC	Alert Issued	Governance (General)	
WALT DISNEY	Resolution filed	Climate Change	Dialogue

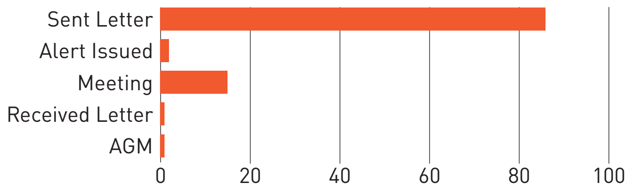
SUBSTANTIAL IMPROVEMENTS: Centrica plans to exit oil and gas production, including selling its stake in Cuadrilla which operates fracking operations in Lancashire. **National Grid** is joining the Powering Past Coal Alliance, which had been a request at the last meeting with the company.

ENGAGEMENT DATA

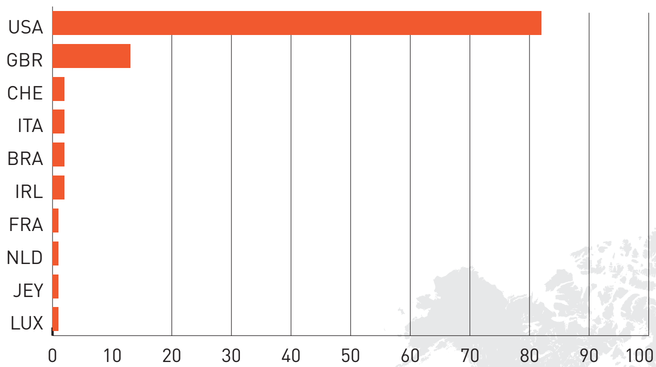
MEETING ENGAGEMENT OUTCOMES



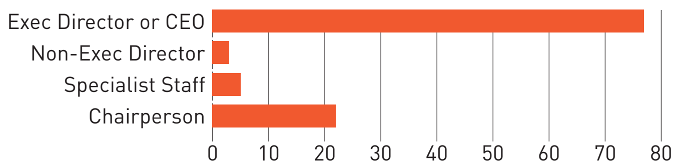
ACTIVITY



COMPANY DOMICILES



POSITIONS ENGAGED



ENGAGEMENT RE YEMEN

The reputational damage facing local authority funds as a result of holding Aerospace and Defence companies has been outlined.

LOCAL AUTHORITY PENSION FUND FORUM MEMBERS

Avon Pension Fund
Barking and Dagenham Pension Fund
Barnet Pension Fund
Bedfordshire Pension Fund
Border to Coast Pensions Partnership
Brunel Pensions Partnership
Cambridgeshire Pension Fund
Camden Pension Fund
Cardiff & Glamorgan Pension Fund
Cheshire Pension Fund
City of London Corporation Pension Fund
Clwyd Pension Fund (Flintshire CC)
Cornwall Pension Fund
Croydon Pension Fund
Cumbria Pension Fund
Derbyshire Pension Fund
Devon Pension Fund
Dorset Pension Fund
Durham Pension Fund
Dyfed Pension Fund
Ealing Pension Fund
East Riding Pension Fund
East Sussex Pension Fund
Enfield Pension Fund
Environment Agency Pension Fund
Falkirk Pension Fund
Gloucestershire Pension Fund
Greater Gwent Pension Fund
Greater Manchester Pension Fund
Greenwich Pension Fund
Gwynedd Pension Fund
Hackney Pension Fund
Hammersmith and Fulham Pension Fund
Haringey Pension Fund
Harrow Pension Fund
Havering Pension Fund
Hertfordshire Pension Fund
Hounslow Pension Fund
Islington Pension Fund
Kingston upon Thames Pension Fund
Lambeth Pension Fund
Lancashire County Pension Fund
Leicestershire Pension Fund
Lewisham Pension Fund
LGPS Central
Lincolnshire Pension Fund
London CIV
London Pension Fund Authority
Lothian Pension Fund
Merseyside Pension Fund
Merton Pension Fund
Newham Pension Fund
Norfolk Pension Fund
North East Scotland Pension Fund
North Yorkshire Pension Fund
Northern LGPS
Northamptonshire Pension Fund
Northumberland Pension Fund
Nottinghamshire Pension Fund
Oxfordshire Pension Fund
Powys Pension Fund
Redbridge Pension Fund
Rhondda Cynon Taf Pension Fund
Shropshire Pension Fund
Somerset Pension Fund
South Yorkshire Pension Authority
Southwark Pension Fund
Staffordshire Pension Fund
Strathclyde Pension Fund
Suffolk Pension Fund
Surrey Pension Fund
Sutton Pension Fund
Swansea Pension Fund
Teesside Pension Fund
Tower Hamlets Pension Fund
Tyne and Wear Pension Fund
Wales Pension Partnership
Waltham Forest Pension Fund
Wandsworth Borough Council Pension Fund
Warwickshire Pension Fund
West Midlands ITA Pension Fund
West Midlands Pension Fund
West Yorkshire Pension Fund•
Westminster Pension Fund
Wiltshire Pension Fund
Worcestershire Pension Fund

Bath & North East Somerset Council	
MEETING:	**AVON PENSION FUND COMMITTEE**
MEETING DATE:	**6 DECEMBER 2019**
TITLE:	**PENSION FUND ADMINISTRATION** **(1) SUMMARY PERFORMANCE REPORT TO 30th September 2019** **(2) PERFORMANCE INDICATIORS TO 30th September 2019** **(3) TPR COMPLIANCE**
WARD:	**ALL**
AN OPEN PUBLIC ITEM	

List of attachments to this report:

Appendix 1 – Membership data

Appendix 2 – Performance Measurement against SLA and Workloads

Appendix 2a – SLA Measurement Schedule

Appendix 2b – Performance Measurement against Statutory Legal Deadline

Appendix 2c – Statutory Legal Measurement Schedule

Appendix 3 – Employer Performance

Appendix 4 – TPR Data Improvement Plan

Appendix 5 – Late Payers

Appendix 6 – Customer Feedback

Appendix 7 – IDRP Current Cases

Appendix 8 – Risk Register Top 10

Annex 1 - GDPR Breach Report

Annex 2 - Temporary Admin Restructure

1 THE ISSUE

1.1 The purpose of this report is to inform the Committee of performance figures for Fund Administration for the three months to 30th September 2019.

1.2 Further to the introduction of The Pension Regulator (TPR) Code of Practice 14 and The Public Service Pensions (Record Keeping & Miscellaneous Amendments) Regulations 2014, this report includes progress on the TPR Data Improvement Plan and levels of employer compliance.

1.3 Following the recent data breach, this report also includes a recommendation to the Committee for additional resource to manage monthly employer data upload

2 RECOMMENDATION

The Committee is asked to:-

2.1 Note - Membership data, Fund and Employer performance for the 3 months to 30th September 2019.

2.2 Note - Progress and reviews of the TPR Data Improvement Plan.

2.3 Approve – The additional resource requirements as set out in Annex 2

3 MEMBERSHIP TRENDS

3.1 *Appendix 1* provides a detailed breakdown of employer/member ratio and split between whole time and multiple employment membership as well as a snapshot of individual employer and member make up. The increasing number of new smaller employers to the Fund as part of the fragmentation of the employer base (newly created Academies/MAT's and Transferee Admitted Bodies) has a direct impact on the administration workload with increased movement between employers, especially within the education sector. Continued development of data reporting going forward will enable further understanding of the demographic nature of employer type and associated member make up as employers continue to evolve.

4 AVON PENSION FUND – ADMINISTRATIVE PERFORMANCE

4.1 Key Performance Indicators for the 3 months to 30th September 2019.

4.2 The information provided in this report is based on the Avon Pension Fund's performance against the Service Level Agreement which falls in line with the industry standards set out by the LGPC & used in CIPFA benchmarking. All standards fall within the regulatory guidelines set out in The Occupational & Personal Pension Schemes (Disclosure of Information) Regulations (as amended) which require provision of information to members.

4.3 Full details of APF performance against SLA targets, in tabular and graph format, are shown in *Appendix 2; Annex 1 to 4*. Appendix 2a provides further context around the measurement of APF performance against the SLA.

4.4 *Appendix 2b* sets out APF performance against legal statutory deadlines and *Appendix 2c* provides legal context.

4.5 Performance against SLA targets are reported and show similar results as compared with the last quarter.

4.6 Performance against legal statutory deadlines has generally improved against the previous quarter. Further work is being undertaken to target transfer cases which remain below target. Performance reporting now includes measurement against new starters and divorce cases as per new CIPFA guidance.

5.8 Admin Case Workload - The level of work outstanding from tasks set up is reported in *Appendix 2; Annex 5 & 6*;by showing what percentage of the work is outstanding. As a snapshot, at 30th June there were 3,907 cases outstanding (a decrease of 787 cases from previous report) of which 38.8% represents actual workable cases, i.e. 1,512 cases.

5 RESOURCE UPDATE

5.1 **Member Services** – Following the appointment of the new Member Services Manager recruitment has also taken place to appoint 2 Pensions Officer (PO) posts and 1 Assistant PO post. A further APO post is currently being advertised. Furthermore, the Fund is currently recruiting a replacement Fire Liaison officer role.

5.2 **Employer Services –** A new Employer Relations Senior PO has been appointed wef 4th November 2019. This recruitment is being done in conjunction with temporary maternity cover for another Employer Relations Senior Pensions Officer who commenced maternity leave on 19th September.

5.3 Following the recent GDPR breach the Fund has reviewed the process and procedure for receiving I-Connect data submissions. A temporary structure has been agreed with the Head of Business Finance and Pensions to manage the monthly data input and mitigate further risk. The structure (I-Connect team) will consist of 1 technical lead supported by 3 Senior Officer grades. A brief consultation will take place ahead of recruitment and the structure will be reviewed following further analysis of data and output over the coming months. The Fund is developing a suit of reports to monitor monthly I-Connect and these will be reported quarterly to both pensions Committee and LPB on a quarterly basis. The first report is expected to be available for the next Committee in March 2020.

5.4 Training and mentoring of new staff is ongoing and as such continues to impact overall administration performance and output.

6 EMPLOYER PERFORMANCE

6.1 Employer Performance - *Appendix 3* highlights employer performance retirements covering the 3 months to 30th September 2019.

6.2 During the period from 1st July to 30th September 2019 a total of 1,139 leaver forms were received with an average accuracy rate of 79%.

6.3 All Unitary Authorities and larger employers are now submitting monthly I-Connect returns. Compared to the same period last year there has been an overall reduction in leaver forms of 80%.

6.4 The i-Connect onboarding project has been temporarily suspended pending recruitment of the I-Connect team. It is expected that this will recommence once the Fund has robust monitoring and reporting tools in place to manage the monthly process. Currently, there are a further 182 employers to be set up on I-Connect representing approximately 15% of scheme active membership.

7 TPR DATA IMPROVEMENT PLAN

7.1 A ‘Data Score’ has now been added to the TPR reporting as shown in Appendix 4. This has been calculated in accordance with the Pension Regulator’s guidance. The Fund’s overall data score as at 30 September 2019 is calculated as 94.36%.

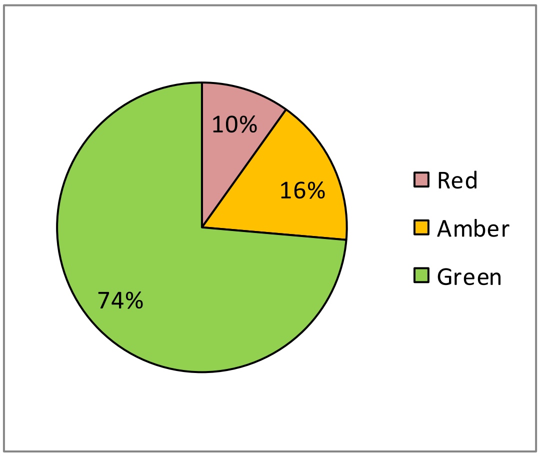
7.2 Although the overall data score has remained constant the split of queries for active members is now across an increased number of smaller employers who may only need one or two data queries to put them in the red or amber category. Employers will continue to be targeted for improvement. The amount of TPR queries has increased by approximately 100 which is to be expected following the year end data process.

7.3 A summary of the RAG rating by employer is shown below. The RAG rating reflects employers with % outstanding data queries against profiled scheme membership: (over 10% = Red, between 0.1% & 10% = Amber and 0% = Green).

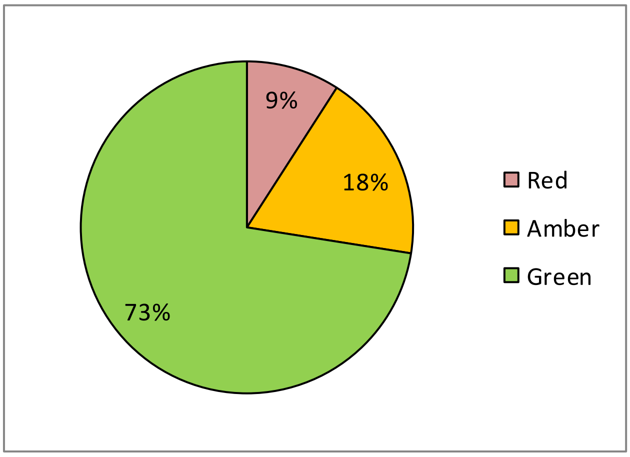
No of employers Dec 2018	No of employers March 2019	No of employers June 2019	No of Employers Sept 2019	Queries	RAG rating
43	40	59	49	10% >	Red
72	81	108	124	0.1 to 10%	Amber
321	319	281	276	0%	Green

Equivalent % rating of whole Fund

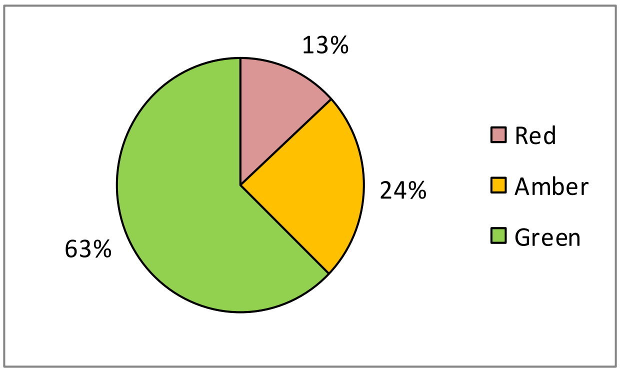
December 2018



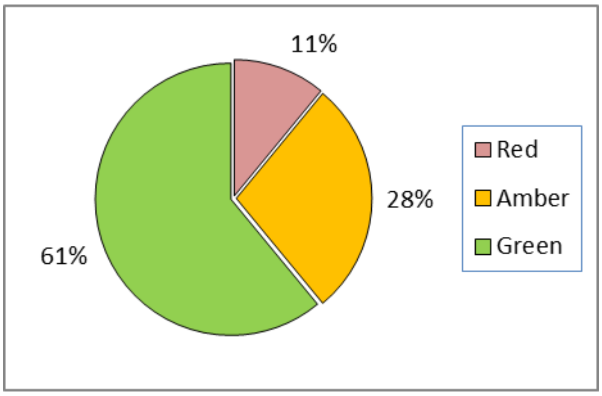
March 2019



June 2019



September 2019



Data for the Unitary Authorities is listed below.

Unitary authorities	Queries Dec 18	Queries Mar 19	Queries June 19	Queries Sept 19	Member ship	RAG	
BANES	136	125	99	72	2622	2.74%	Amber
Bristol City	198	188	292	228	8894	2.56%	Amber
North Somerset	49	50	50	40	1887	2.12%	Amber
South Gloucestershire	71	29	77	96	5631	1.7%	Amber

Address Rectification

7.4 The committee has previously agreed the Fund’s proposal to use a tracing agency to locate both missing and ‘gone away’ member addresses. The tracing project is ongoing the current position is detailed in the table below:

	Original cases	%	Sept 19	Totals	%
New addresses updated	1,248	35.3	29	1,593	43.3
Letters returned - not at address or gone away	69	2.0	-6	154	4.2
Member confirmed as deceased	160	4.5	-	172	4.7
Letters issued awaiting response	2,055	58.2	-	1,751	47.6

8.5 Chasers are being sent to members who have not replied and we have also attempted to make contact via email or telephone.

8 LATE PAYERS

8.1 The Fund is required to monitor the receipt of contributions and report materially significant late payments to the Pensions Regulator.

8.2 The Fund maintains a record of all late payments, showing the days late, the amount of payment and reason for delay and whether the amount is of significance.

8.3 *Appendix 5* reports late payers in the period to 30th September 2019. There were a small number of late payments in the reporting period, none of which were of material significance and therefore recorded internally but not reported to TPR. The Fund has taken mitigating action in each case to ensure employers are aware of their responsibilities going forward.

9 REGULATORY BREACHES – 5 YEAR REFUND CASES

9.1 The 2013 LGPS regulations require schemes to pay a refund of contributions within 5 years. Failure to complete payment is classified as a regulatory breach and is required to be reported to the pensions committee and local pension board.

9.2 The Fund has identified and noted 29 breaches in the period 1st July to 30th September 2019. Of which 7 cases are reported as gone away/no longer at address held and 22 cases have been contacted but not responded.

9.3 The National Technical Group has previously made a recommendation to the Scheme Advisory Board to remove the requirements to pay a refund of contributions within five years under the 2013 regulations. The SAB have agreed to proceed with this regulatory change and are in the process of making recommendations to MHCLG.

10 GDPR – DATA PROTECTION BREACH

10.1 As updated verbally at the previous Pension Committee the Fund had cause to report a member data breach internally to Information Governance for investigation and subsequently this was reported to the Information Commissioners Office (ICO) for consideration. The ICO have now reviewed the breach and based on the information provided by the Fund and B&NES IG have decided that no further action will be taken. Details of the breach and the ICO response can be found at Annex 1 to this report.

11 TEMPORARY RESTRUCTURE & CONSULTATION

11.1 To mitigate further risk of data errors and to manage the workload created by the receipt of monthly employer data the Fund has restructured its Employer Services team creating additional resource to manage the data upload.

11.2 Details of the additional resource requirements and associated costs are contained in Annex 2 to this report.

11.3 A suite of reports is being introduced to monitor the receipt, accuracy and timeliness of employer monthly data returns on an ongoing basis and these will be included in future Committee and Pension Board reports for review.

12 YEAR END

12.1 The 2018/19 Year End has now been completed. 254 employers submitted their year-end data via i-Connect and 182 employers submitted their data by the old method of completing and sending an excel spreadsheet

12.2 Any outstanding queries as a result of the year end process have now been included in the TPR statistics.

12.3 A total of 15 employers will be fined, 1 for late submissions and 12 for data queries in excess of 10% and 2 for disproportionate work. All fined employers will be issued with a data improvement plan. Furthermore, 11 i-Connect payrolls and 6 On Line Return employers have been identified as having a high level of data queries, they will therefore be reviewed and given additional support and a issued a data improvement plan where necessary. Any employer who is not a repeat offender will be given the opportunity to attend training in lieu of a penalty fine.

12.4 The primary repeat offenders are EACT and Diocese of Bristol Academy trust with St Mary Redcliffe Primary school.

13 CUSTOMER FEEDBACK

13.1 Appendix 6 highlights the 65 responses to the online survey for retirees. In summary, 75% of respondents indicated that they were very satisfied (71%) or fairly satisfied (8%) with service they received from the Avon Pension Fund.

13.2 There were 45 results from the online survey, rating each page on the website (a 1 to 5 star rating) during the period. 82.2% of respondents gave the website a 4 or 5 star rating (80.0% giving it 5 stars).

14 IDRP

14.1 Under the LGPS Regulations there is the provision that Scheme Members can exercise a right of appeal for any disagreement that cannot be resolved. This is done under an IDRP. The table at Appendix 7 shows the cases going through at the present time.

15 RISK REGISTER

15.1 The Risk Register follows the Council's format for each service. It identifies the significant risks that could have a material impact on the Fund in terms of value, reputation, compliance or provision of service and sets out the action taken to manage the risk. Risks identified cannot be eliminated but can be treated via monitoring.

15.2 The risks identified fall into the following general categories:

(i) Fund administration & control of operational processes and strategic governance processes and TPR compliance – mitigated by having appropriate policies and procedures in place, use of electronic means to receive and send data and information

(ii) Service delivery partners not delivering in line with their contracts or SLAs – mitigated by monitoring and measuring performance

(iii) Financial loss due to payments in error, loss of assets due to investment strategy and/or managers failing to deliver required return, fraud or negligence of investment managers or custodian – mitigated by processes to reconcile payments, regular review of strategic return and manager performance and annual review of investment strategy, robust legal contracts to protect against fraud & negligence

(iv) Changes to the scheme – mitigated by project plans with defined milestones and responsibilities, progress reviewed periodically by management team

(v) Increasing political pressure to reform scheme structure and governance frameworks and direct investment decisions – mitigated by having well defined investment policies and by engaging with the government through the consultation process

15.3 The Fund continues to invest significantly in systems and resources to ensure the risks are managed effectively and resilience is built into the service. The arrangements in place are supported by external and internal audit reviews

- The Fund reviews all risks annually and the top 10 risks and changes quarterly with the latest review in September 2019.

15.4 The top 10 risks, including their likelihood, impact and mitigating actions are set out in **Appendix 8.**

15.5 The process for managing the risk register is due to be reviewed and will be brought to Committee in due course for approval.

16 RISK MANAGEMENT

16.1 The Avon Pension Fund Committee is the formal decision-making body for the Fund. As such it has responsibility to ensure adequate risk management processes are in place. It discharges this responsibility by ensuring the Fund has an appropriate investment strategy and investment management structure in place that is regularly monitored. In addition, it monitors the benefits administration, the risk register and compliance with relevant investment, finance and administration regulations.

17 CLIMATE CHANGE

17.1 The Fund is implementing a digital strategy across all its operations and communications with stakeholders to reduce its internal carbon footprint. The Fund acknowledges the financial risk to its assets from climate change and is in the process of addressing this through its strategic asset allocation to Low Carbon Equities and renewable energy opportunities. The strategy is monitored and reviewed by the Committee.

18 OTHER OPTIONS CONSIDERED

18.1 There are no issues to consider not mentioned in this report.

19 CONSULTATION

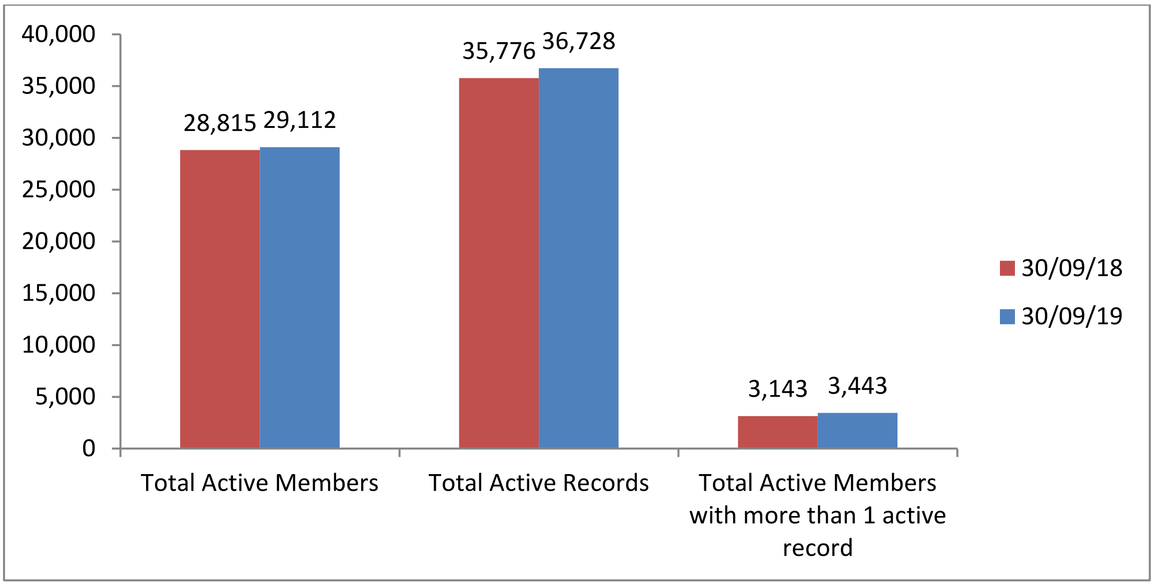
19.1 The Council's Monitoring Officer and Section 151 Officer have had the opportunity to input to this report and have cleared it for publication.

Contact person	*Geoff Cleak, Pensions Manager; Tel 01225 395277*
Background papers	*Various statistical documents.*
Please contact the report author if you need to access this report in an alternative format	

Membership data as at 30th September 2019 Appendix 1

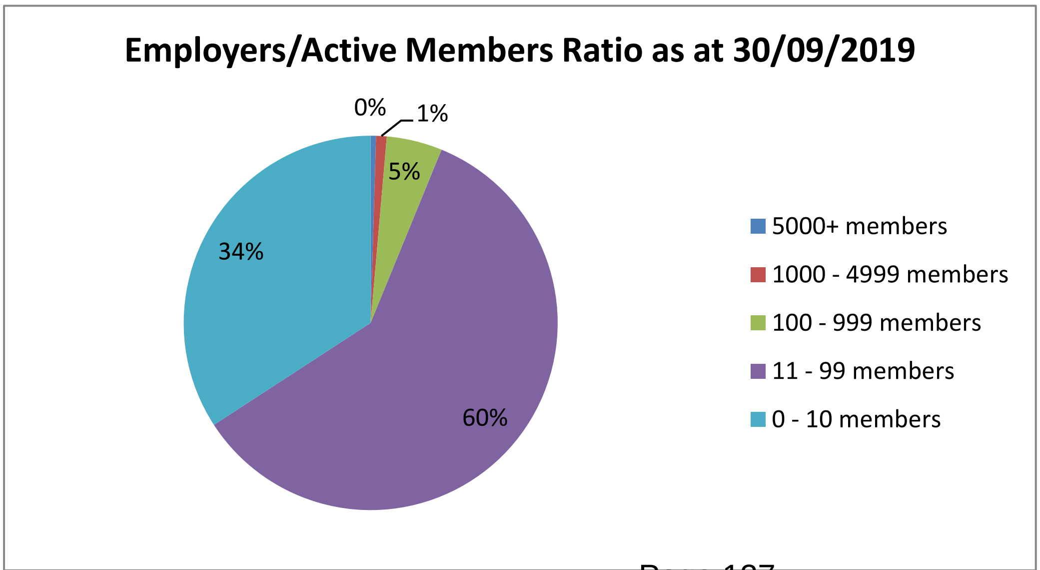
Annex 1

Active membership	30/09/2018	30/09/2019	+/-
Total Active Members	28,815	29,112	+297
Total Active Records	35,776	36,728	+952
Total Active Members with more than 1 active record	3,143	3,443	+300



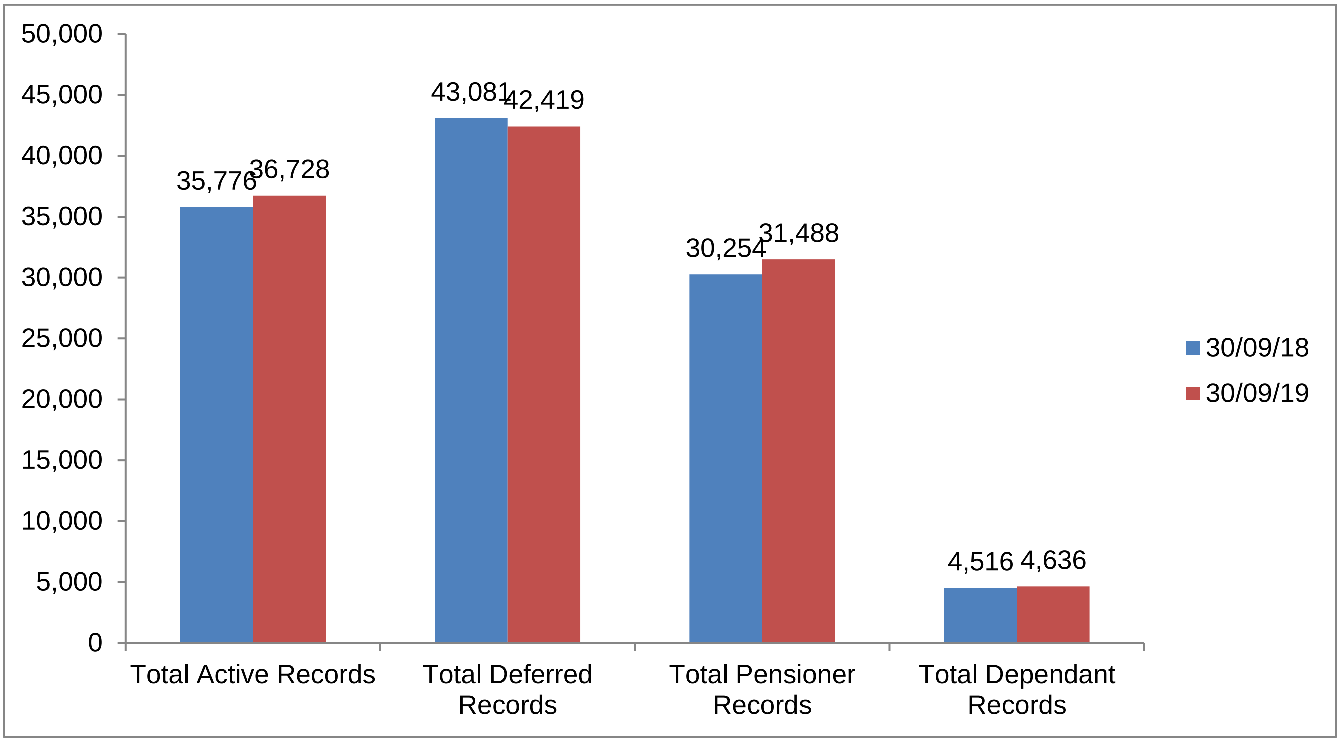
Annex 2

Employers/Active Members Ratio	30/09/2018	30/09/2019	+/-
Number of employers with 5000+ members	2	2	0
Number of employers with between 1000 and 4999 members	4	4	0
Number of employers with between 100 and 999 members	20	21	+1
Number of employers with between 11 and 99 members	223	260	+37
Number of employers with between 0 and 10 members	154	149	-5
Total	403	436	+33



Annex 3 – **Total number of member records by type**

	30/09/2018	30/09/2019	+/-
Total Active Records	35,776	36,728	+952
Total Deferred Records	43,081	42,419	-662
Total Pensioner Records	30,254	31,488	+1,234
Total Dependant Records	4,516	4,636	+120



Fund performance - Key Performance Indicators As at 30 September 2019 Appendix 2

Annex 1

		Total Processed	Total Processed in Target	Percentage Processed within Target	Total Processed within 5 days of Target	Percentage Processed within 5 days of Target
		Cases Last Quarter Measured Against SLA				
Retirement (from Active)	**Quote - 15 days**	249	231	92.77%	7	95.58%
	Payment - 15 days	199	181	90.95%	3	92.46%
Retirement (from Deferred)	**Quote - 30 days**	120	77	64.17%	19	80.00%
	Payment - 15 days	396	376	94.95%	5	96.21%
Deaths	**Notification - 5 days**	98	95	96.94%	3	100.00%
	Payment - 10 days	92	85	92.39%	2	94.57%
Refund of contributions	**Quote - 10 days**	466	288	61.80%	104	84.12%
	Payment - 10 days	274	247	90.15%	11	94.16%
Deferreds (early leavers)	**30 days**	570	454	79.65%	116	100.00%
Transfers In	**Quote - 10 days**	180	69	38.33%	25	52.22%
	Payment - 10 days	91	57	62.64%	7	70.33%
Transfers Out	**Quote - 10 days**	289	75	25.95%	35	38.06%
	Payment - 10 days	17	4	23.53%	1	29.41%
Estimates	**Member - 15 days**	171	144	84.21%	11	90.64%
	Employer - 15 days	84	59	70.24%	6	77.38%
Divorce	**Quote - 45 days**	86	65	75.58%	0	75.58%
	Actual - 15 days	6	5	83.33%	1	100.00%
Starters	**40 days**	959	949	98.96%	0	98.96%
		4347	3461	79.62%	356	87.81%

RAG key	
Red	Less than 75%
Amber	75 - 89%
Green	90 - 100%

		Tasks Last Quarter							
		Average Days to Process	Actual Days to Process						
			0 - 5	6 - 10	11 - 15	16 - 20	21 - 25	26 - 30	31+
Retirement (from Active)	**Quote - 15 days**	6	192	29	10	7	4	2	5
	Payment - 15 days	6	152	23	6	3	4	6	5
Retirement (from Deferred)	**Quote - 30 days**	6	96	7	6	2	4	1	4
	Payment - 15 days	4	320	38	18	5	4	2	9
Deaths	**Notification - 5 days**	1	95	3	0	0	0	0	0
	Payment - 10 days	5	73	12	2	2	0	3	0
Refund of contributions	**Quote - 10 days**	13	110	178	104	43	2	4	25
	Payment - 10 days	6	176	71	11	8	4	2	2
Deferreds (early leavers)	**30 days**	19	102	124	77	50	52	49	116
Transfers In	**Quote - 10 days**	33	36	33	25	10	6	0	70
	Payment - 10 days	22	47	10	7	3	4	0	20
Transfers Out	**Quote - 10 days**	27	30	45	35	36	11	29	103
	Payment - 10 days	40	4	0	1	1	0	0	11
Estimates	**Member - 15 days**	9	61	38	45	11	9	0	7
	Employer - 15 days	10	27	22	10	6	8	5	6
Divorce	**Quote - 45 days**	27	22	13	7	3	8	1	32
	Actual - 15 days	5	4	0	1	1	0	0	0
Starters	**40 days**	7	904	39	0	0	1	1	14

RAG key	Processed
Red	More than 5 days over target
Amber	Within 5 days of target
Green	Within target

Annex 2

SLA Standards for Processing Admin Tasks						
Work Type	Target Processing SLA (Old/New)	Q4 (Old) Oct 18 - Dec 18	Q1 (Old) Jan 19 - Mar 19	Q2 (New) Apr 19 - Jun 19	Q3 (New) Jul 19 - Sept 19	Trend
Retirement (from Active)	Quote - 5 / 15 days	68.08%	69.43%	88.04%	92.77%	
	Payment - 5 / 15 days	77.25%	72.44%	92.27%	90.95%	
Retirement (from Deferred)	Quote - 30 days	71.83%	43.33%	64.90%	64.17%	
	Payment - 5 / 15 days	87.43%	70.44%	88.56%	94.95%	
Deaths	Notification - 5 days	86.60%	86.73%	100.00%	96.94%	
	Payment - 5 / 10 days	45.12%	61.76%	67.42%	92.39%	
Refund of contributions	Quote - 10 days	85.85%	82.22%	77.82%	61.80%	
	Payment - 10 days	90.69%	92.48%	82.60%	90.15%	
Deferreds (early leavers)	Notification - 20 / 30 days	47.04%	65.70%	88.81%	79.65%	
Transfers In	Quote - 10 days	67.16%	35.71%	22.73%	38.33%	
	Payment - 10 days	52.94%	24.24%	14.29%	62.64%	
Transfers Out	Quote - 10 days	46.77%	52.11%	71.79%	25.95%	
	Payment - 10 days	57.89%	15.79%	21.74%	23.53%	
Estimates	Member - 10/15 days	55.90%	64.23%	63.40%	84.21%	
	Employer - 15 days	N/A	N/A	71.30%	70.24%	
Divorce	Quote - 45 days	N/A	N/A	100.00%	75.58%	
	Actual - 15 days	N/A	N/A	50.00%	83.33%	
Starters	40 days	N/A	N/A	98.85%	98.96%	
	Total Cases Processed	2696	2776	4148	4347	

RAG key	
Red	Less than 75%
Amber	75 - 89%
Green	90 - 100%

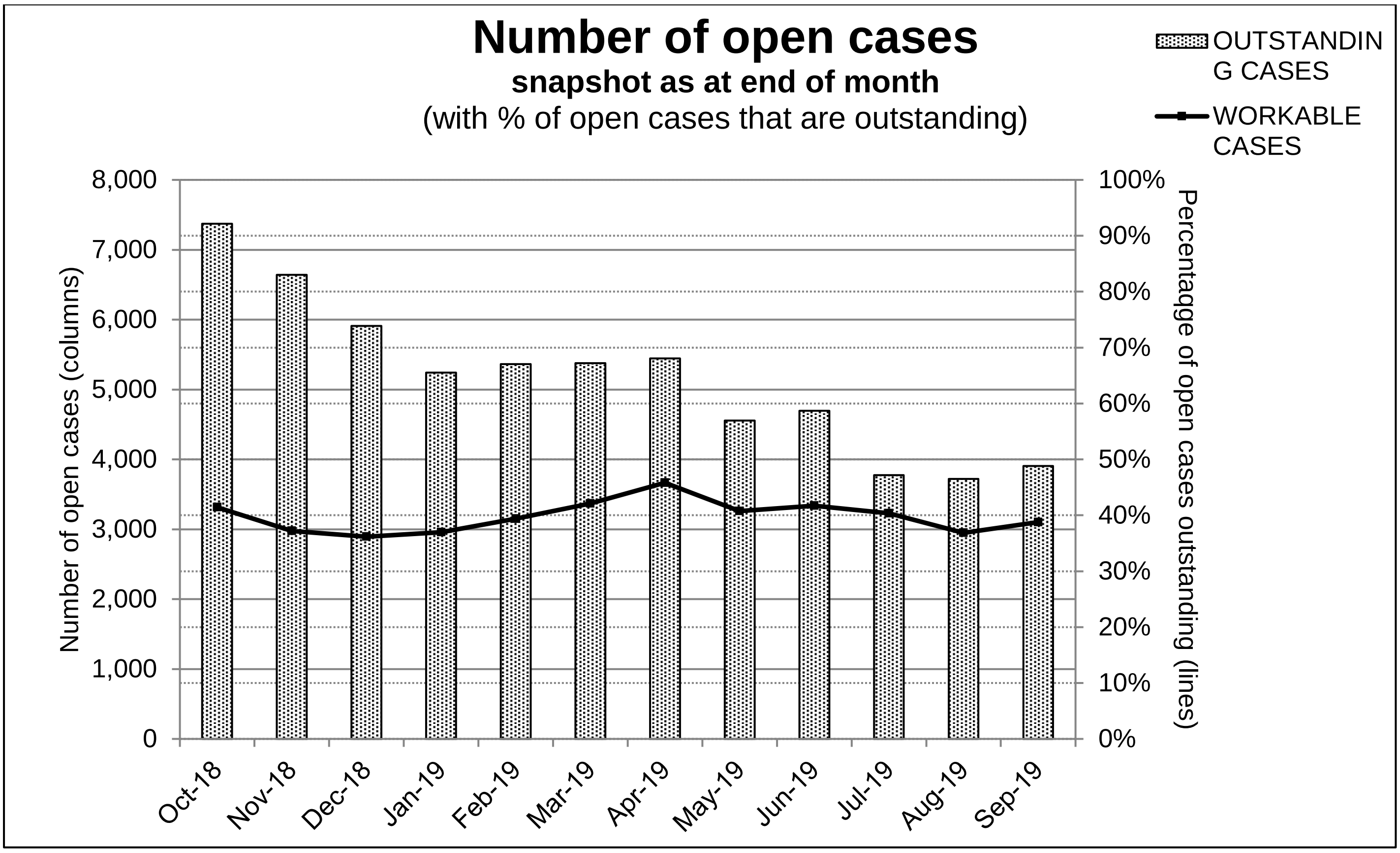
Annex 3

Statutory requirements	Timescale/deadline	3 months to 30/09/19	Notes
Year End data from employer	by 30 June	0	N/A this period
Issue ABS	by 31 August	YES	Active members = 97.4%
Issue Pension Saving Statements	by 6th October	YES	62 Pension Saving Statements (PSS) issued
Notify scheme changes	within 3 months	0	N/A this period
Issue Active member newsletter	2 issues per year	YES	Issued with ABS
Issue Deferred member newsletter	1 issue per year	0	N/A this period
Issue Pensioner member newsletter	1 issue per year	0	N/A this period

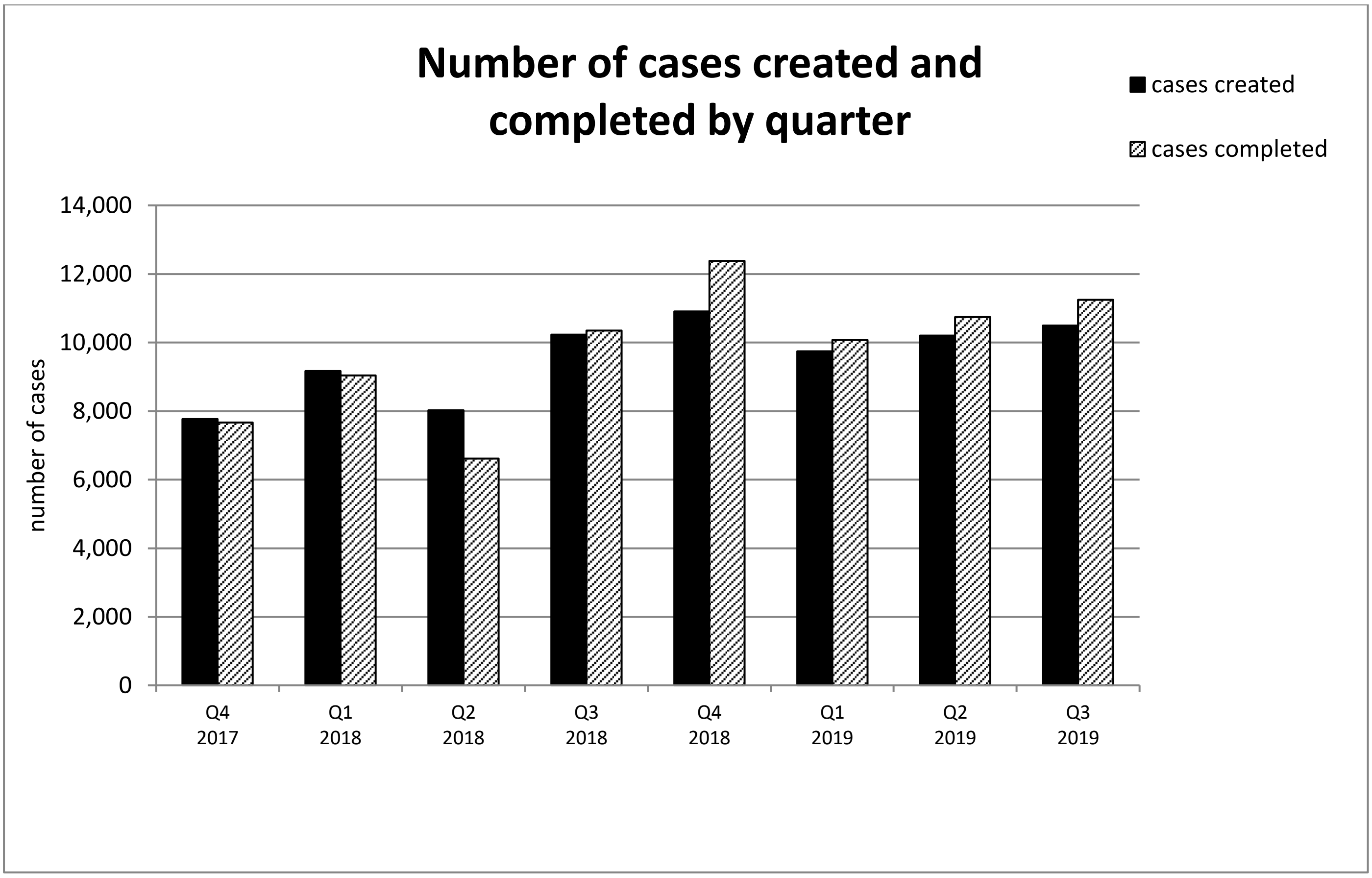
Annex 4

Other performance standards	3 months to 30/09/19	2019/20 target	Notes
Retirements survey - satisfaction %	79%	65%	
% of employers signed up to submit data electronically (ESS/iConnect)	66.1%	70%	
% of active membership covered by ESS/iConnect	96.2%	90%	Appx 86% covered by i-Connect
% of all members with electronic access (MSS)	24.1%	No target set	
% of active members with electronic access (MSS)	29.9%	No target set	

Annex 5



Annex 6



This page is intentionally left blank

SLA Requirement Reporting

Appendix 2a

	Requirement	Reporting Start Date	Reporting End Date	Other Information
Retirement (from Active)	15 working days from receipt of the leaver notification to write to the member with their options	Date Leaver Notification Received	Date Retirement Options are Printed & Sent	SLA reporting remains the same regardless of whether the member if retiring before, on or after their NPA
Retirement (from Deferred)	Write to the member with their options 1 month before their intended retirement date	1 Month Prior to Retirement Date	Retirement Date	SLA reporting remains the same regardless of whether the member if retiring before, on or after their NPA.
Deaths	10 working days from receipt of all necessary information to make payment.	Receipt of Death Certificate	Date Confirmation of Death Benefits Payable are Printed & Sent	We report on the first payment made in respect of a death case only, for example, we may have all necessary information to pay the surviving spouse a pension but may be waiting for further information, such as probate, to enable us to pay the death grant or vice versa.
Refund of Contributions	10 working days in which to send members a quotation of the refund payable where they have not responded, within 30 days, to our initial communication sent to notify them of their rights on leaving.	30 days following initial communication to notify member of rights	Date Refund Options are Printed & Sent	
Deferreds	30 working days to notify member of their deferred benefits from either the date the member elects for deferred benefits or the 30 day deadline where they have not responded to our initial communication sent to notify them of their rights on leaving	30 days following initial communication to notify member of rights or date of receipt of election to defer benefits	Date Deferred Benefit Notification is Printed & Sent	

Transfers In	10 working days to provide a quotation of the benefits the transfer would provide from the point at which we have received the transfer value from the sending scheme	Date of Transfer Value Received from Sending Scheme	Date Transfer In Options are Printed & Sent	
Transfers Out - Notification	10 working days to provide a transfer value quotation to a member from the date of their request.	Date of Request from Member	Date Transfer Quotation is Printed & Sent	
Transfers Out - Payment	10 working days to make payment of the transfer value from the point at which we receive the members election to proceed with the transfer	Date of Election from Member	Date Confirmation of Transfer Payment if Printed & Sent	SLA reporting excludes any days where we are waiting for a response from an external source, such as HMRC to confirm the registration status of the scheme etc.
Estimates	15 working days to provide both members and employers with estimates from the date of their request.	Date of Request from Member or Employer	Date Estimate is Printed & Sent	APF policy on this is to provide one free estimate per year where the request is within 1 year of the intended retirement date. All other requests are chargeable in line with our policy.
Divorce Quote	45 working days to provide a letter detailing the cash equivalent transfer value of benefits for divorce purposes	Date of Request from Member or Solicitor	Date Letter is Printed & Sent	
Divorce Actual	15 working days to implement a pension sharing order	Date received court order etc and payment of charges to implement	Date Letter is Printed & Sent	
Starters	40 working days to issue a welcome letter (statutory notice) to a new starter	Date starter notification recieved	Date Letter is Printed & Sent	

Appendix 2b

APF Completed Cases - Performance against Statutory Legal Deadline

		Cases Last Quarter - Jul 19 - Sept 19			
		Measured Against Statutory Legal Requirement			
		Target	**Total Processed**	**Total Processed in Target**	**Percentage Processed within Target**
Retirement (from Active)	**Notification of Benefits**	46 days	105	88	83.81%
Retirement (from Deferred)	**Notification of Benefits**	23/46 days	119	117	98.32%
Deaths	**Notification of Benefits**	46 days	91	91	100.00%
Refund of contributions	**Notification of Entitlement**	46 days	466	466	100.00%
Deferreds (early leavers)	**Notification of Entitlement**	46 days	570	570	100.00%
Transfers In	**Provision of Quotation**	46 days	145	66	45.52%
Transfers Out	**Notification of Trf Value**	69 days	289	282	97.58%
	Payment of Trf Value	138 days	17	17	100.00%
Estimates	**Provision of Quotation**	46 days	177	163	92.09%
Divorce	**Provision of Quotation**	69 days	86	65	75.58%
	Application of Order	92 days	6	5	83.33%
Starters	**Statutory Notice Issued**	46 days	959	949	98.96%

RAG key	
Red	Less than 75%
Amber	75 - 89%
Green	90 - 100%

Comments where performance has fallen below expected target:-

Retirement (from Active) – the majority of the cases where retirement from active notifications have not been processed in target is due to the late submission of a leaver notification from the Employer.

Transfers In – The majority of these cases were late due to high volumes of work at Senior Pensions Officer level meaning that these cases were taking longer than expected to be checked.

This page is intentionally left blank

	Requirement	Reporting Start Date	Reporting End Date	Other Information
Retirement (from Active)	Notification of retirement benefits 1 month from the date of retirement if on or after Normal Pension Age or 2 months from the date of retirement if before Normal Pension Age	Retirement Date	Date Retirement Options are Printed & Sent	
Retirement (from Deferred)	Notification of retirement benefits 1 month from the date of retirement if on or after Normal Pension Age or 2 months from the date of retirement if before Normal Pension Age	Retirement Date	Date Retirement Options are Printed & Sent	
Deaths	Calculate and notify dependant(s) of amount of death benefit as soon as practicable but no more than 2 months from becoming aware of death, or from date of request by third party (eg. personal representative).	Receipt of Death Certificate	Date Confirmation of Death Benefits Payable are Printed & Sent	We report on the first payment made in respect of a death case only, for example, we may have all necessary information to pay the surviving spouse a pension but may be waiting for further information, such as probate, to enable us to pay the death grant or vice versa.
Refund of Contributions	To inform members who leave the scheme of their leaver rights and options as soon as practicable and no more than 2 months from the date of initial notification of leaving.	n/a	n/a	APF should always be 100% compliant with this as on receiving a leaver notification we immediately write to a member to notify them of their right to a refund/deferred benefit or to give them the opportunity to advise us where they have re-joined the LGPS with another Employer/Authority.
Deferreds	To inform members who leave the scheme of their leaver rights and options as soon as practicable and no more than 2 months from the date of initial notification of leaving.	n/a	n/a	APF should always be 100% compliant with this as on receiving a leaver notification we immediately write to a member to notify them of their right to a refund/deferred benefit or to give them the opportunity to advise us where they have re-joined the LGPS with another Employer/Authority.

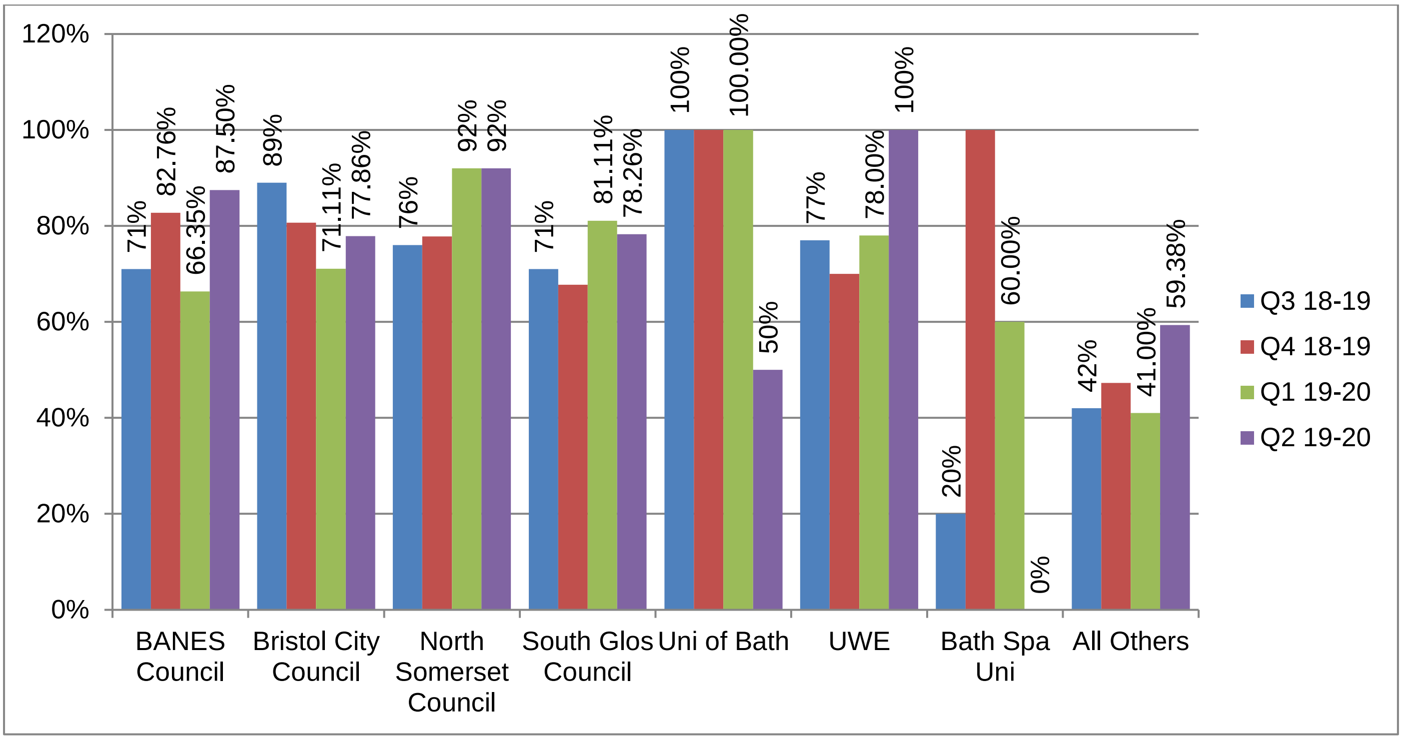
Transfers In	Obtain transfer details for transfer in, and calculate and provide quote to member within 2 months from the date of request.	Date of Request from Member	Date Transfer In Options are Printed & Sent	The clock is stopped on the Legal Requirement Reporting for the period that we are waiting for the transfer value from the sending scheme
Transfers Out - Notification	Provide details of transfer value for transfer out on request within 3 months from the date of request.	Date of Request from Member	Date Transfer Quotation is Printed & Sent	
Transfers Out - Payment	Make Payment of Transfer Value within 6 months of the relevant date. The relevant date is the date of the transfer value quote that was previously provided where they have elected to proceed with the transfer within the 3 month guarantee period, or is the date of processing the payment where they have elected to proceed with the transfer outside of the 3 month guarantee period.	Relevant Date of Transfer	Date Confirmation of Transfer Payment is Printed & Sent	
Estimates	Provide benefit quotations on request for retirements as soon as practicable, but no more than 2 months from date of request (unless there has already been a request in last 12 months).	Date of Request from Member	Date Estimate is Printed & Sent	APF policy on this is to provide one free estimate per year where the request is within 1 year of the intended retirement date. All other requests are chargeable in line with our policy
Divorce - Quotations	Provide a cash equivalent transfer value for divorce purposes within 3 months from the date of request.	Date of Request from Member/Solicitor	Date Letter is Printed & Sent	
Divorce - Actuals	Apply a pension sharing order within 4 months of receiving all of the necessary information required to implement	Date Documentation Received	Date Confirmation of Order being Implemented is Printed & Sent	The clock is stopped on the Legal Requirement Reporting for any period where we are waiting for payment of the fees to implement the order from the member.
Starters	Provide new starters with a membership certificate within 2 months from date of starter notification being received	Date of Starter Notification	Date Letter is Printed & Sent	

Employer Performance 3 months to 30th September 2019 Appendix 3

Completed leaver forms by employers for retirements within SLA targets.

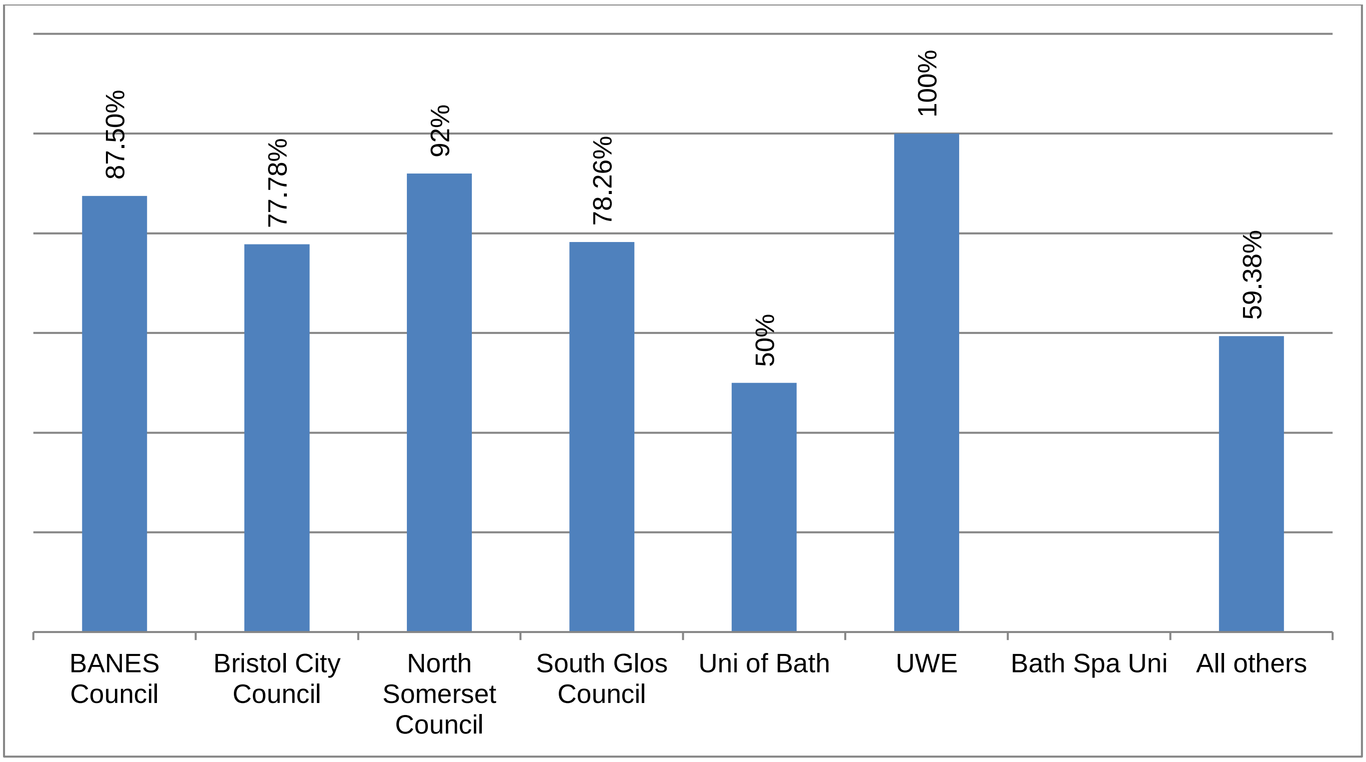
Annex 1 – **Total cases - Percentage and number of cases completed within target**

	Q3 18-19	Q4 18-19	Q1 19-20	Q2 19-20
BANES Council	71%	82.76%	66.35%	87.50%
Bristol City Council	89%	80.70%	71.11%	77.86%
North Somerset Council	76%	77.78%	92%	92%
South Glos Council	71%	67.74%	81.11%	78.26%
Uni of Bath	100%	100.00%	100.00%	50%
UWE	77%	70.00%	78.00%	100%
Bath Spa Uni	20%	100.00%	60.00%	0%
All others	42%	47.30%	41.00%	59.38%



Annex 2 – **Breakdown by case type within target**

Within target	Retirements		
	Cases	Within	%
BANES Council	8	7	87.5%
Bristol City Council	27	21	77.78%
North Somerset Council	12	11	92%
South Glos Council	23	18	78.26%
Uni of Bath	2	2	50%
UWE	4	4	100%
Bath Spa Uni	1	0	0%
All others	64	38	59.38%


87.50%
77.78%
92%
78.26%
50%
100%
59.38%
BANES Council
Bristol City Council
North Somerset Council
South Glos Council
Uni of Bath
UWE
Bath Spa Uni
All others

Annex 1 – TPR Errors by Member Numbers

	June 2019				September 2019				
	Member Records	TPR Errors	% Errors	Data Score	Member Records	TPR Errors	% Errors	Data Score	Trend
ACTIVE	36934	228	0.62	99.38	36732	714	1.94	98.06	▼
UNDECIDED	2933	385	13.13	86.87	3180	358	11.26	88.74	▲
DEFERRED	42331	4265	10.08	89.92	42414	4443	10.48	89.52	▼
PENSIONERS	31082	157	0.51	99.49	31486	153	0.49	99.51	▲
DEPENDANTS	4766	97	2.04	97.96	4819	88	1.83	98.17	▲
FROZEN	3958	1123	28.37	71.63	4092	1169	28.57	71.43	▼
TOTALS	122004	6255	5.13%	94.87%	122723	6925	5.64%	94.36%	▼

Annex 2 – Outstanding Queries by Type

	June 2019		September 2019		
	TPR Errors	%	TPR Errors	%	Trend
Age 75 exceeded LGPS eligibility issue	53	0.78%	57	0.7%	▲
CARE pay for 2014-2015 required	4	0.06%	38	0.5%	▲
CARE pay for 2015-2016 required	10	0.15%	49	0.64%	▲
CARE pay for 2016-2017 required	24	0.36%	112	1.4%	▲
CARE pay for 2017-2018 required	47	0.70%	185	2.42%	▲
CARE pay for 2018-2019 required	4	0.06%	383	4.95%	▲
Casual hours data required	9	0.13%	21	0.27%	▲
Historic refund case	699	10.35%	578	7.5%	▼
Leaver form required	289	4.28%	263	3.40%	▼
Missing data on leaver form - escalation	2	0.03%	0	0.00%	▼
Correct hours format required	2	0.03%	0	0.00%	▼
Correct Forenames required	12	0.18%	11	0.14%	▼
Correct gender required	4	0.06%	4	0.05%	▼
Correct NINO required	158	2.34%	156	2.04%	▼
Correct address required	5414	80.17%	5756	75.3%	▲
Correct title required ie Miss or Mr	6	0.09%	6	0.07%	▼
Pay Ref required	3	0.04%	8	0.1%	▲
Date joined fund	0	0.00%	1	0.01%	▲
Data required from a previous employer	13	0.19%	12	0.15%	▼
Grand total	**6753**	**100.00%**	**7640**	**100.00%**	▲

Common Data
Scheme Specific Data

Annex 3 – Outstanding TPR by status

	TPR Errors June 2019	%	TPR Errors Sept 2019	%
1 ACTIVE	**236**	**100.00%**	**936**	**100%**
CARE pay for 2014-2015 required	3	1.27%	37	3.95%
CARE pay for 2015-2016 required	6	2.54%	48	5.13%
CARE pay for 2016-2017 required	16	6.78%	104	11.11%
CARE pay for 2017-2018 required	38	16.1%	173	18.48%
CARE pay for 2018-2019 required	2	0.85%	371	39.64%
Casual hours data required	5	2.12%	13	1.39%
Correct Forenames required	2	0.85%	1	0.11%
Correct gender required	3	1.27%	3	0.32%
Correct hours format required	2	0.85%	0	0%
Correct address required	144	61.02%	159	16.99%
Correct NINO required	3	1.27%	7	0.75%
Pay Ref required	1	0.42%	7	0.75%
Leaver form required	5	2.12%	8	0.85%
Data Required from a previous employer	6	2.54%	5	0.53%
2 UNDECIDED	**397**	**100.00%**	**371**	**100.00%**
Age 75 exceeded LGPS eligibility issue	3	0.76%	5	1.34%
CARE pay for 2014-2015 required	1	0.25%	1	0.27%
CARE pay for 2015-2016 required	4	1.01%	1	0.27%
CARE pay for 2016-2017 required	8	2.02%	8	2.15%
CARE pay for 2017-2018 required	8	2.02%	10	2.69%
CARE pay for 2018-2019 required	2	0.5%	12	3.23%
Casual hours data required	3	0.76%	6	1.61%
Correct NINO required	1	0.25%	0	0%
Correct address required	68	17.13%	72	19.62%
Leaver form required	284	71.54%	247	66.40%
Pay Ref required	2	0.05%	1	0.27%
Missing data on leaver form - escalation	2	0.5%	0	0%
Correct gender required	1	0.25%	0	0%
Data Required from a previous employer	7	1.76%	7	1.88%
Historic refund case	3	0.76%	1	0.27%
Date joined fund required	0	0%	0	0%
4 DEFERRED	**4297**	**100.00%**	**4477**	**100.00%**
Age 75 exceeded LGPS eligibility issue	7	0.16%	7	0.16%
CARE pay for 2017-2018 required	1	0.02%	2	0.04%
Casual hours data required	1	0.02%	2	0.04%
Correct address required	4240	98.67%	4418	98.68%
Correct NINO required	48	1.12%	47	1.05%
Leaver Form Required	0	0%	1	0.02%

5 PENSIONERS	**157**	**100.00%**	**154**	**100.00%**
Correct address required	156	99.36%	153	99.35%
Correct NINO required	1	0.64%	1	0.65%
6 DEPENDANTS	**99**	**100.00%**	**91**	**100.00%**
Correct address required	39	39.39%	37	40.66%
Correct title required ie Miss or Mr	5	5.05%	5	5.49%
Correct NINO required	55	55.56%	49	53.85%
9 FROZEN	**1567**	**100.00%**	**1611**	**100.00%**
Age 75 exceeded LGPS eligibility issue	43	2.74%	45	2.79%
Correct Forenames required	10	0.64%	10	0.62%
Correct title required ie Miss or Mr	1	0.06%	1	0.06%
Correct address required	767	48.95%	825	51.21%
Correct NINO required	50	3.19%	51	3.17%
Historic refund case	696	44.42%	677	42.02
Date joined fund required	0	0%	1	0.06%
Leaver form required	0	0%	1	0.06%
Grand Total	**6753**	**100.00%**	**7640**	**100.00%**

This page is intentionally left blank

APPENDIX 5

Late Payers to 30th September 2019

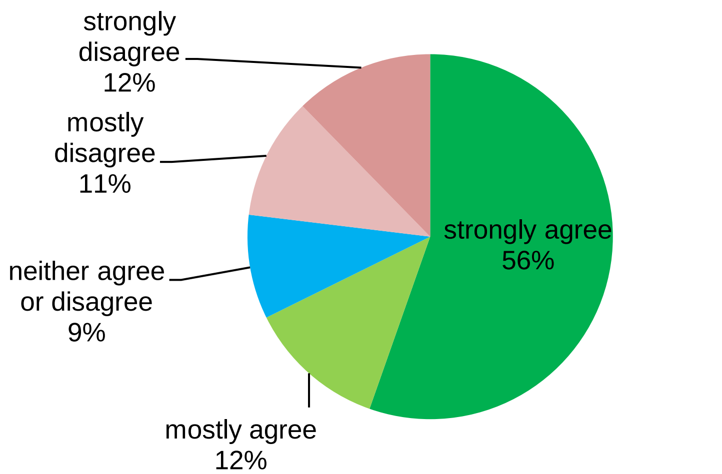
Employer	Payroll Month	Days late	Cumulative occasions	Amount £	Significance	Reason / Action
July to September						
Aspens	July	15	2	17,535.47	Significant value and days late	The Aspens finance department have held up payment to ensure accuracy of payments (they have previously paid on exited employers). September contributions were paid on time.
Bristol Disability Equality Forum	July	8	5	348.51	Significant days late	Chased several times with employer. Administrator had only recently been replaced and, in any event, only works 2 hours a week. Co-Chair and Treasurer paid outstanding contributions and August contributions in advance on 30th August. They have now set up a standing order and as a result no further late payments have been made.
Learning Partnership West	July	27	3	140.83	Significant days late	Employer did not have access to the website and was not submitting LGPS50 returns. Employer has now been trained and so should make payments on time going forward.
Aspens	August	11	3	17,150.60	Significant value and days late	As above.
South West Grid for Learning	September	3	1	4,900.37	Significant value	Miscommunication between departments at SWGL. Once they were aware of the issue they paid on the day the payment was chased.
Learning Partnership West	September	14	4	470.68	Significant days late	As above.
				40,546.46	**Over The 3 Months**	

Total Contributions in Period (excluding deficit payments)	35,148,309	Late payments value as a % of total = 0.12%. Late Payments received from 4 out of 397 employers.
All late payers are contacted and reminded of their obligations regarding the timing of payments. Where appropriate they are advised on alternative, more efficient methods of payment. Where material, interest will be charged on late payments at base rate plus 1% in accordance with the regulations.		
Calculation of cumulative occasions is based on a rolling 12 month period, consequently the number of cumulative occasions can go down as well as up.		

Annex 1 - Retirement customer service questionnaire results to 30 September 2019
65 responses

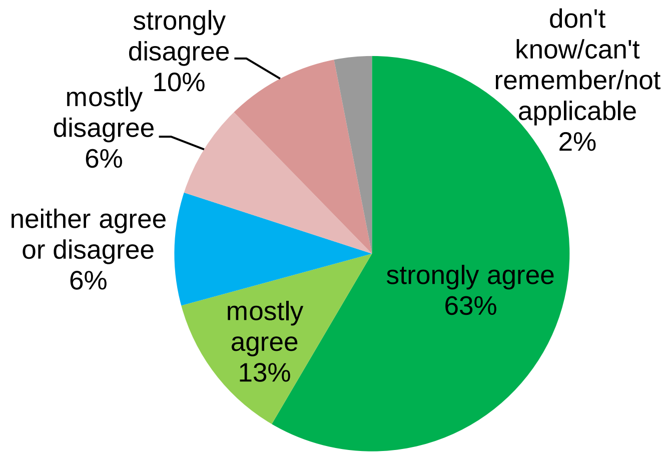
Q1 To what extent do you agree or disagree that the Avon Pension Fund …

kept you informed about your retirement and gave accurate and complete information on time



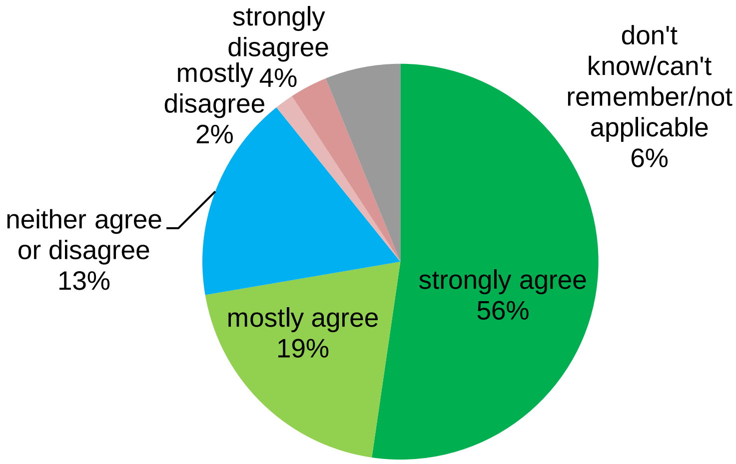
68 % satisfaction

were professional and knowledgeable

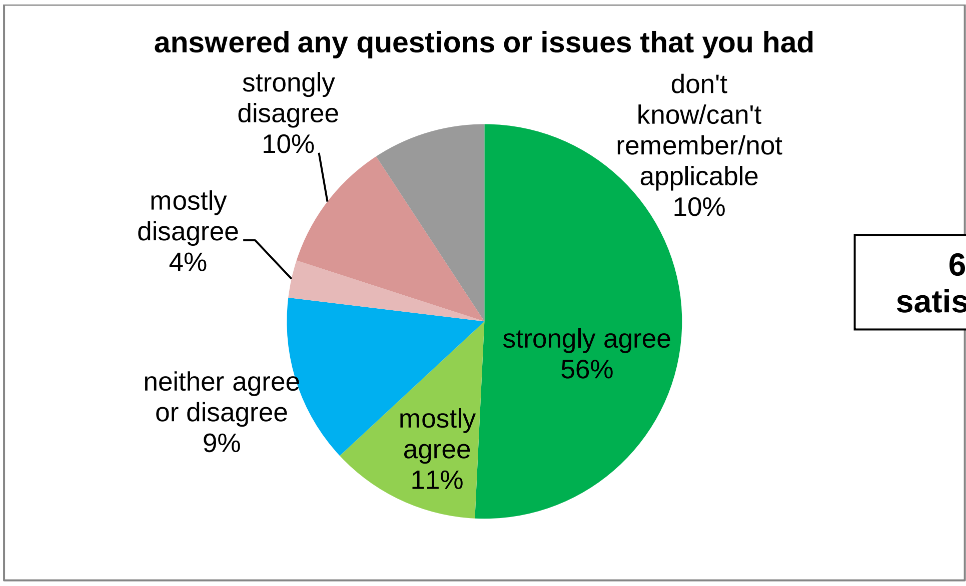


76 % satisfaction

had a polite, friendly attitude, treating you with respect

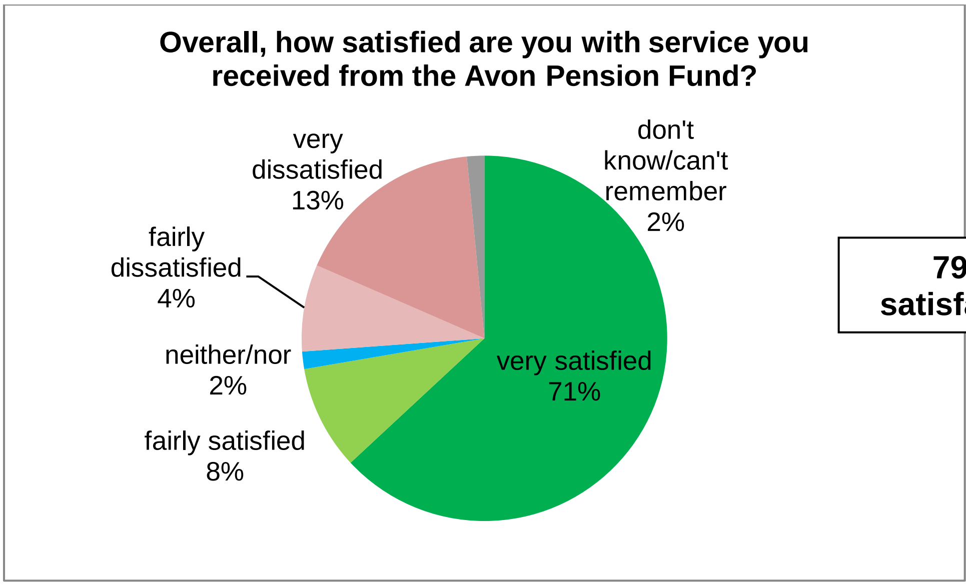


75 % satisfaction



67 % satisfaction

Q2 Overall, how satisfied are you with service you received from the Avon Pension Fund?



79 % satisfaction

Annex 2 - Member feedback

Member website survey - Please rate your experience on our website

Results of the star rating survey for period to 30 September 2019

Number of submissions in period	45	%
5 stars	36	80.0%
4 stars	1	2.2%
3 stars	2	4.4%
2 stars	0	
1 star	6	13.3%

Comments:

- brilliant! found the answer to my question immediately!
- PDF format - should be on a accessible format to complete online.
- Very easy to read and understand.

	AVON PENSION FUND/B&NES: IDRP Stages 1 and 2									
Stage	**Reason**	**IDRP Form Received**	**Stage 1 By**	**Date For Review Completion**	**Delay Letter Sent**	**Review Complete**	**Not Upheld[NU] Upheld[UP] or Upheld & referred back [URB]**	**By**	**Last date for next stage Appeal**	**Note**
2	**Ill health Tier Level**	10/12/2018	EMP	12/02/2019	22/02/2019			Council's Principal Solicitor and Monitoring Officer		**Further IRMP review has been requested from the employer**
1	**Maladministration**	12/08/2019	APF	12/10/2019	N/A	13/09/2019	NU	APF Governance & Risk Manager	13/03/2020	
1	**Timeliness of Transfer Out of AVC Fund**	14/08/2019	APF	14/10/2019	N/A	10/10/2019	NU	APF Technical & Compliance Advisor	10/04/2020	
1	**Maladministration**	23/10/2019	APF	23/12/2019				APF Technical & Compliance Advisor		

This page is intentionally left blank

Owner(s): Liz Woodyard / Geoff Cleak **Date updated: 26/11/2019**

RISK STATUS KEY	
LOW	1 to 6
MEDIUM	7 to 14
HIGH	14 to 25

	#	DESCRIPTION	DATE ENTERED	RISK OWNER	CATEGORY	RISK SCORE										OVERALL TOTAL	CURRENT OVERALL STATUS	PERIODS AGO			CURRENT STATUS OF ACTIONS	ACTIONS TO MANAGE RISK	KEY UPDATES/CHANGES TO ACTIONS DURING PERIOD
						Likelihood					Impact												
						1	2	3	4	5	1	2	3	4	5			1	2	3			
	R28	Risk - The Fund is unable to recruit appropriately skilled staff exacerbated by the creation of Brunel based in Bristol which will manage the fund's assets Implication - This could restrict the Fund's ability to develop and implement the service plan and administer the Fund.	01-Jul-08	All Team Managers	Governance					5					5	25	HIGH	H	H	H	On target	• Complete performance review process with all staff to identify training and professional qualification needs based on service requirements. • Succession planning to build resilience, minimise risk of losing skilled/specialist staff & improve ability to implement temporary cover. • Rebuilding Investment team after losing staff to Brunel and strengthened Governance and Risk Management within the fund. • Strategic priorities are continually risk reviewed. • The 2019/22 Service Plan provides for extra resource to support delivery of strategic training plan.	
	R42	Risk - Increased political pressure to reform the scheme & governance, reduce costs and direct investment decisions. If the fund does not have a robust plan for change, risk that government will direct funds. Implications - committee is unable or does not make decisions in best interest of the fund.	12-Sep-13	Head of Business, Finance and Pensions	Investment Strategy				4					4		16	HIGH	H	H	H	On target	• The Investment Strategy Statement defines the investment principles and the strategy. • The Fund participates in Brunel to meet the government broad agenda to reduce investment fees and increase efficiency. • Avon, Brunel and the LGPS Cross Pool Collaboration Group actively engages with government on a wide range of issues related to the government's agenda.	
11	R25	Risk - some members face re-election simultaneously leading to lack of knowledge and continuity within the Committee Implications - Until members are fully trained there may be a delay in decision making.	01-Jul-08	Pensions Investments Manager	Governance				4				3			12	MEDIUM	M	M	M	On target	• There is a training plan in place linked to the 3 year Service Plan, which is periodically reviewed. • The Committee includes 3 independent members that are not subject to the electoral cycle. • An induction programme is provided for all new members, tailored for the Committee agenda for the next 12 months. • Periodically a self-assessment of training needs is undertaken to ensure knowledge gaps are identified and addressed in the training plan. This is now more important in order for the Fund to retain Professional Investor status under MIFID II.	

1	R26	Risk - The Fund fails to achieve investment returns sufficient to meet its liabilities as set out in the valuation. This may be due to strategy failure or investment managers appointed for each investment mandate failing to achieve their benchmark. Implications - this could negatively impact employer contribution rates.	01-Jul-08	Pensions Investments Manager	Investment Strategy			3						4		12	MEDIUM	M	M	M	On target	• A strategic review of the investment strategy is undertaken at least every 3 years. Climate change has been indentified as a risk to the performance and value of the assets. The strategic policy includes the development of solutions to address this risk. • The Fund adopts a diverse strategy across assets and managers which limit the impact of any one asset class or manager on the performance of the fund. • The strategy is monitored quarterly and annually by Committee (between strategic reviews). • The Fund implements risk management strategies as appropriate to increase probability that funding plan will be achieved • The managers are monitored against their mandate guidelines quarterly by the Investments Panel. • Recommendations for action are made to Committee or actioned under delegated powers of the Panel. • Specialist advice is commissioned • As assets have started to transition to Brunel, the responsibility for monitoring and selecting investment managers will transfer to Brunel and The Fund will monitor Brunel's portfolios and capability as the manager.	
4	R05	Risk - Failure to secure and manage personal data held by the Pension Fund in line with Data Protection Regulations (GDPR) Implications – fines and reputational damage if systems and processes are not in place and are complied with.	01-Jul-08	Pensions Manager	Admin Strategy			3						4		12	MEDIUM	M	M	M	On target	• All staff undertake GDPR online training programme. • Personal data is shared with 3rd parties through secure portals, compliant with B&NES DP policies. • GDPR privacy notices provided to all members. • Memorandum of understanding agreement in place with employers • Project in place to ensure GDPR compliance & identify processes that need to be put in place.	
2	R51	Risk – The Fund will retain incorrect pension liability after the GMP Reconciliation Exercise when it will no longer be possible to transfer liability. Implications – additional costs due to paying pensions based on incorrect liability	10-Aug-15	Technical & Compliance Advisor	Admin Strategy			3						4		12	MEDIUM	M	M	M	On target	• GMP reconciliation project in place. • Additional resource of 1.5 FTE to carry out reconciliation. • Exceptions reported to HMRC • rectification of overpayment cases • progress/action reports provided to Pensions Committee & LPB.	
3	R56	Risk - Significant increase in employers especially if all schools convert to academy status. Implications – the Fund will need additional resources to cope with the extra workload and ensure employers comply with responsibilities under the scheme		Pensions Manager	Admin Strategy				4				3			12	MEDIUM	M	M	M	On target	• Resources have been increased to support employer services within both actuarial and administration teams. • Significant focus on developing more efficient automated processes eg Iconnect & ERM	
6	R59	Iconnect relies on employers uploading data from their payroll system directly to the pension database. Risk is member data on records could be incorrect and potential incorrect valuation of employer liabilities	11-Sep-19	Pensions Manager				3					3			9	Medium				On target	Control framework is in place covering user access and password control, data validation & reconciliation, identificaton of employer training needs. The Fund is currently undergoing a digital programme to onboard all employers to Iconnect. DPIA has been carried out with Information Governance	

28	R54	Risk – a delay in the transition of local fund assets to the Brunel portfolios Implications – any delay could seriously impact the Fund's and pool's ability to deliver savings according to financial case.	01-Jul-16	Pensions Investments Manager	Governance		2							4		8	MEDIUM	M	M	M	On target	• The Brunel governance structure is in place to effectively manage the new relationship. • Expert advice is commissioned as required to assist the transition. • Interim resources in place to support client side of the pool during the transition. • Brunel's transition plan in place and monitored by Client Group. Issues are escalated to Brunel Oversight Board. • Fund specific plan to ensure any decisions / governance required are identified and dealt with accordingly. • Quarterly Committee agenda includes Brunel update report.	
	R60	Banes has declared a climate emergency. The risk is that The Fund does not meet the Council's commitments under this policy. In addition climate change poses a risk to the Investment strategy	11-Sep-19	Head of Business, Finance and Pensions			2						3			6	LOW				On taget	The Fund is investing in and implementing its digital strategy to reduce its carbon footprint especially in relation to administration and communication. In 2016 The Fund identified the risk of climate change to its asset portfolio and since then has been developing solutions to manage this risk. To date it has implemented a low carbon global equity portfolio, a sustainable equities portfolio and made investments in renewable infrastructure assets	

This page is intentionally left blank

Admin Report - Annex

Breach Report - North Somerset data breach 20/9/2019

Over view of what happened:

- 71 annual benefit statements (ABS's) containing Name, Address, Employer, email address, partnership status, Pensionable pay and Final Salary Pay information with projected Pension calculations were posted out containing a partially incorrect address.
- The postcode and the main body of the address is correct, but first line and postcode will not match.
- 15 ABS's have been returned via Royal Mail to APF. A total of 56 are unaccounted for although no pension members or members of the public have contacted APF about receiving an incorrectly addressed letter.

How did the breach occur?

North Somerset Council's (NSC) i-Connect data extract for the period April 2019 was uploaded by APF on 7/6/19. Employers normally load their own data directly in to Altair using i-Connect, however APF were still loading NSC's data files as part of the implementation process of on-boarding a new employer to i-Connect (they went live in February 2019). The address error occurred in the April file provided to the fund by NSC. NSC had applied a manual filter to the data extract to populate address line 2. This was a mandatory field in the IC extract (but not in NSC's payroll system i-trent). The filter was not used correctly and caused a data error and incorrectly updated the 1st line of the address for 71 members. The data for North Somerset's Annual Benefit Statements was extracted on 22/07/19 while the addresses were still incorrect. The addresses were subsequently corrected on the May data extract that was loaded on 23/7/19.

The breach was discovered following the return of a higher than normal amount of ABS's which lead to an internal investigation. On 20th September 2019 APF reported this as a GDPR breach to Information Governance and after further investigation it was reported to the ICO on 27 September 2019.

Action by APF following the breach

As a result of the beach APF have carried out a review of the way data is loaded on to the Altair database by employers and the checks and controls the fund has in place to monitor data. These checks and process have now been deemed inadequate and allowing employers to load data directly on to Altair without a high level of checks and fund approval is too high risk. Therefore, wef 4th October 2019 APF have decided to take the loading of all employer i-Connect data in-house and have changed the way the data is internally controlled, checked and monitored. New data tools have been created to compare the data and review it for possible errors. A new sign off process is in place that requires the employer to declare the data is accurate plus an internal sign off process within APF before the data is loaded to confirm all checks have been carried out.

Other actions now in place:

- Review meeting with North Somerset and Liberata (payroll) to discuss the data error and how they create their data file
- Meeting with Financial Systems to review current controls and monitoring
- GDPR training for APF Administration on 27 November 2019
- All staff to re take APF online training and evaluation before 27 November 2019

Response from ICO

On 13 November 2019 the ICO responded to the data breach to confirm not further action is required based on the action we have already implemented. Other recommendations were made as follows:

- Communicate amongst staff the importance of data security and reiterate the significance of being robust regarding their use, dissemination and storage of personal data;
- Review the content of your data protection training and also the frequency of your refresher training to ensure that sufficient practical guidance is given to staff in how to comply with the GDPR and the DPA 2018. Also consider your methods of control, delivery and monitoring of such training and of ensuring staff who deal with personal data complete this. This training should also be tailored to specific roles. The ICO recommends, as good practice, that refresher training is carried out annually. However, the ICO also recognises that some organisations may be restricted by available resources but would recommend that, in such cases, refresher training does not exceed two years;

All recommendations from the ICO have been implemented.

Claire Newbery 18/11/19

Annex 2

Administration - Temporary Restructure & Consultation

A key objective of the Pensions Administration Strategy is the continued progress in the implementation of the ICT strategy to achieve a digital step change between Fund and employers. The successful implementation of i-Connect across the whole employer portfolio enabling the monthly transfer of pension data between employers and Fund to update member records on a continuous basis is vital in delivering the Funds objective in this area and also supports recommendations by TPR and SAB in undertaking the receipt of accurate monthly data and the improvement in scheme member pensions experience in data accessibility.

Currently 242 out of 428 employers are submitting data monthly to the Fund representing 85% of total scheme membership. This translates to approximately *31,000* member records being updated on a monthly basis presenting significant level of risk to the Fund and requires robust monitoring controls and reporting to be in place to mitigate data error.

The Fund has undertaken a review of the Employer Services Team and in particular the structure of the Data Control team with a proposal to re-structure and create a separate new i-Connect team, splitting out the i-Connect data roles from the data control output requirements which already exist. The work to manage the i-Connect inputs has substantially increased recently as the Fund has now taken the data loading process in-house following a GDPR breach, previously this work was done by the scheme employers. These changes have been put in place to protect the integrity of the Funds member data and to ensure authorised processes are in place providing assurance.

The new i-Connect team splits out work from the Data Control team and will manage all approved data inputs from scheme employers. This has resulted in an overall increase in managed workload as the Fund is creating a more defined team to process and monitor the i-connect data. The new roles within the new team consist of 1 Technical Officer (team leader grade8), and 3 Senior Pensions Data Control Officers (Grade 6).   The additional annual salary cost for these posts amounts to £103,446.00 plus on-costs calculated as follows:-

	£
1 x Team Leader (Technical) HAY grade 8	30,507.00
3 x Senior Officer HAY grade 6 (£24,313.00)	72,939.00
	103,446.00
Total inclusive of on-costs (approx. (30/35%))	**140,000.00**

Expenditure for the remaining part year (November to March) will be offset against the current salary underspend.

The new temporary structure should be for a maximum of 2 years with a view that we will make the structure permeant in this time. The Fund will have an ongoing review of the work load and will consult with the pension committee for approval of any final arrangements. The proposed temporary restructure has been verbally agreed with Head of Business Finance & pensions and will be subject to a consultation process with staff officers as a matter of course.

This page is intentionally left blank

Bath & North East Somerset Council	
MEETING:	**AVON PENSION FUND COMMITTEE**
MEETING DATE:	**6 DECEMBER 2019**
TITLE:	**PENSION FUND ADMINISTRATION** **(1) EXPENDITURE FOR YEAR TO 31 OCTOBER 2019** **(2) CASHFLOW FORECAST**
WARD:	**ALL**
AN OPEN PUBLIC ITEM	
List of attachments to this report: Appendix 1 Summary Financial Accounts: Year to 31 October 2019 Appendix 1A Summary Budget Variances: Year to 31 October 2019 Appendix 2 Cash Flow Forecast	

1 THE ISSUE

1.1 The purpose of this report is to inform the Committee of administration and management expenditure incurred against budget for the 7 months to 31 October 2019. This information is set out in Appendices1 and 1A**.**

1.2 This report also contains the Cash Flow forecast for the year to 31 March 2020. This information is set out in Appendix 2

2 RECOMMENDATION

That the Committee notes:

2.1 The administration and management expenditure incurred for 7 months to 31 October 2019.

2.3 The Cash Flow Forecast at 31 October 2019.

3 FINANCIAL IMPLICATIONS

3.1 The administrative and management costs incurred by the Avon Pension Fund are recovered from the employing bodies through the employers' contribution rates.

3.2 The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 provide that any costs, charges and expenses incurred administering a pension fund may be paid from it.

4 COMMENT ON BUDGET

4.1 The summary Financial Accounts for the 7 months to 31 October 2019 are contained in **Appendix 1.**

4.2 The forecast for the year to 31 March 2020 is for expenditure to be £156,700 below budget. The forecast reduction in directly controlled expenditure is mainly due to reduced expenditure on salaries. This is due to a delay in filling vacant posts, mainly due to managerial position changes. Communications related costs have slightly offset this underspend. These relate to an additional bulk mailout and costs relating to the Pensions newsletter from 18/19 (18/19 was consequently underspent by the same amount).

4.3 Governance & Compliance is currently underspent by £284,786. The budgets within this area include the Valuation and Strategic Investment review. These projects are still in progress and so it is not currently possible to predict a full year variance.

4.4 There is also no forecast variance relating to expenditure which is outside the direct control of the Pension Fund.

4.5 Explanations of the most significant variances are contained in Appendix 1A to this Report.

5 CASH FLOW FORECAST

5.1 The Service Plan includes a cash flow forecast which is monitored within this report. In recent years the Fund has changed from being cash flow positive (accumulating cash from contributions at a greater rate than paying out cash in benefits and expenses) to being cash flow negative. This is part of the normal life cycle of a pension fund. The change has necessitated a much closer monitoring and forecasting of cash flows. Negative cash flows are managed by divestments and taking more income from the investment portfolio. Details of the cash flow forecast for the whole Fund are given in **Appendix 2.**

5.2 The 2019 - 2022 Service Plan included a cash flow forecast showing a gross in-flow of c£190.0m and a gross out-flow of c£190.6m giving a net inflow in 2019/20 of £0.6m. The forecast gross inflow included £34m divestments and investment income.

The actual cash flow to 31 October was an outflow of c£15.0m against a budgeted outflow of c£13.4m for the same period. The difference was mainly due to the timing of when divestments are to be made. Divestments are made when the actual cash balances held fall below £10m. A further £10m is due to be drawn down in December 2019.

The forecast outturn for the year to 31 March 2020 is currently a cash inflow of c£5.6m more than predicted in the Service Plan. This is due to higher than predicted receipts of future service contributions, deficit recovery and net transfers into the fund.

6 RISK MANAGEMENT

6.1 The Avon Pension Fund Committee is the formal decision-making body for the Fund. As such it has responsibility to ensure adequate risk management processes are in place. It discharges this responsibility by ensuring the Fund has appropriate investment, funding and administration strategies in place and that they are regularly monitored. In addition, it monitors the risk register, annual budget and compliance with relevant investment, finance and administration regulations.

7 CLIMATE CHANGE

7.1 The Fund is implementing a digital strategy across all its operations and communications with stakeholders to reduce its internal carbon footprint. The Fund acknowledges the financial risk to its assets from climate change and is in the process of addressing this through its strategic asset allocation to Low Carbon Equities and renewable energy opportunities. The strategy is monitored and reviewed by the Committee.

8 OTHER OPTIONS CONSIDERED

9.1 There are no other issues to consider not mentioned in this Report

9 CONSULTATION

10.1 The Council's Monitoring Officer (Head of Legal & Democratic Services) and Section 151 Officer (Director of Finance) have had the opportunity to input to this report and have cleared it for publication.

Contact person	David Richards Finance & Systems Manager (Pensions)) Tel: 01225 395369.
Background papers	Various Accounting Records
Please contact the report author if you need to access this report in an alternative format	

This page is intentionally left blank

APPENDIX 1

AVON PENSION FUND

SUMMARY FINANCIAL ACCOUNT : YEAR ENDING 31 MARCH 2020

	7 MONTHS TO 31st OCTOBER 2019			FULL YEAR 2019/20		
	BUDGET	ACTUAL	VARIANCE	BUDGET	FORECAST	VARIANCE
	£	£	£	£	£	£
Administration						
Investment Expenses	13,442	12,128	(1,314)	23,043	23,043	0
Administration Costs	45,518	42,205	(3,313)	78,030	78,030	0
Communication Costs	49,637	84,859	35,222	85,091	93,391	8,300
Payroll Communication Costs	51,140	67,045	15,904	87,669	102,669	15,000
Information Systems	210,955	296,889	85,934	361,637	361,637	0
Salaries	1,400,549	1,218,897	(181,653)	2,400,942	2,220,942	(180,000)
Central Allocated Costs	307,825	507,234	199,409	527,700	527,700	0
IT Strategy	42,118	15,897	(26,221)	72,202	72,202	0
Miscellaneous Recoveries/Income	(114,333)	(67,675)	46,658	(196,000)	(196,000)	0
Total Administration	**2,006,851**	**2,177,478**	**170,627**	**3,440,315**	**3,283,615**	**(156,700)**
Governance & Compliance						
Investment Governance & Member Training	242,183	97,826	(144,357)	415,170	415,170	0
Members' Allowances	22,765	0	(22,765)	39,025	39,025	0
Independent Members' Costs	37,917	17,171	(20,746)	65,000	65,000	0
Compliance Costs	543,970	362,894	(181,076)	932,520	932,520	0
Brunel Expenses	14,583	9,274	(5,309)	25,000	25,000	0
Compliance Costs recharged	(131,250)	(41,783)	89,467	(225,000)	(225,000)	0
Total Governance & Compliance	**730,167**	**445,381**	**(284,786)**	**1,251,715**	**1,251,715**	**0**
Pensions Board	**11,667**	**4,016**	**(7,651)**	**20,000**	**20,000**	**0**
Global Custodian Fees	0	0	0	0	0	0
Brunel Management Fees	861,583	999,745	138,161	1,477,000	1,477,000	0
Investment Fees	16,867,824	10,229,647	(6,638,177)	28,916,269	26,036,654	
Total Investment Fees	**17,729,407**	**11,229,391**	**(6,500,016)**	**30,393,269**	**27,513,654**	**0**
NET TOTAL COSTS	**20,478,091**	**13,856,266**	**(6,621,826)**	**35,105,299**	**32,068,984**	**(156,700)**

This page is intentionally left blank

Appendix 1A

Summary of main budget variances: Year to 31st October 2019

Variances Analysis of the forecast full year expenditure and income, against budget.

Expenditure Heading	Variance £*	Most significant reasons for variance
Salaries	(180,000)	Reduced salaries expenditure due to delays in filling vacant posts against budget in both Investments and Benefits teams. A significant portion of the underspend has arisen from vacant management positions which have only recently been filled
Communication costs	8,300	Overspend relating to Newsletter cost that slipped from 18/19 year (which had an underspend of £9k)
Payroll communication costs	15,000	Overspend due to additional mailout relating to the pensions increase. This was delayed and would normally have gone with the P60 payslips.
Administration	**(156,700)**	

Expenditure outside direct control	**0**
Total	(156,700)

This page is intentionally left blank

Appendix 2

Cash Flow Forecast

		SEVEN MONTHS TO 31 OCTOBER 2019			FULL YEAR 2019/20		
		Forecast Per Service Plan	Actual	Variance	Forecast Per Service Plan	Out-turn Forecast	Variance
		£'000	£'000	£'000	£'000	£'000	£'000
Benefits Outflows							
Benefits	Pensions	(85,593)	(88,877)	(3,284)	(146,732)	(152,361)	(5,629)
	Lump sums	(18,972)	(16,590)	2,382	(32,524)	(28,440)	4,084
Total Benefits Outflows		**(104,565)**	**(105,467)**	**(902)**	**(179,255)**	**(180,801)**	**(1,545)**
Inflows							
Deficit recovery		8,997	13,080	4,083	17,994	19,557	1,562
Future service Contributions		69,012	72,351	3,339	138,023	144,702	6,679
Total Contributions		**78,009**	**85,431**	**7,422**	**156,017**	**164,259**	**8,241**
Net Cash Flow (excluding Administration & Investment costs)		**(26,556)**	**(20,036)**	**6,520**	**(23,238)**	**(16,542)**	**6,696**
Divestments & Investment income received as cash		19,833	10,073	(9,760)	34,000	30,125	(3,875)
Net Transfers In & Out (budgetted as zero)		0	2,087	2,087	0	3,578	3,578
Administration costs		(6,628)	(7,114)	(486)	(11,362)	(12,195)	(834)
Net Cash Flow (Out-Flow)		**(13,351)**	**(14,990)**	**(1,639)**	**(600)**	**4,965**	**5,565**

This page is intentionally left blank

Bath & North East Somerset Council		
MEETING:	**AVON PENSION FUND COMMITTEE**	
MEETING DATE:	**6 December 2019**	**AGENDA ITEM NUMBER**
TITLE:	**Avon Pension Committee Terms of Reference - amendment**	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report: Appendix 1 – Amended ToR		

1 THE ISSUE

1.1 The Avon Pension Fund Committee Terms of Reference (ToR) was approved by Council at its AGM in May 2019. An error in the drafting has been highlighted and the amended ToR corrects this error.

1.2 The revised drafting to correct the error is in line with the previous ToR approved by the Council in September 2018.

1.3 As this is an amendment to correct an error, the Monitoring Officer will amend the Constitution and report that to Council, rather than presenting the ToR in full to Council for approval.

2 RECOMMENDATION

2.1 **The Committee approves the amendment to the Terms of Reference**

3 FINANCIAL IMPLICATIONS

3.1 There are no financial implications.

4 AMENDMENT TO TERMS OF REFERENCE

4.1 The Investment Panel quorum as set out in the current ToR is incorrect, stating the following:

Panel Quorum - The quorum of the Panel shall comprise 3 Members, who shall include at least one Member who is a Bath & North East Somerset Councillor.

4.2 The ToR should read:

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.

4.3 The reasoning for this is that B&NES has 3 members on the Panel; however to ensure any decisions made by the Panel are representative of the wider stakeholders, the Panel is only quorate if a non B&NES member is present. The ToR have been drafted in this way since the Panel was created.

5 RISK MANAGEMENT

5.1 The Avon Pension Fund Committee is the formal decision-making body for the Fund. As such it has responsibility to ensure adequate risk management processes are in place. It discharges this responsibility by ensuring the Fund has an appropriate investment strategy and investment management structure in place that is regularly monitored. The creation of an Investment Panel further strengthens the governance of investment matters and contributes to reduced risk in these areas.

6 CLIMATE CHANGE

6.1 The Fund is implementing a digital strategy across all its operations and communications with stakeholders to reduce its internal carbon footprint. The Fund acknowledges the financial risk to its assets from climate change and is in the process of addressing this through its strategic asset allocation to Low Carbon Equities and renewable energy opportunities. The strategy is monitored and reviewed by the Committee.

7 OTHER OPTIONS CONSIDERED

7.1 None.

8 CONSULTATION

8.1 The Council's Monitoring Officer and Section 151 Officer has had the opportunity to input to this report and have cleared it for publication.

Contact person	Carolyn Morgan, Governance & Risk Advisor Tel: 01225 395240
Background papers	
Please contact the report author if you need to access this report in an alternative format	

Bath & North East Somerset Council

AVON PENSION FUND

Appendix 1

TERMS OF REFERENCE

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.

The Avon Pension Fund is a member of the Brunel Pension Partnership (Brunel). Brunel Pension Partnership Ltd (BPP Ltd) will gradually become responsible for implementing the Fund's Investment Strategy. The Fund's assets will transfer to portfolios offered by Brunel from April 2018 with most of the quoted assets transferring within 3 years. Once Avon's assets are within a Brunel portfolio, the appointment, monitoring and deselection of managers will be the responsibility of BPP Ltd. The Terms of Reference reflects this transition.

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, the investment strategy and the 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. Having taken appropriate advice determining the following:
    a. the investment strategy and strategic asset allocation
    b. the administration strategy
    c. the funding strategy.
2. Monitoring the performance of the investment strategy, scheme administration, and external advisors.
3. Ensuring that the investment strategy can be delivered by the portfolios offered by BPP Ltd. If not, agree alternative arrangements. In relation to Brunel Pension Partnership:

a. Monitoring the performance of BPP Ltd in delivering investment services to the Fund. Make representations to the Brunel Oversight Board on matters of concern regarding the service provided by BPP Ltd and the performance of its portfolios.

b. Monitoring the governance of Brunel Pension Partnership and making recommendations to the Brunel Oversight Board. Terminating the Service Agreement with BBP Ltd.

4. Approving and monitoring compliance of statutory statements and policies required under the Local Government Pension Scheme Regulations.
5. Approving the annual budget and 3 year Service Plan and resource requirements to deliver the work plan.
6. Approving variances to budget within a financial year.
7. Approving the annual budget for the Pension Board subject to the approval of Pension Board's work plan.
8. Commissioning actuarial valuations in accordance with the provisions of the Local Government Pension Scheme Regulations.
9. Making representations to government and responding to consultations as appropriate concerning any proposed changes to the Local Government Pension Scheme.
10. Nominating a representative (and named substitute) from the Committee to represent the Committee on the Oversight Board for Brunel Pension Partnership.

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 (14)	5 elected members from B&NES (subject to the rules of political proportionality of the Council) 3 independent members 1 elected member nominated from each of Bristol City Council, North Somerset Council and South Gloucestershire Council 1 nominated from the Higher and Further education bodies 1 nominated from the Academy bodies 1 nominated by the trades unions
Non-voting members (3)	1 nominated from the Parish Councils Up to 2 nominated from different Trades Unions

The Council will nominate the Chair and Vice Chair of the Committee. The Vice Chair will be the Chair of Investment Panel.

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 1 member from Bath and North East Somerset Council

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 performance of the investment and risk management strategies
3. Report matters of strategic importance to the Committee.

And have delegated authority for:

4. Monitoring the transition of assets to the Brunel portfolios and allocate assets to the relevant portfolio offered by Brunel
5. Approve and monitor tactical positions within strategic allocation ranges.
6. Approve allocations to emerging opportunities within the strategic allocations.
7. Approve commitments to Brunel’s private market portfolios at each commitment cycle to maintain strategic allocations.
8. For Risk Management strategies, monitor the implementation of the structures, consider strategies for restructuring, and monitor collateral requirements.
9. For assets held outside Brunel:
    a) Implement investment management arrangements in line with strategic policy.
    b) Monitor investment managers’ investment performance and make decision to terminate mandates on performance grounds.

10. Monitor the investment performance of the portfolios managed by BPP Ltd and report to Committee on investment matters with specific reference to strategy delivery.
11. 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 Brunel Oversight Board Representative

Brunel Oversight Board (the Board) is the primary governance body within the Brunel Pension Partnership. Each Fund within the partnership has a representative on the Board and this representative represents the Committee when discharging its duties.

Acting for the administering authorities in their capacity as shareholders in BPP Ltd., the Board has responsibility for ensuring that BPP Ltd delivers the services required to achieve investment pooling across the Brunel Pension Partnership.

Subject to the terms of reference for the Board and the applicable shareholder documentation, the Board's role is to consider and address relevant matters on behalf of the administering authorities. These include the monitoring and strategic oversight functions necessary to its role, as well as acting as a conduit and focus of shareholder requirements and views.

Consistent with this role, the Board's duties include reviewing and discussing any matter which it considers appropriate in relation to BPP Ltd including BPP Ltd.'s services, performance, operations, governance, strategy, financing and management.

The main duties of the Board Representative are:

1. To represent the Committee and Shareholder on the Brunel Oversight Board.
2. To ensure that the Committee's views are communicated to the Board and BPP Ltd.
3. To ensure the Fund's and shareholder's interests are protected within Brunel in line with the legal framework within which Brunel operates.
4. To report back to the Committee and Shareholder all relevant issues discussed by the Board and recommendations to the Brunel Client Group and/or the Shareholders.
5. To seek the consensus view of the Committee for Shareholder and Board matters where necessary.
6. To raise issues with the Board at the request of Committee members, the shareholder representative or Head of Pensions.

4 Brunel Pension Partnership Working Group

This is a group of Committee members whose role is to consider in greater detail any issues arising from Brunel Pension Partnership with Officers, for example Reserve Matters, papers to be discussed at BOB. This will not include routine investment matters which are monitored by the Investment Panel.

This group will consist of:

a) the BOB Representative,

b) named BOB substitute

c) the Chair and/or Vice Chair if not the BOB representative /substitute

d) an independent committee member.

e) Head of Pensions

f) Investments Manager

The Working Group shall be quorate if three members are in attendance, with at least 2 that are not fund officers. The Head of Pensions shall chair the Working Group.

The Working Group shall meet as and when required as determined by the Head of Pensions. Meetings may be via telephone conference.

Key discussions and action points from the Working Group will be recorded and the committee will be updated at the next committee meeting.

The responsibilities of the working group are as follows:

With regard to any matters arising from Brunel Pension Partnership where the Avon Pension Fund have an interest:

a) to consider each matter that will be brought to the Pension Committee and / or Shareholder representative for decisions in due course

b) to provide guidance to the Pension Committee and / or Shareholder Representative in relation to each matter when they are being considered

c) to provide guidance to the BOB representative as required

d) to make recommendations to the Pension Committee regarding general oversight of the pool, as considered appropriate.

5 Officer Delegations

Officers are responsible for:

1. Implementation and day to day monitoring of the administration, investment and funding strategies and related policies.
2. Implementing investments in emerging opportunities within strategic allocations, either to be managed outside Brunel or instruct allocation to Brunel portfolio.
3. Implementing investment management arrangements in line with the strategic policy as follows:
    a. For assets managed outside Brunel, this includes the setting of mandate parameters and the appointment of managers, in consultation with the Investment Panel.
    b. For assets managed within Brunel, deciding and instructing the allocation to each Brunel portfolio.
4. Restructuring the risk management strategies as required where sensitive to market prices or technical in nature, having taken expert advice.
5. Rebalancing the investment assets to target strategic allocations, when deemed prudent to do so, taking account of tactical allocations approved by the Investment Panel.
6. Representing the Fund on the Brunel Client Group to develop Brunel investment strategies and policies which effectively support the interests of the Fund.
7. Commissioning Elective Services from BPP Ltd and issuing instructions as permitted by the Brunel Service Agreement to BPP Ltd.

8. The appointment of specialist advisors to support the Committee and Officers in discharging their functions.
9. Determining policies that support the investment and funding strategies having taken expert advice.
10. In consultation with the Chair of the Committee, the Head of Pensions will approve the draft Statement of Accounts and Annual Report for audit.
11. Authorising expenditure from the Fund in accordance with the annual budget.
12. Admitting new admitted bodies into the Fund subject to them meeting Fund policy.
13. The Section 151 Officer has authority to dismiss investment managers, advisors and 3rd 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).
14. 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
15. 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.
16. 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.

To be Approved by Avon Pension Fund Committee 06 December 2019

This page is intentionally left blank

Bath & North East Somerset Council		
MEETING:	**AVON PENSION FUND COMMITTEE**	
MEETING DATE:	**6 December 2019**	**AGENDA ITEM NUMBER**
TITLE:	**CMA Order – Setting Strategic Objectives for Advisors**	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report: Exempt Appendix 1 – Setting Strategic Objectives for Mercer		

1 THE ISSUE

1.1 An outcome of the CMA's (Competition and Market's Authority) investigation into the fiduciary management and consultancy market is that pension funds, including the LGPS, need to set their investment advisors 'strategic objectives' against which the advisor's performance can be measured. The motivation is to help clients assess their advisors as the investigation concluded that, despite clients generally being well served, they found it difficult to assess their advisors.

1.2 The CMA has set a deadline of **10 December 2019** for pension funds to set their investment advisors these strategic objectives and if they are not in place by that date, pension funds could be open to being fined if they accept investment advice.

2 RECOMMENDATION

2.1 **The Committee approves the Letter to Mercer setting out the Strategic Objectives**

3 FINANCIAL IMPLICATIONS

3.1 Failure to comply with the Order may result in a fine from the CMA.

4 THE INVESTMENT CONSULTANCY AND FIDUCIARY MANAGEMENT MARKET INVESTIGATION IRDER 2019 ('the Order')

4.1 The CMA has published the Order which places new obligations on pension schemes in relation to Fiduciary Management (not relevant to the LGPS) and Investment Consultancy (IC) services (within scope for LGPS).

4.2 The Order defines IC services as advice that an LGPS scheme manager is required by law to take (i.e. proper advice under regulation 7(1) of the Investment regulations 2016), advice on which investments are to be made, advice on investment strategy and advice on manager selection.

4.3 Advice from the administering authority or commentary from the scheme actuary in the valuation report with regard to the link between the investment and funding objectives is not included in IC services.

4.4 The Fund will have to consider how they will monitor Mercer against the objectives in the future, but before the compliance deadline (see 4.5(b)).

4.5 LGPS scheme managers are required to

a) Set out their strategic objectives for their Investment Advisors by 10 December 2019

b) Submit a statement of compliance with their obligations under the Order by end of December annually (starting from December 2020).

4.6 The CMA Strategic Objectives for Mercer is set out in Exempt Appendix 1. The Committee are asked to approve this letter. The letter can be revised as required. The compliance statement will be considered by the Committee annually before submitting to the CMA.

5 RISK MANAGEMENT

5.1 The Avon Pension Fund Committee is the formal decision-making body for the Fund. As such it has responsibility to ensure adequate risk management processes are in place. It discharges this responsibility by ensuring the Fund has an appropriate investment strategy and investment management structure in place that is regularly monitored. The creation of an Investment Panel further strengthens the governance of investment matters and contributes to reduced risk in these areas.

6 CLIMATE CHANGE

6.1 The Fund is implementing a digital strategy across all its operations and communications with stakeholders to reduce its internal carbon footprint. The Fund acknowledges the financial risk to its assets from climate change and is in the process of addressing this through its strategic asset allocation to Low Carbon Equities and renewable energy opportunities. The strategy is monitored and reviewed by the Committee.

7 OTHER OPTIONS CONSIDERED

7.1 None.

8 CONSULTATION

8.1 The Council's Monitoring Officer and Section 151 Officer has had the opportunity to input to this report and have cleared it for publication.

Contact person	Liz Woodyard, Investments Manager 01225 395306
Background papers	
Please contact the report author if you need to access this report in an alternative format	

Bath & North East Somerset Council

Access to Information Arrangements

Exclusion of access by the public to Council meetings

Information Compliance Ref: LGA 1749/19

Meeting / Decision: Avon Pension Fund Committee
Date: 6th December 2019

Author: Liz Woodyard
Report Title: CMA Order – Setting Strategic Objectives for Advisors Exempt Appendix Title: Exempt Appendix 1 – Setting Strategic Objectives for Mercer

The Report contains exempt information, according to the categories set out in the Local Government Act 1972 (amended Schedule 12A). The relevant exemption is set out below.

Stating the exemption: 3. *Information relating to the financial or business affairs of any particular person (including the authority holding that information).*

The public interest test has been applied, and it is concluded that the public interest in maintaining the exemption outweighs the public interest in disclosure at this time. It is therefore recommended that the exempt appendix be withheld from publication on the Council website. The paragraphs below set out the relevant public interest issues in this case.

PUBLIC INTEREST TEST

If the Committee wishes to consider a matter with press and public excluded, it must be satisfied on two matters.

Firstly, it must be satisfied that the information likely to be disclosed falls within one of the accepted categories of exempt information under the Local

Government Act 1972. Paragraph 3 of the revised Schedule 12A of the 1972 Act exempts information which relates to the financial or business affairs of the organisations which is commercially sensitive to the organisations. The officer responsible for this item believes that this information falls within the exemption under paragraph 3 and this has been confirmed by the Council's Information Compliance Manager.

Secondly, it is necessary to weigh up the arguments for and against disclosure on public interest grounds. The main factor in favour of disclosure is that all possible Council information should be public and that increased openness about Council business allows the public and others affected by any decision the opportunity to participate in debates on important issues in their local area. Another factor in favour of disclosure is that the public and those affected by decisions should be entitled to see the basis on which decisions are reached.

Weighed against this is the fact that the exempt appendix contains strategic and financial information about the proposal, which is commercially sensitive and could prejudice the commercial interests of the organisation if released. It would not be in the public interest if advisors and officers could not express in confidence opinions or proposals which are held in good faith and on the basis of the best information available.

It is also important that the Committee should be able to retain some degree of private thinking space while decisions are being made, in order to discuss openly and frankly the issues under discussion in order to make a decision which is in the best interests of the Fund's stakeholders.

The Council considers that the public interest is in favour of not holding this matter in open session at this time and that any reporting on the meeting is prevented in accordance with Section 100A(5A)

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

Document is Restricted

This page is intentionally left blank

Bath & North East Somerset Council	
MEETING:	**AVON PENSION FUND COMMITTEE**
MEETING DATE:	**6 December 2019**
TITLE:	**WORK PLANS**
WARD:	**ALL**
AN OPEN PUBLIC ITEM	

List of attachments to this report:

Appendix 1 – Investments Work plan

Appendix 2 – Administration Work plan

Appendix 3 – Committee Work plan

Appendix 4 – Investments Panel Work plan

Appendix 5 – Training Programme 2019-21

1 THE ISSUE

1.1 Attached to this report are updated work plans for the Investments and Pensions Administration teams which set out the various issues on which work will be undertaken in the period and which may result in reports being brought to Committee.

1.2 In addition there is a work plan for the Committee and a separate one for the Investment Panel which set out provisional agendas for forthcoming meetings. The dates for future Committee and Panel meetings are also included.

1.3 The provisional training programme for 2019-21 is included as Appendix 5.

1.4 The work plans are consistent with the Service Plan but also include a number of items of lesser significance which are not in the Service Plan. The work plans are updated quarterly.

1.5 Member attendance at training events is recorded and reported annually in the Annual Report and Accounts. This will include a record of those members that have completed The Pension Regulators Knowledge and Skills Toolkit.

2 RECOMMENDATION

2.1 That the Committee notes the work plans and training programme for the relevant period.

3 FINANCIAL IMPLICATIONS

3.1 There are no financial considerations to consider.

4 THE REPORT

4.1 The purpose of the work plans is to provide members with an indication of their future workload and the associated timetable. In effect they represent an on-going review of the Service Plan. The plans are however subject to change to reflect either a change in priorities or opportunities / issues arising from the markets/regulations.

4.2 The provisional training programme for 2019-21 is also included so that Members are aware of intended training sessions and workshops. This plan will be updated quarterly. It also includes a summary of the work the committee undertakes to meet the requirements of CIPFA's Knowledge and Skills Toolkit. It also includes workshops to cover aspects of training requested in the self-assessment exercise.

5 FUTURE MEETING DATES

5.1 Pension Committee meetings as currently scheduled:

2019	2020	2021	2022	2023
PC workshops: • 17 December Meeting • 6 December	28 February (Strategy workshop) 27 March 26 June 25 September 11 December	26 March 25 June 24 September 10 December	25 March 24 June 23 September 16 December	24 March 23 June 22 September 15 December

5.2 Investment panel meetings as currently scheduled:

2020	2021
6 March 5 June 11 September 20 November	26 February 28 May 10 September 19 November

6 RISK MANAGEMENT

6.1 Forward planning and training plans form part of the risk management framework.

7 CLIMATE CHANGE

7.1 The Fund is implementing a digital strategy across all its operations and communications with stakeholders to reduce its internal carbon footprint. The Fund acknowledges the financial risk to its assets from climate change and is in the process of addressing this through its strategic asset allocation to Low Carbon Equities and renewable energy opportunities. The strategy is monitored and reviewed by the Committee.

8 OTHER OPTIONS CONSIDERED

8.1 None

9 CONSULTATION

9.1 The Council's Monitoring Officer and Section 151 Officer have had the opportunity to input to this report and have cleared it for publication.

Contact person	Carolyn Morgan, Governance and Risk Advisor, 01225 395240
Background papers	None
Please contact the report author if you need to access this report in an alternative format	

This page is intentionally left blank

Appendix 1

INVESTMENTS TEAM WORKPLAN

Project	Proposed Action	Committee Report
Member Training	Implement training policy for members (and then officers) in line with CIPFA Knowledge and Skills Framework and Toolkit (when issued). Arrange training sessions as necessary to Ensure that all Committee members stay abreast of the latest developments in the world of local government pensions by being given the opportunity to attend seminars Training programme for new members in place Self-Assessment of knowledge and training needs	On-going
Review manager performance	Officers to formally meet managers as part of monitoring process See IP workplan for Panel meetings	Ongoing
Investment strategy & projects	Projects for implementation or further investigation. • Strategic Investment review after 2019 Valuation ○ Review asset allocations ○ Review options for RM strategy ○ Approve strategy and agree implementation plan	Plan agreed by Committee March 2019; Workshops in 4Q19; Strategy approved 1Q20
Pooling of investments	Participate in Brunel Pension Partnership as Client Group Representative Manage transition of assets – planning & implementation Prepare plan for transition of legacy private market assets post Strategic review Review team resource and structure as a result of pooling (post transition)	On-going On-going 2020 2020
2019 Valuation	Disseminate results to employers Finalise Funding Strategy Statement post results completed	On-going By 31 March 2020
Monitoring of employer covenants	Annual monitoring of changes in employers financial position	On-going
Review AVC arrangements	Review choice of investment funds offered for members	2020
Review AAF 01/06 & SAS70 reports	Annual review of external providers internal control reports	Annually

Investment Forum	To discuss funding and investment strategies and issues	TBC for 2020
Pensions Board	Training plan	Ongoing
Investment Strategy Statement	Revise periodically after strategy changes	Ongoing
Final Accounts	Preparation of Annual Accounts	Annually by 31 May; annual report by audit

Appendix 2

PENSIONS ADMINISTRATION TEAM WORKPLAN

Project	Proposed Action	Report
Employer Self Service rollout	Continuing Employer Self Service training of all new and remaining employers to enable full electronic data delivery. Review of software to ensure product is fit for purpose and meets Fund requirements. Undertake review as part of PAS	Ongoing Due Q4 2019/20
i-Connect software – to update member data on ALTAIR pension database automatically monthly	All Unitary Authorities Live All Other Employers (see strategic projects below; identified in 2018/21 Service Plan). Currently 242/428 (57% active scheme employers submitting monthly data covering 86% of active membership) Project currently suspended pending re-structure and formulation of dedicated i-Connect resource	Completed Q4 2018/2019 Delayed – now due by end March 2021
  I-Connect Roll Out Address Tracing Member Aggregation Reply Due Cases 2014 Scheme – refund option	Key projects identified in 2018/21 Service Plan To improve efficiency and performance Roll out of monthly returns across all employers (86% of active membership covered as at 30 September 2019) To achieve compliance with TPR Cop 14 and enable member ABS to be issued (Stage 1 – mortality screening) (Stage 2 – automated reference testing) (Stage 3 – manual tracing) (Stage 4 – forensic trace) Aggregation/link option - Appx 3,869 cases (100% cleared at March 2019) Develop new process & clear outstanding backlog Develop & Implement new process to manage increase in workload – impacting from April 2019	 On Hold (pending structure review) Completed Completed Completed Commencing Q3 2019/20 Completed On hold due to resource move In Progress
Trivia commutation of Small Pension Pots	Undertake review of pensioner member pots to identify potential commutation opportunity following Gov't budget announcement. Feasibility study – in progress	Due to start on completion of GMP reconciliation project.
Historic Status 9 Cases (Old member leaver	Identify cases and contact former members (tracing agent support) concerning pension	Ongoing Completion due

cases with no pension entitlement. Previously untraced)	refund payment.	end March 2020
TPR Requirements	Data Quality Management Control – ensure processes and reporting in place to reflect TPR compliance. Undertake review of overall data accuracy – incorporating new TPR Data Score requirements for Common and Scheme Specific data. July 2019 – SAB issued draft conditional data requirements for scoring. Further development on providing guidance notes are in progress with LGA APF have commenced development of reports based on draft SAB requirements	Completed In Progress
Guaranteed Minimum Pension (GMP) Data Reconciliation Exercise Following cessation of Contracting out section April 2016	Carry out full reconciliation with HMRC records to mitigate risk from holding incorrect GMP liability. Final stage – determine pension rectification actions	Ongoing Due Completion 2019/20 Due Q4 2019/20
2018/19 Year End Process	Ensure complete data receipt from employers and carry out reconciliation process. Issue member ABS prior to 01/09/2019 (1) Issue employer data match file (2) Deadline for data receipt (30/4/18) (3) Deadline for reconciliation (end June 18) (4) ABS production timetable (July/August) (5) Member AA Notifications (by 6 Oct 18)	Completed Jan 19 Completed Completed Completed Completed
Move to Electronic Delivery of generic information to members	Continue to move to electronic delivery to all members (other than those who choose to remain with paper).[Service Plan refers] Campaign to increase the sign up of members to Member Self Service *(My pension online)*	Ongoing Ongoing
Review Pension Admin Strategy	Review & update current PAS (2015) for approval by Pensions Committee	Completed
General Data Protection Regulation (GDPR)	Undertake review of existing arrangements in conjunction with B&NES corporate policy to ensure compliance with EU legislation - effective May 2018)	Ongoing Update report at March 2020 Committee

Appendix 3

Committee Work plan to March 2020

MARCH 2020
PB minutes
2019 Actuarial Valuation outcome report & Covenant review
Draft ISS post review for consultation
Review of Investment Performance for Quarter
Pension Fund Administration – Performance Indicators for Quarter and Risk Register
Budget & Cashflow Monitoring
Budget and Service Plan 2020/23
Report on Investment Panel Activity
Update on Brunel Pension Partnership
Update on Legislation
Work plans
Planned Special meeting: February 28th Strategic Investment Review – Revised Strategy

This page is intentionally left blank

Appendix 4

INVESTMENT PANEL WORKPLAN

Panel meeting	Proposed agenda
6 March 2020	• Review investment performance • Transition of assets - plan update • Implementation considerations from strategic review (Equity Protection) • Agree Private Market commitments to Brunel portfolios (by 31 March 2020)
5 June 2020	• Review investment performance • Transition of assets - plan update • Implementation considerations from strategic review
11 September 2020	• Review investment performance • Transition of assets - plan update
20 November 2020	• Review investment performance • Transition of assets - plan update

This page is intentionally left blank

Appendix 5 - Committee training programme 2019-21

	Topic	Content	Format	Timing
1	Governance	Overview of governance structure LGPS Scheme Advisory Board & legislative framework List of key strategy and regulatory documents	Committee	June 2020 Committee meeting Induction training
2	Overview of Fund Strategies	Scheme outline and structure Administration Strategy Communications Strategy Risk Register	Committee	Committee papers Induction training
3	Actuarial Valuations	Valuation monitoring 2019 valuation outcome & GAD valuation methodology, plus LGPS Cost Cap Mechanism,	Committee Workshop	Committee reports Workshop 2Q19 & Committee reports
4	Funding Strategy Statement, covenants, admission and exit policies	Funding Strategy (FSS) Covenant assessment process Admission and exit policies and funding basis used	Committee	Valuation & FSS workshop 2Q19 Committee reports
5	Investment strategy	Asset allocation & Investment Strategy Statement Investment strategies e.g. active vs. passive Investment management structure Monitoring managers, performance measurement, fees Strategic Review Brunel: • Asset transition plan • Monitoring of performance and service delivery	Committee Panel Workshops Committee	Quarterly monitoring report Quarterly monitoring report Workshops 4Q19, Committee 1Q20 Brunel transition plan monitoring (on-going) Brunel performance monitoring (on-going)

6	Managing liabilities	Monitoring and review of LDI framework Annual review of Risk Management Strategies Review of Low Risk Investment Strategy	Investment Panel Investment Panel & Committee Investment Panel	Panel reports Annually Part of Annual LDI monitoring
7	Responsible Investment Policy	Policy principles Implementation	Committee	Annual RI report

Training Programme and the CIPFA Knowledge & Skills Framework (2019/20)

Topic	**Related CIPFA Knowledge & Skills Framework areas:**	**Timing**
Fund Governance and Assurance	Legislative & Governance, Auditing & Accounting Standards, Procurement & Relationship Management	June committee meeting (through committee paper on responsibilities and new member training);
Manager selection and monitoring	Investment Performance & Risk Management	Ongoing by Panel in quarterly monitoring of manager performance Annual report to Committee by Investment Consultant (June Committee meeting) Annual Risk Management Framework Report
Asset Allocation	Investment Performance & Risk Management, Financial Markets & Products	On-going through monitoring of strategy, Workshops on investing in different assets, strategic Investment review
Actuarial valuation and practices	Actuarial Methods, Standards and Practices	Funding update reports quarterly to Committee Covenant and Employer reports to Committee FSS & Triennial Valuation Workshops