

Avon Pension Fund Committee

Date: Friday, 22nd March, 2019

Time: 1.00 pm

Venue: Kaposvar Room - Guildhall, Bath

Bath and North East Somerset Councillors: David Veale (Chair), Patrick Anketell-Jones (Vice-Chair, in the Chair), Shaun Stephenson-McGall, Lisa O'Brien and Rob Appleyard

Co-opted Voting Members: Councillor Mary Blatchford (North Somerset Council), Councillor Steve Pearce (Bristol City Council), Councillor Toby Savage (South Gloucestershire Council), William Liew (HFE Employers), Richard Orton (Trade Unions), Shirley Marsh-Hughes (Independent Member) and Pauline Gordon (Independent Member)

Co-opted Non-voting Members: Cheryl Kirby (Parish and Town Councils) and Wendy Weston (Trade Unions)

Chief Executive and other appropriate officers

Press and Public



Sean O'Neill

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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:-**

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

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Avon Pension Fund Committee - Friday, 22nd March, 2019

at 1.00 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: 7TH DECEMBER 2018 (Pages 5 - 18)

8. PENSION BOARD: MINUTES OF 8TH NOVEMBER 2018 (Pages 19 - 28)
9. GOVERNANCE ARRANGEMENTS (Pages 29 - 58)
10. REVISED ADMINISTRATION STRATEGY (Pages 59 - 110)
11. SERVICE PLAN 2019-22 (Pages 111 - 136)
12. BRUNEL PENSION PARTNERSHIP UPDATE (Pages 137 - 162)
13. 2019 STRATEGIC INVESTMENT REVIEW PLAN (Pages 163 - 166)
14. UPDATE ON LEGISLATION (Pages 167 - 200)
15. TREASURY MANAGEMENT POLICY (Pages 201 - 206)
16. REPORT ON INVESTMENT PANEL ACTIVITY - TO FOLLOW
17. REVIEW OF INVESTMENT PERFORMANCE FOR QUARTER - TO FOLLOW
18. PENSION FUND ADMINISTRATION - PERFORMANCE INDICATORS FOR QUARTER AND RISK REGISTER (Pages 207 - 252)
19. BUDGET AND CASH FLOW MONITORING (Pages 253 - 262)
20. WORKPLANS (Pages 263 - 274)

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, 7th December, 2018, 2.00 pm

Bath and North East Somerset Councillors: David Veale (Chair), Patrick Anketell-Jones, Shaun Stephenson-McGall and Lisa O'Brien

Co-opted Voting Members: Councillor Mary Blatchford (North Somerset Council), Councillor Toby Savage (South Gloucestershire Council), William Liew (HFE Employers), Richard Orton (Trade Unions), Shirley Marsh (Independent Member) and Pauline Gordon (Independent Member)

Co-opted Non-voting Members: Wendy Weston (Trade Unions)

Advisors: Steve Turner (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) and Martin Phillips (Finance & Systems Manager (Pensions))

40 EMERGENCY EVACUATION PROCEDURE

The Democratic Services Officer advised the meeting of the procedure.

41 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Apologies were received from Councillor Rob Appleyard, Cheryl Kirby and Councillor Steve Pearce.

42 DECLARATIONS OF INTEREST

There were none.

43 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

There was none.

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

Mr David Searby of Fossil Free B&NES made a statement urging the Fund to disinvest from fossil fuels. He believed that the creation of the Brunel Pensions Partnership gave opportunities for greater progress with low-carbon investments. In a survey of council investment in fossil fuels published a year ago it was estimated

that Avon PF had about £180m invested in fossil fuels. £21m of this was invested in Shell, whose target to halve its net carbon footprint by 2050 he believed to be woefully inadequate. He suggested that Shell was also a bad choice in commercial terms, as its share price had fallen by about 8% in the last six months. Shell had a £4m stake in Cabot Oil and Gas, which had been fined \$US4m for polluting water in the US, and £7m in Rio Tinto, which had emitted more than 26m tonnes of carbon in the year ending in July 2017. The Avon Fund's Responsible Investing Annual Report 2017/18 shows that though the Fund was 28.5% more carbon efficient than the benchmark, more than 50% of the generating mix of its energy investments was still in oil, gas and coal. Fund managers placed a lot of emphasis on engagement with the fossil fuel industry, but experience had shown this to be ineffective. Thirteen UK Councils had committed to completely disinvest from fossil fuels. He urged Avon PF to follow their lead.

The Chair thanked Mr Searby for his statement.

45 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

There were none.

46 MINUTES: 21ST SEPTEMBER 2018

These were approved as a correct record and signed by the Chair.

47 PENSION BOARD MINUTES:

RESOLVED to note the public and exempt minutes of the Pension Board meeting of 8th November 2018.

48 REVIEW OF GOVERNANCE ARRANGEMENTS

The Head of Business, Finance and Pensions presented the report.

He said that the presentation of this paper to the Committee had been delayed by about eighteen months, because of the demands of the pooling process and the establishment of Brunel Pensions Partnership on staff time.

There were three main aims behind the proposals in the report. The first was to ensure that the membership of the Committee was appropriate for current circumstances. The number of academies had increased significantly, and they were now the largest group of employers in the Fund without representation on the Committee. There was also the need to achieve the optimum balance between lay members and those with professional investment experience, important if professional investor status under MIFID II is to be maintained. The second was to ensure that that the Committee, Investment Panel and Pension Board work together more efficiently. At present about 70% of the papers coming to the Committee are simply for noting. Efficiencies could be achieved if the Pension Board dealt with more of the administrative and compliance issues, and if reporting from the Panel to the Committee was formalised. This would free the Committee to focus on core strategic

matters. Some of the papers currently coming to the Committee would instead go to the Board or the Panel, but would be available for Members of the Committee to view. There would still be the opportunity for Members of the Committee to raise issues from those papers at Committee meetings. The third aim was to facilitate liaison with Brunel PP. At the moment the main link to Brunel was through the Chair of the Committee and himself. He thought this was insufficient to provide adequate assurance to the Council as shareholder and to the APF as a client fund. It was therefore recommended that an informal Brunel working group be established

The addition of an academy representative and another Independent Member with professional experience would need to be offset by a reduction in the number of B&NES Councillors on the Committee. This had been discussed with the leaders of the Council's political groups, and no significant concerns had been expressed. Members discussed the proposals. The following points were made in discussion:

- An additional Independent Member would be welcome. Those with professional knowledge are able to understand issues more quickly and can help new members get up to speed. An Independent Member with actuarial experience would be a valuable addition to the Committee.
- The large and still increasing number of academies in the Fund justifies the appointment of an academy representative to the Committee, but how will the nomination process work? It would be helpful to see a proposal for this.

The Head of Finance, Business and Pensions agreed that a nomination process would have to be worked out taking account of the fact that there are both multi-academy trusts and independent academies. There would need to be some sort of election process. An invitation to nominate would be sent to all academy employers. Details of a proposed process will be tabled at the next Committee meeting.

- A reduction in the number of B&NES councillors on the Committee might lead to a reduction in the diversity of the membership, less chance of minority views being heard, and an increased risk of group think. The reduction of the number of B&NES councillors on the Panel to 2 will make it hard to achieve political proportionality. B&NES is the administering authority of the Fund, so if the number of B&NES councillors is reduced, it might be desirable to review how the Council will discharge its responsibilities in this role.
- A member raised the point that Brunel working group can hardly be 'informal', since it will be constituted under section 4 of the Committee's Terms of Reference. Likewise what does 'informal' mean in paragraph 7.2(b) of the report: 'move some regular reporting to an informal accessible format'? The working group should be established as a formal sub-committee.

The Head of Business, Finance and Pensions responded that there is no intention to operate behind closed doors. The proposal is that there should be a small group of Members focussed on Brunel, which would report formally to the Oversight Board, Committee or the Council as shareholder, without, in the interest of efficiency, being constrained by formal procedures all the time. As far as 'informal' reporting was concerned, it was the process that would be informal, not the papers themselves. The papers would still be accessible by Members, those that were not exempt would be in the public domain, and Members would still be able to raise issues about them

at Committee meetings. The point is that much of the information currently brought to the Committee is just for noting.

- There is no explanation in the report of the proposed reduction in the number of trade union representatives from 3 to 2.

The Investments Manager replied that the current number of trade union representatives had reduced to 2 because of union mergers.

- Consideration should be given to having a scheme member representative on the Committee.
- A reduction in the quantity of paper sent to Members will be very welcome.

After the discussion was concluded, it was **RESOLVED** to:

1. agree to consultation on proposed changes to Committee membership, namely:
 - a. a reduction in Bath and North East Somerset Council representation from 5 to 3;
 - b. addition of a further Independent Member to the Committee;
 - c. addition of an Academy Representative;
 - d. to consult with Employers over these proposed changes;
2. to defer the consideration of the establishment of a Brunel Working Group until the March 2019 meeting;
3. agree to the proposed changes to Terms of Reference of:
 - a. the Avon Pension Fund Committee, with the exception of section 4 (Brunel Pension Partnership Working Group);
 - b. the Avon Pension Fund Board for consultation with the Board;
 - c. to consult with the Avon Pension Fund Board in respect of these changes.

49 APPROVAL OF INVESTMENT STRATEGY STATEMENT

The Investment Manager presented the report. She drew attention to the comments from the Pension Board on the draft ISS contained in Appendix 3, the information about the Board's review of the ISS in section 5 of the report, and the proposed future process for consulting with Board described in paragraph 5.6.

A Member noted that many of the comments by the Board related to responsible investing (RI), and asked whether it would be better for the Committee to consider them as part of the review of the RI policy, rather than as part of the review of the

ISS. The Investment Manager replied that it is the role of the Board to assess whether the Fund had followed a proper process in its review of the ISS, and not to recommend particular policy outcomes. The Board's comments and queries should be considered in this light. The Board had agreed that the ISS complies with the LGPS regulations and statutory guidance. It is hoped that the RI policy will be reviewed in 2019/20.

A Member suggested that the last bullet point in paragraph 7.4 of the ISS should state that climate change poses an 'actual' not a 'potential' long-term financial risk to the Fund.

A Member noted that in a reply by the Fund to a comment from the Board it was stated that "APF policy is not to exclude purely on moral grounds at the strategic level" (agenda page 79), and asked whether there was information about the practice of other funds and whether any had decided to accept a lower return as a consequence of ethical investment. The Head of Business, Finance and Pensions said that funds had taken a variety of positions. Some had decided to exclude fossil fuels entirely. Avon had so far not decided to do so. Avon would want to consider the impact of exclusions on the Fund. The proper time to consider this would be after the strategic review and the ESG review. It was noted that while the Fund retains overall responsibility for setting strategic investment objectives, Brunel will increasingly be responsible for appointing managers and assessing ESG criteria and cost implications for the ten funds in the partnership.

A Member referred to paragraph 7.16 of the ISS, "Social Investment", and said that he could not recall that the Committee had ever discussed this as an objective of the Fund. The Investment Manager confirmed that it had not, but social investment could include some investments in infrastructure. This was something that could be discussed in a future review.

RESOLVED:

1. to note the conclusion from the Pension Board that the Draft ISS complies with the regulations and statutory guidance;
2. to note the comments from the Pension Board and agrees a process for consulting with the Board on social, environmental and corporate governance factors when reviewing policy as articulated in paragraph 5.6 of the report;
3. to approve the ISS for publication.

50 ANNUAL RESPONSIBLE INVESTING REPORT

The Assistant Investments Manager presented the report. He said that the report details the Fund's policies and activities throughout the year that contribute to its responsible investing objectives, including the appointment of a manager of a low-carbon tracker fund, into which the Fund's legacy passive equity assets had been transitioned.

A Member referred to table 11 'Generation Mix' on agenda page 157 and asked why the Fund was below the benchmark for renewables. The Investment Manager said that she would need to investigate and report back on this. Another Member said

that unless the Fund specifically invested in renewables, it was unlikely to increase the generation mix percentage of renewables. The Investments Manager cited the difficulty in accessing renewable 'pure plays' in listed markets, and further highlighted that, through the Fund's 2.5% commitment to Renewable Infrastructure, it was possible that the Fund had a higher percentage invested in renewables.

A Member asked how the Fund would ensure that the engagement of investment managers with companies actually achieved the Fund's desired outcomes, how the success of engagement is measured, and whether the Fund sets targets for corporate change with divestment as the end point if targets are repeatedly not met. The Head of Business, Finance and Pensions replied that such targets are not set. The Fund has to consider what it can do without suffering an adverse financial impact. It would be a useful question to consider as part of the strategic review. A key consideration at the moment is the role of Brunel, and how it is likely to engage more actively on environmental issues, recognising that the Environment Agency is one of the Brunel client funds. Avon will need to think about how it will engage with Brunel on ESG issues. A Member commented that the Fund could exert influence as a member of the Local Authority Pensions Fund Forum. Shareholder groups have shown that they are able to change company policies; ESG issues could ultimately be raised at a shareholders' meeting. He also suggested that the Fund needs to consider whether fossil fuel production is actually sustainable, and to try to identify suitable alternative investments which would allow it to disinvest from coal, for example. The Head of Business, Finance and Pensions noted that the Welsh Assembly Government has adopted a policy of refusing new applications for coalmining except under wholly exceptional circumstances.

A Member suggested that the Fund should be more proactive in publicising the progress it had made in its Responsible Investing Policy and get the support of scheme members for the effort to balance financial returns against environmental factors.

RESOLVED to approve the annual Responsible Investment Report for 2017/18.

51 UPDATE ON BRUNEL PENSION PARTNERSHIP

The Investments Manager presented the report. She said that the Brunel Oversight Board had met only the previous day, so the minutes of that meeting were not yet available. The minutes of the previous meeting were attached as Appendix 1 to the report.

She drew attention to the information in paragraph 4.1(c) of the report about the work being done by the Client Group and Brunel to develop KPIs to monitor Brunel's performance, which would develop over the next few months, and to the Autumn Progress Report to the Ministry of Housing, Communities and Local Government, which was contained in Exempt Appendix 7.

The TT equity portfolio had been transitioned to Brunel.

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 remainder of this item and that the reporting of this part of the meeting 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 was concluded, it was **RESOLVED**:

1. to note the progress made on the pooling of assets;
2. the updated project plan for the transition of assets.

52 2018 INTERIM VALUATION UPDATE

The Committee, having been satisfied that the public interest would be better served by not disclosing relevant information, **RESOLVED** that the public be excluded from the meeting during this item of business and that the reporting of this part of the meeting 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 was concluded, the Committee **RESOLVED** to note the information in the report.

53 REPORT ON INVESTMENT PANEL ACTIVITY

The Assistant Investments Manager presented the report.

RESOLVED to note the Panel's decisions as recorded in the meeting minutes.

54 REVIEW OF INVESTMENT PERFORMANCE FOR QUARTER

The Investment Manager presented the report. She said that because of the impact of Brexit concerns on currency volatility, it had been decided to roll all positions early this month ahead of the House of Commons vote on the Brexit deal.

Mr Turner presented the Mercer investment report and responded to comments and questions from Members. He asked Members to note that the funding level had remained stable over the quarter, hovering around 97%, despite falls in equity markets, so they should be confident that the equity protection strategy was working well. There was a great deal of uncertainty in markets because of Brexit.

RESOLVED to:

1. note the information set out in the report;
2. note LAPFF Quarterly Engagement Report at Appendix 3.

55 GMP RECONCILIATION - VERBAL UPDATE

The Technical Manager presented the report.

He invited Members to note the letter sent from the South West Area Pension Officers Group (SWAPOG) to both the Chair of the Scheme Advisory Board (SAB) and Minister for Housing Communities and Local Government (MHCLG) on 19 November 2018. A response was awaited.

RESOLVED to note the update.

56 PENSION FUND ADMINISTRATION - PERFORMANCE INDICATORS FOR QUARTER AND RISK REGISTER

The Pensions Manager presented the report and responded to questions and comments from Members. He said that 37 new employers had joined the Fund during the period. There were 60 potential employers in the pipeline for admittance. Four apprentices had joined both the member services and the employer services teams. Administrative performance against SLA targets continued to be below benchmark, whilst comparative performance measurements against statutory deadlines were in target in all primary cases. Employer performance in notification of member retirement generally fell short of SLA targets. There were a number of ongoing projects as detailed in paragraph 5.6 of the report.

[Councillor Toby Savage left the meeting at this point.]

Two thirds of missing and 'gone away' member addresses had been found. Unfortunately the project had stalled because of lack of resource, but a temporary resource had now been recruited.

Following discussion it was **RESOLVED** to note:

1. membership data and Fund and Employer performance for the 3 months to 30th September 2018;
2. progress and reviews of the TPR Data Improvement Plan.

57 BUDGET AND CASH FLOW MONITORING 2018/19

The Finance and Systems Manager (Pensions) presented the report.

RESOLVED to note:

1. the administration and management expenditure incurred for 7 months to 31 October 2018;
2. the Cash Flow Forecast at 31 October 2018.

58 UPDATE ON LEGISLATION

The Technical Manager presented the report.

RESOLVED:

1. to note the current position regarding the developments that could affect the administration of the Fund;
2. to note the response sent to MHCLG regarding the policy consultation issued in October.

59 WORKPLANS

RESOLVED to note the workplans.

The meeting ended at 4.41 pm

Chair(person)

Date Confirmed and Signed

Prepared by Democratic Services

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

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BATH AND NORTH EAST SOMERSET

PENSION BOARD

Thursday, 8th November, 2018

Present:- Howard Pearce (Chair), Gaynor Fisher (Employer Representative), Steve Harman (Employer Representative), Tom Renhard (Member Representative), David Yorath (Member Representative) and Tony Whitlock (Employer Representative)

Also in attendance: Jeff Wring (Head of Audit West), Tony Bartlett (Head of Business, Finance and Pensions), Liz Woodyard (Investments Manager), Geoff Cleak (Pensions Manager) and Alan South (Technical Manager)

43 EMERGENCY EVACUATION PROCEDURE

The Democratic Services Officer advised the meeting of the procedure.

44 APOLOGIES FOR ABSENCE

Apologies were received from Mark King.

45 DECLARATIONS OF INTEREST

There were none.

46 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

The Chair reminded Members of the role and purpose of the Board, which is to help the administering authority to secure compliance with LGPS Regulations and the requirements of the Pensions Regulator, and to ensure the efficient and effective governance and administration of the Avon Pension Fund scheme.

The Chair announced that since the last meeting he had attended a meeting with other Local Pension Board chairs and the Chair of the Scheme Advisory Board. There had been discussion about the need for effective communications between the national SAB and local pension boards. The Chair of the SAB had agreed that further work needed to be done to integrate the work of the SAB and LPBs and to clarify their roles. A copy of the first of a new series of post-meeting communiques for pension boards and pension committees, which had been issued after the February SAB meeting, had been forwarded to Members.

47 ITEMS FROM THE PUBLIC

There were none.

48 ITEMS FROM MEMBERS

There were none.

49 MINUTES OF PREVIOUS MEETING: 19 JULY 2018

RESOLVED that Mark King be added to the apologies for the meeting, and that Steve Harman, Mark King and Tony Whitlock be removed from the attendance list of the exempt minutes, and that the public and exempt minutes be approved subject to these amendments.

Matters arising

Item 26, agenda page 7, first paragraph: training for Board Members on the accounting, auditing and reporting of cost savings from pooling: the Chair suggested that this be picked up in 2019.

Item 28, agenda page 7, fifth paragraph: attendance of Board Members at exempt sessions of the APF Committee and Investment Panel: Members noted from the APF Committee minutes for the 21st September that this had been discussed at that meeting. The Chair and the Head of Business, Finance and Pensions had further discussions subsequently, and they had agreed that Board Members should not be able to attend exempt sessions of the APF Committee and Investment Panel. A Member asked if information had been sought about the practice of other LPBs and pension funds. The Head of Business, Finance and Pensions said that this would probably vary. Where LPB Members were active on pension committees, it gave rise to the potential for conflicts of interest. The Chair reminded Members that they have access to all APF Committee and Panel papers and are able to observe open sessions.

Item 33, paragraph 3: SAB project on academies: the Chair reported that the SAB consultation had ended in September.

50 AVON PENSION FUND COMMITTEE: MINUTES OF THE MEETING OF 21 SEPTEMBER 2018

It was agreed that the Chair should not be classified as an “adviser” in the attendance list.

Before discussing the exempt minutes, the Board having been satisfied that the public interest would be better served by not disclosing relevant information, **RESOLVED** that the public should be excluded during the discussion of AFP Committee exempt minutes of the 21 September 2018, and that the reporting of this part of the meeting 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 discussion it was **RESOLVED** to note the public and exempt minutes of the meeting of the Avon Pension Fund Committee of 21 September 2018.

51 AVON PENSION FUND COMMITTEE INVESTMENT PANEL: MINUTES OF THE MEETING OF 10 SEPTEMBER 2018

RESOLVED to note the public and exempt minutes of the meeting of APF Investment Panel of 10 September 2018.

52 BRUNEL OVERSIGHT BOARD: MINUTES OF THE MEETING OF 18TH JULY 2018

A Member asked when the government might renew pressure for funds to invest in infrastructure. The Head of Business, Finance and Pensions said that infrastructure appeared to be moving up the Government's list of priorities. For funds it was a matter of finding the right opportunities and investment vehicles.

The Chair suggested that it might be another year before it became clear whether cost savings had been made through pooling. The Head of Business, Finance and Pensions agreed that it would take at least a couple of additional transitions to get a better picture. The asset composition of the funds within the pool was changing, so it is not a case of comparing like with like.

Summing up, the Chair said that it appeared that the Brunel Oversight Board was offering an effective challenge to Brunel on governance issues and that APF was maintaining a robust process in relation to pooling; the Board should be reassured by this. The great unknown was whether pooling would deliver significant cost savings, and this would only become apparent at a later date. He thanked officers for their hard and able work in support of pooling.

RESOLVED to note the minutes of the meeting of the Brunel Oversight Board of 18th July 2018.

53 PENSION BOARD ACTION LOG

Administration strategy

The Pensions Manager reported that this would be presented to the next meeting of the Board in March 2019.

SAB Review of Local Pension Boards

The Chair said that he had investigated what is happening with the SAB survey of LPBs. He had found that after the survey had been completed, SAB had produced a very brief statistical analysis, which is available on their website. Some of the results of the survey were incorporated into the guidance to local pension boards about best practice, but SAB is not going to produce a full report. He therefore suggested that this action should be deleted from the log. Members agreed to this.

Missing Scheme Member Addresses

The Pensions Manager reported that some responses had been received from other funds in response to a request for information about their missing address statistics. The Chair requested that responses for funds who had not replied should be chased up.

54 EXTERNAL AUDIT UPDATE: AUDIT FINDINGS REPORT

The Chair was pleased to note that the external auditors had found that the Fund was compliant and that there were no major issues of concern.

A Member said that he would have found it helpful to have had a one-page cover report from officers stating that External Audit had found no cause for concern. This would also have been useful for any scheme member or member of the public who took an interest in the affairs of the Fund.

A Member asked about the delay in the confirmation of the final audit opinion. The Chair explained that the auditors had to be satisfied that the financial accounts were consistent with the text of the Fund's annual report, which is produced later than the financial accounts. The annual report would be presented to the next meeting of the Council. Next year there would be additional requirements for the accounts and the annual report, which would further complicate matters. CIPFA will publish three new guides: on annual reporting, on administration reporting and on costs of pooling.

The Chair thanked officers for their work, which had resulted in a clean report from the external auditors in relation to a £4bn fund.

RESOLVED to note the report of the external auditors.

55 LGPS UPDATES

The Technical Manager presented the report.

The Treasury had reported that all public sector schemes are below the cap floor. The problem for unfunded schemes is that they cannot adjust the level of contributions. SAB has its own cost management process, which will allow changes in benefits to be taken into account before the Treasury process begins. SAB has a sub-group working on a package of benefit changes which will be put to the full SAB for agreement.

There is a move to put all public-sector pension schemes on a 4-year valuation cycle. Any scheme amendments implementing this would take effect from 1st April 2019, so the next valuation period would be 2019-2023.

The Chair said that he believed that there would be little movement on most pension issues in the near future, because so much Government resource was tied up with the Brexit process.

The Chair said that TPR had made a presentation to the Wiltshire LPB, which he also chairs, and suggested that it would be useful for them to meet the Avon Board next year, either in a training session or under an agenda item at a main meeting.

RESOLVED to note the report and latest developments.

56 ISS CONSULTATION

A copy of an email containing the Chair and LPB Members' comments on the draft APF Investment Strategy Statement (ISS) was circulated to Members.

The Head of Business, Finance and Pensions presented the report. He said that he believed that overall the ISS complied with requirements. The Chair suggested that

the Fund should consider whether it had demonstrated engagement with the Local Pension Board. The Head of Business, Finance and Pensions replied that the Committee had agreed to delegate to officers any further non-material changes in the ISS to reflect Brunel Transition. The Fund would be working closely with Brunel, who are managing investment on behalf of the Fund. In addition the APF would be reviewing its ESG strategy in 18 months or so, and he requested the Board consider whether there were any aspects of the issues they had raised that would really add value.

Members discussed this. One Member said that he wondered how materiality would be judged, but he was not able at present to suggest an answer. The Head of Business, Finance and Pensions felt that there was a need for a common understanding of issues, and that in future joint training should be undertaken with the Committee.

The Chair summed up his understanding of what officers were proposing, namely that routine non-material amendments to the ISS proposed by Board Members should be dealt with through emails and a more formal process only be followed for material amendments. Members indicated that they would be happy with this. The Chair said that he felt this arrangement would demonstrate engagement with the Board and comply with 7(2)(e) of the Investment Regulations. It appeared that there was now a common understanding in connection with 7(2)(e) that the Board should focus on long-term material, non-financial factors that might affect investments. It would be useful for Board Members to have further training and engagement about ESG and Responsible Investment when those came up for review.

RESOLVED to note the draft Investment Strategy statement for compliance with the regulations.

57 ANNUAL BENEFIT STATEMENT UPDATES

The Pensions Manager presented the report.

Members noted that all employers had been contacted in January 2018 in preparation for the issue of this year's Annual Benefit Statements. The performance of this exercise this year had been better than last year, reflecting a higher level of engagement with both employers and employer payroll providers throughout the process. Looking ahead, the planned receipt of monthly data returns from all employers should ensure a high level of data accuracy in future years.

Members note the failure rate of 10.1% for deferred employees, which was due to missing addresses. The Chair said that Wiltshire's failure rate was lower and suggested that comparative information should be obtained from other funds in the Brunel pool.

RESOLVED to note the report.

58 COMPLIANCE REPORT

The Pensions Manager presented the report.

A Member said it was good to see progress with IConnect, which was really making a difference to performance.

A Member said that he was very pleased to see by how much performance had improved since the Board began reviewing it. The reports were now very comprehensive, and he was confident as a Board Member that compliance was being taken seriously. He was, however, concerned by the performance of Bristol City Council. The Pensions Manager stated that the particular performance issue was related to a third-party payroll provider. Nonetheless as employer they retained the responsibility for compliance. The Chair wondered whether they should be reported to TPR. The Pensions Manager felt this would not be appropriate at this stage, because the data they provided was of good quality; it was a question of the timeliness of their data provision. A Member asked whether there were any plans to roll out IConnect to third parties. The Pensions Manager said this was not straightforward, and would have to be carefully considered. Payroll providers were not part of the Fund and employers frequently changed them. The Head of Business, Finance and Pensions said that Multi-Academy Trusts were required to harmonise their payroll arrangements.

The Chair noted there was good progress on tracing missing addresses and that the Fund had sufficient resources for this project. He suggested that priority should be given to missing members over 55, as they have a statutory right to withdraw their money from the Fund. He also noted that the legal position that pension overpayments should be reclaimed, though he acknowledged this was challenging from a pragmatic point of view.

The Chair thanked officers for the quality of information provided to the Board and the improvements in performance.

RESOLVED to note:

1. Membership data, Fund and Employer performance for the 3 months to 30th September 2018;
2. Progress and reviews of the TPR Data Improvement Plan.

59 RISK REGISTER UPDATE

The Pensions Manager presented the report.

A Member asked whether Brexit might be added as risk. Officers suggested that there were many potential risks from Brexit and that they were so comprehensive and uncertain as to make adding them to the Risk Register unhelpful.

RESOLVED to note the report.

60 TRAINING AND WORKPLAN UPDATE

The Head of One West presented the report and invited Members to reflect on what training they might require between now and next July.

The Chair suggested training on new CIPFA guidance on annual accounting and annual reporting, including asset pooling costs/savings.

A Member suggested training on Fund processes and procedures.

The Head of Business, Finance and Pensions reminded Members that some Members' terms of appointment would end on 30 June 2018. There was some governance work to be done in relation to the Board and the Committee before then.

RESOLVED to note the report.

61 FORWARD LOOK

It was agreed that all relevant issues had been covered elsewhere on the agenda.

62 DATE OF NEXT MEETING

Noted that the next meeting is scheduled for 7th March 2019 in the Council Chamber, Guildhall, Bath at 14:00.

The meeting ended at 4.06 pm

Chair(person)

Date Confirmed and Signed

Prepared by Democratic Services

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

Document is Restricted

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Bath & North East Somerset Council	
MEETING:	AVON PENSION FUND COMMITTEE
MEETING DATE:	22 March 2019
TITLE:	Review of Governance Arrangements
WARD:	ALL
AN OPEN PUBLIC ITEM	
<p>List of attachments to this report:</p> <p>Appendix 1 Summary Responses to Consultation</p> <p>Appendix 2 Response from Pension Board</p> <p>Appendix 3 Election process for Academies representative</p> <p>Appendix 4 Proposed Terms of Reference of Avon Pension Board</p> <p>Appendix 5 Proposed Terms of Reference of Avon Pension Fund Committee</p>	

1 THE ISSUE

1.1 The Committee received a report in December 2018 recommending a number of changes to the governance arrangements of the Committee, reflecting changes which had taken place in the Funds membership and operational arrangements and in a bid to improve the overall efficiency and effectiveness of Fund governance. This report updates the committee following consultation on proposed changes and recommends changes to be taken forward to the May Council meeting.

2 RECOMMENDATION

The Avon Pension Fund Committee is asked to:

2.1 Recommend to Council the following changes to the Avon Pension Fund Governance arrangements namely;

- a) **Reduction in Bath and North East Somerset Council representation from 5 to 3 members**
- b) **Addition of a further Independent Member to the Committee**
- c) **Addition of an Academy Representative to the Committee**
- d) **Agree to the establishment Brunel Working Group as a sub group of the Committee**
- e) **Agree to the proposed changes to Terms of Reference of:**
 - i. **The Avon Pension Fund Committee**
 - ii. **The Avon Pension Fund Board**

2.2 **Agree to the proposed election process for the new Academies representative and Independent member if agreed by Council**

2.3 Determine whether to recommend an extension of the voting rights to the Parishes representative

3 FINANCIAL IMPLICATIONS

3.1 There will be a small impact on costs to fund an additional independent advisor in the region of £14,000 per annum and one off cost of recruitment in the region of £20,000.

4 BACKGROUND

4.1 The Committee received a report on proposed changes to the governance arrangements in December 2018 which included changes to the Committee representation, changes to the responsibilities of Investment Panel, Pensions Board and Officer responsibilities and establishment of a Brunel working party.

4.2 Changes to the Committee representation were consulted across all employers and proposals to change the responsibilities of the Pension Board were put to the Pension Board. The responses are attached as appendices 1 and 2 respectively.

5 Matters arising from the Employer consultations

5.1 In all, the consultation received 15 responses all supporting the proposed changes to Committee representation and in addition suggesting

- a) proposals for the election of the Academies representative
- b) recommendation that the non-voting Parish representative be granted voting rights
- c) some confusion over trade union representation

5.2 The proposed selection process for the academies representative is contained in appendix 3 along with the draft timetable and the views of the Councils monitoring officer were sought in producing this. If the Committee wishes to extend the voting arrangements to the Parishes Representative then this will be an additional recommendation to the Council.

5.3 The Trade Union representation on the Committee was reduced from four to three representatives following the merger of T&G and Amicus to form Unite in 2007. Voting rights are rotated annually between the three union representatives. Unite have not taken up their seat on the Committee since 2017, and the Fund has written to Unite reminding them of this.

6 Matters arising from Consultation with the Avon Pension Board

6.1 The Pensions Board have formally responded on the proposed changes and this has been discussed at length at the formal Board meeting on 7th March 2019 where each of the points raised were addressed by officers. This is contained in Appendix 2. Following this debate the Board agreed the following statement to be submitted to the Avon Pension Fund Committee.

“The Avon Pension Board broadly supports the proposed changes to APF governance arrangements and recognise that this will continue to be reviewed periodically.

However given the extent of change and scrutiny faced by the LGPS and the proposed Governance Review to be conducted by the Scheme Advisory Board in

2019, it is recommended that a formal independent review is conducted of the Avon Funds Governance arrangements. This would helpfully be undertaken once any changes to the membership of both the Committee and Board have had time to absorb their roles and SAB has reported on its review

The Board would also like to reiterate its role in securing compliance and assisting the Administering Authority in delivering effective governance of the Fund and that any changes to the role of the Board should not prejudice this position.

The Board also recognises that the Council as Administering Authority for the Fund has wide discretion to establish necessary governance arrangements for Fund but is also concerned that a reduction in Admin Authority representation could create a democratic deficit in the governance arrangements give their overriding responsibilities for the Fund”

7 RISK MANAGEMENT

7.1 The proposals contained in this report are intended to strengthen the Governance arrangements of the Committee particularly in relation to increased compliance requirements and the developing relationship with Brunel Pension Partnership Limited.

8 EQUALITIES

8.1 An Equality Impact Assessment has not been completed.

9 CONSULTATION

9.1 Discussed in report.

10 ISSUES TO CONSIDER IN REACHING THE DECISION

10.1 The issues to consider are contained in the report.

11 ADVICE SOUGHT

11.1 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	Tony Bartlett (Tel: 01225 477302)
Background papers	Governance Report December 2018
Please contact the report author if you need to access this report in an alternative format	

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The consultation on the proposed changes to the Avon Pension Fund committee structure ran from Friday 11 January to Friday 15 February 2019.

All senior officers (CEOs, finance directors, heads of service etc.) from scheme employers were sent a letter and consultation pack. This information was also emailed to them.

By the deadline there were 15 responses (from 179) = 8.4% response rate.

	Employer organisation	Responder name	Response
1	Trust in Learning Academies	Drw Cannon	Proposed changes seem fine to me
2	Bath College	Barbara Owen (Director of Human Resources & Organisational Development)	Thank you for your correspondence regarding the above consultation. Having read the proposals Bath College have no specific comments to make.
3	Westerleigh Parish Council	Sue Simmons (Parish Clerk)	This is to notify you that Westerleigh Parish Council in South Glos, a member employer of the scheme, approve the proposed future structure of the Committee
4	Learn @ MAT	Rebecca Watkin	I agree the proposed changes to the membership of the Pension Committee on behalf of Learn@ MAT
5	Henleaze Junior School	Nicola O'Brien (Business Manager)	Henleaze Junior School agrees with the proposed changes to the membership of the Pension Committee.
6	St Brendan's Sixth Form College	Phil Berry (Assistant Principal)	I agree with the proposals to alter the Committee structure.
7	Diocese of Bristol Academies Trust	Paul Smith (Chief Financial Officer)	I agree with proposed changes to membership of the Pension Committee Comment: It would be helpful if the '1 nominated from Academy Bodies' could come from e.g. a Multi-Academy Trust as the issues faced by these organisations are more complicated than single Academy bodies.
8	Vision North Somerset	Roger Burrows (Treasurer)	I represent the Vision North Somerset board of trustees. I affirm we have no objections to the proposed change to the membership of the Pensions Committee.
9	Stoke Bishop Church of England Primary School	Julie Lever School Business Manager	I agree with the proposed changes.
10	Keynsham Town Council	Dr Cheryl Scott (Town Clerk)	Having reviewed the proposal the Town Council would comment as follows: 1) It has no objection to reducing the number of voting members from BANES Council 2) The Town Council feels strongly that the Town/Parish Councils representative should have voting rights. It does not understand why they haven't been afforded voting rights given all other types of Employer organisation that contribute to the fund do have voting rights 3) The Town Council does not agree with reducing the non-voting Union representatives from 3 to 2. The number should be maintained to effectively represent the interests of the employee

11	Stoke Gifford Parish Council	Steve Shield (Parish Clerk & Responsible Financial Officer)	I am writing to advise that the Parish Council agree with the proposed changes to the membership of the Pension Committee.
12	Bath Spa University	Marc Webb (Acting Head of Finance)	On behalf of Bath Spa University, i agree with the proposed changes to the membership of the pension committee.
13	Broadoak Mathematics & Computing College	Melissa Crocker (School Business Manager)	I have read the consultation recommendations and am trusting that you are proposing changes for the right reasons so do agree with this proposal as I do not know of a reason why not to change.
14	Weston College	Pete Sloman (Group Director)	Thank you for the opportunity to comment on the above. Finance Committee considered the proposed Committee Structure at its meeting this morning, and welcomed the proposed changes. However they wished to propose that of the new members there is a representative of FE, so that both the HE and FE sectors were represented at all times.
15	Yate Town Council	Stephanie Davies (Deputy Town Clerk and Responsible Finance Officer)	Yate Town Council agrees with the proposed changes to the membership of the Pension Committee Other Comments: - Yate Town Council would request the town and parish council representative is a voting member.

ENDS

SWM 15/02/2019

Response to a consultation on proposed changes to the Avon Pension Fund governance arrangements

Introduction

The Local Pension Board (LPB) is grateful for the opportunity to comment on draft proposals to change the current governance arrangements for the Avon Pension Fund (APF), including the LPB's own role and its relationship with the Pensions Committee (PC). This response is based on the paper discussed by the PC in December 2018. It provides feedback on the proposals, and presents other governance options and recommendations, for the consideration of the PC and BANES Council.

Legal context

The LPB is an independent statutory body established by the 2013 Public Service Pensions Act (PSPA). Its remit under the LGPS 2013 Regulations is to assist the LGPS fund Administering Authority (AA) BANES Council to:

- 1) Secure compliance with LGPS regulations and other legislation relating to the governance and administration of the scheme;
- 2) Secure compliance with requirements imposed on the scheme by the Pensions Regulator (TPR);
- 3) Ensure the effective and efficient governance and administration of the scheme.

Under the LGPS 2013 Regulations LPB's have the power to do anything which is calculated to facilitate, or is conducive or incidental to the discharge of their functions.

Members of LPBs have a legal requirement to have knowledge and understanding of LGPS and to undertake on-going training to fulfil their duties. If they fail to fulfil their role, individual LPB members are held personally responsible and can be fined by the Pensions Regulator. Accordingly the advice of the LPB should carry weight in the decision making process of both the PC and BANES Council as the statutory LGPS AA.

However the LPB fully recognises its statutory role is scrutiny and advisory only and BANES Council is the statutory LGPS AA decision-making body in respect of the governance of the APF. Consequently whatever the outcome of this consultation, the LPB will always use its best endeavours to assist the PC and BANES Council fulfil its statutory LGPS role.

APF governance

With assets in excess of £5bn the APF is one of the largest LGPS pension funds in England and Wales, and its membership and assets are set to continue to grow as new staff are recruited by current employers and by the addition of new employers such as academies. Having very robust formal governance is absolutely fundamental to the long-term financial sustainability of APF and quality of pension services received by its current 110,000 members.

The LPB concurs that there is a growing complexity of legislative requirements (eg Public Service Pensions Act, MIFID, asset pooling, GMPs, GDPR) and associated regulatory oversight of LGPS pension funds (eg. TPR, SAB, GAD, MHCLG, FRC, CIPFA). This looks set to continue and increase going forward.

BANES, as an LGPS AA, has a legal duty to ensure that the fund's governance, asset management and administration of members' pension benefits are all effective and efficient by having elected PC members, LPB members, and senior staff with the required level of knowledge, expertise and experience to fulfil their statutory roles.

Having an innovative APF staff recruitment and reward strategy, continuous training and retention incentives such as internal promotion, with clear succession planning of the most knowledgeable and experienced staff is vital to the quality and efficacy of the fund governance by the PC and BANES. Without this there would be serious governance risk for BANES Council.

The LPB supports the importance of the fund's governance and management arrangements operating in a very formal, open and highly transparent manner; and the need for high quality decision making processes and efficient information dissemination for PC/LPB members and APF members respectively.

PC role

Because of the strategic importance of fund governance the PC should consider some further actions before finalising recommendations to BANES Council on what, when, and how to make any changes to the current APF governance arrangements.

This is to ensure the changes the PC recommends to BANES Council will demonstrably and materially improve the APF governance, its cost-effectiveness and quality of services to APF fund members.

By way of example, it is widely recognised as good practice (eg by TPR) that before deciding to make governance changes fiduciaries responsible for UK pension funds should:

a) Ensure they have received formal training on their statutory governance requirements and seek refresher training if there has been new legal or regulatory developments (EG. 2013 Public Service Pensions Act, 2014 LGPS regulations, 2015 TPR and SAB guidance, 2019 MHCLG guidance). Also in the LGPS context it may be worth the APF reviewing and adopting best practice exhibited by leading/award winning funds.

b) Commission independent external effectiveness assessment of their governance. This is to identify what is working well (that does not need changing), and what is working less well where some governance adjustments may be needed. This approach has been used by a number of other LGPS funds to objectively review the strengths and weaknesses of their current governance. There are number of credible service providers including Aon, Hymans Robertson, Barnett Waddington, KPMG, and CIPFA. The time and costs of this are not excessive and the results could be invaluable.

c) Request an options appraisal on the pros and cons and costs and savings and benefits of alternative governance arrangements for reasons of objectivity – some examples are provided later in this response to assist the PC and BANES. The PC may want to seek technical or legal advice from the S151 Officer or Monitoring Officer before the final PC recommendations are considered by BANES Council.

APF officer response: *The Committee have been continuously trained over long periods and clearly understand their roles. The Fund prides itself on having an open and transparent culture, with broad representation and evolves its governance arrangements*

in response to material changes in circumstances, which is what the constitutional changes currently proposed are trying to achieve -recognise known changes to the scheme (Brunel) and stakeholders (creation and growth of academies) and accommodate these changes.

LPB feedback on the proposals

With the growth of the number of academies in the APF the LPB supports the academy sector being represented on the PC.

It is noted the APF appointed 3 independent PC members with pensions/investment expertise before there was a legal requirement in 2015 for the AA to establish a LPB to provide it with independent advice. The use and cost of having 3 (and 4 proposed) independent PC members could arguably result in some possible duplication of the advisory role of the LPB, and the funds other professional advisors. **APF officer response:** *The independent members are members of the committee not advisors. The fund already has commissioned advisors and formally contracts them*

Before reducing the elected member representation and increasing the number (and cost) of using an additional un-elected, non-APF employer with APF voting powers, it is recommended the PC seek legal advice on the lawfulness of having four unelected independent voting PC members making any financial decisions on behalf of BANES Council. **APF officer response:** *The Council has the power to delegate authority to Committees of its making and composition including the appointment of co-opted members*

On adding an informal BPP working party, it is widely accepted good governance involves having and using formal structures. An informal group could lead to an ambiguity risk in respect of PC decision-making. It is recommended that if a new informal decision making group is added to the funds governance structures, it should operate in accordance with public sector openness and transparency principles. **APF officer response:** *Agreed. Avon Pension Fund Committee will remain the decision maker in respect of all matters concerning the Fund and the Council will make decisions in respect of the Brunel Company in line with its shareholder rights and obligations..*

If the proposals are agreed they will result in the need for additional training costs and time commitment from some existing elected members, a new academy member, and new unelected independent member. APF officer time and funding will need to be set aside to provide training, advice, and services to them – even if most information and business is done by using e-information portals, virtual meetings, and tele-conferences. **APF officer response:** *Agreed but not materially significant.*

It is recommended that the PC should seek a formal assurance from the S151 Officer that any proposed governance changes, including PC members and APF officer time and training and IT needs, have been fully-costed, and the financial value of any efficiency savings generated will be captured, so they can be re-allocated by the PC for other legitimate purposes. It might also be helpful for the Monitoring Officer to assure the PC and BANES Council there will be no reduction in the openness and transparency of APF decision making for the beneficiaries of APF and taxpayers. **APF officer response:** *The Committee operates within the governance arrangements set out by the Council as the Administrative Authority for the Fund. The technology already exists, is used by officers but not utilised in supporting the meeting arrangements of the committee and will have minimum impact on resources*

Other governance options

In light of this and other consultees responses, the PC may wish to vary the December 2018 proposals and or consider other options to improve the funds governance and its efficiency by

1) PC and IP only make legally required approvals for LGPS and BPP Ltd

Under this option the legally required routine decisions (ie annually, periodically, or triennially) and process for any urgent decisions for APF and BPP would be specified and fully integrated into the PC and/or IP Terms of Reference and Scheme of Delegation to PC/IP Chairs and BANES Officers – with no need for an informal or formal BPP working party. **APF officer response:** *It is not clear what is being suggested here. Only BPP can make decisions in respect of BPP. Matters in respect of the Shareholder agreement are made by the Council or under existing delegations. The key point is that BPP is a work in progress which continues to develop and which impacts all member funds. The purpose of the sub group is to consider material issues as they may affect Council or Fund during this development and ongoing and advise accordingly – the sub group will not have decision making powers, as these still reside with Pensions Committee and or Council as necessary or officers through existing delegations.*

The justification for this is that the LGPS regulations only require each AA to make a limited number (c20) approvals (vis the APF statutory strategies, policy statements, actuarial valuations to set employer contributions, and annual reports and accounts). The BPP shareholder agreement also has a limited number of decisions required by the shareholder funds, with agreed provisions and processes for handling urgent business.

Adopting this option would reduce the number and volume of PC/IP information papers/reports, and enhance the focus on statutory approvals, with all day-to-day operational matters being delegated to APF officers. Such streamlined decision-making, with very clear and robust legally required delegations to the PC or IP (for urgent business to PC/IP Chairs and senior officers) is an approach some other LGPS funds are adopting. **APF officer response:** *Officers already have full delegation for operational matters. The Committee take decisions which require their approval but also agree policy and strategy developments and need to monitor progress to ensure strategies etc remain fit for purpose, The purpose of the proposed change is to delegate some of these monitoring functions to Pension Board and Investment Panel to allow the Committee to focus on policy and strategy and thus remove unnecessary duplication.*

2) Elected member decision making supported by enhanced specialist professional advice

Rather than using 3 (4) independent members for professional advice, the PC may also wish to consider the governance model successfully used by other LGPS funds to help ensure their PC's receive consistent high quality professional advice (over several local election and valuation cycles) from the fund's actuary, investment consultant, governance adviser and legal advisor. Their advice and comment on APF officers' recommendations could be included in PC decision papers, or they could be asked to attend specific PC meetings (on request to minimise costs) depending on the PC decisions being taken. They would, of course, not be permitted to vote on any financial or investment decisions, which continue to be reserved for elected PC members. **APF**

officer response: *Independent members do not give advice. The Fund has independent consultants who provide advice and attend meetings on a regular basis. .*

3) Combined PC and LPB

Another governance option the PC may wish to consider is combining the roles of the PC and LPB. This would reduce the total number of meetings required and save officer time and APF costs (>20k). The national LGPS SAB has published legal advice on how a combined PC/LPB can be established and BANES would need to ensure necessary legal requirements were met. This option has been adopted and approved by Government for at least two other LGPS funds (Hampshire and Hackney) and is under consideration by the Environment Agency PF (part of BPP). These funds have satisfied both the avoidance of conflict of interest requirements and the equal numbers of employer and scheme member representatives required by law. **APF officer response:** *There would seem to be inherent difficulties in merging the role of PC and Board not least because of conflicts of interest and the need for equal representation of employers and members which in Avons case could disenfranchise some Employer group if there were a merger. It is not clear exactly how the Funds quoted operate but they are structured differently and it may be useful to understand how these models develop over the next few years.*

4) Joint LPBs

Another option for the APF PC and LPB to consider is to develop joint working with other LPBs, maybe in the BPP family, which could save some APF officer time and costs. This option is being taken forward by some LGPS funds in other asset pools that have shared service arrangements or outsourced fund administration. Using common LGPS compliance reporting formats for fund administration, benefit payments and fund accounting would significantly increase the opportunity for comparative inter-fund benchmarking, and could deliver individual fund performance improvements. Establishing formal joint LPB working would require agreement on each fund's employer and scheme member representation, agreed reporting lines and also the approval of Government. The PC should note the Home Office is encouraging joint LPBs for Fire Fighters Pension Scheme. **APF officer response:** *An interesting option but difficult to integrate as there is no single model for either Pensions Committees or Pensions Boards - can usefully suggest this in feedback to SAB on Governance review.*

Proposed changes to the LPB role

The statutory role of the LPB was set out on page 1 of this response. The LPB has no decision-making responsibilities and its role is to provide scrutiny and advice only - which the PC can accept or reject.

The LPB is committed to monitoring the implementation of the APF administration strategy and to provide advice and recommendation to the PC in respect of legal compliance. In order for the LPB to fulfil its statutory duties, the LPB anticipates it would be a consultee on any future changes to the APF administration strategy (and other APF draft statutory strategies, statements and reports) to provide its independent advice and recommendations for the PC and BANES Council. **APF officer response:** *The LPB will for obvious reasons be a consultee on the administration strategy, however on other matters it will be a consultee as directed by regulation or directed within its Terms of reference or by Committee – not necessarily as a matter of course. Its remit is governance not strategic or policy direction development and it is not required to be a consultee on all matters to undertake its functions.*

It is noted that the current APF LPB terms of reference omits some elements of the national LGPS SAB guidance on the setting up and operation of LPBs. For example the SAB guidance states that the role of the LPB should be interpreted as covering all aspects of the governance and administration of the LGPS, including funding and investments. LGPS investment regulation 7 requires the AA to take into account LPB views on certain investment decisions. The 2019 statutory guidance on asset pooling also makes specific reference to the important role of LPBs on investment governance.

APF officer response: *The SAB guidance clearly states that the role of the LPB “does not replace the Admin authority or make decisions or carry out other duties which are the responsibility of the admin authority”. The guidance also indicates the Board may “consider” functions but clearly there is no obligation. The purpose of the proposed changes to ToR is to avoid unnecessary duplication which will clearly improve efficiency and remove ambiguity. Section 7 states – “the authority must consult such persons as it considers appropriate as to the proposed contents of its investment strategy”*

*The DCLG guidance states that in the ISS “explain the extent to which the views of their local pension board and other interested parties who they consider may have an interest will be taken into account when making an investment decision based on **non- financial factors**”*

The LPB already has the ability to examine all matters in respect of compliance and governance so complies with the expectations of SAB.

It is recommended that it would be helpful for the PC and BANES Council to use the SAB guidance and national template when updating the terms of reference for the APF LPB, and make clear reference to the LPB role on fund investments. **APF officer response:** *See comments above*

It is recommended that the PC new terms of reference should also specifically include a statement that the PC will formally consider the LPB advisory recommendations (for example in the LPB minutes and LPB Annual Report) and if it disagrees with LPB it should formally respond and explain its reasoning to the LPB. The LPB recommends that its Annual Report is submitted to the AGM of BANES Council. **APF officer response:** *The annual report is submitted to the Council – it cannot be submitted to the AGM practically due to timing. The LPB should formally make recommendations to the Committee. The PC ToR will reflect the fact that the LPB may make recommendations.*

Future process

During 2019 the national LGPS SAB is undertaking a project to recommend good governance structures that accommodate LGPS functions within democratically accountable LA framework in a way that ensures conflicts of interest are both addressed and managed to improve fund governance on these topics.

It is recommended that BANES Council should in 2020 commission an independent external effectiveness review of the funds governance to take into account the recommendations of the project above and the completion (as required by Government) of asset pooling. **APF officer response:** *The fund will consider the conclusions and any recommendations of the SAB review.*

Such a review should propose further changes if any are required, either from a legal, regulatory or operational perspective. For example the vast majority of APF

investments are likely to be managed by BPP, and so it would be logical to review the need for and role of the IP, and to check and ensure the PC's oversight of BPP is robust.
APF officer response: *The Fund naturally reviews governance as changes occur including as the transition evolves (the IP ToR have already been revised).*

Howard Pearce
Independent Chair of the Local Pension Board
February 2019

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Appendix 3

Proposed Timetable and Process for appointment of Academies Representative

If the Council approves the revised structure for the Avon Pension Fund Committee, then the Academies will be written to asking for nominations to the Committee.

Nominations will have to meet the criteria set out in the Committee member job description, have the support of their Academy employer and be able to commit the time required to undertake both training and committee preparation and attendance. Candidates will also be expected to submit a written statement supporting their candidacy.

Details of all candidates together with their supporting statements will be circulated to each Academy Trust Board who will be asked to vote for their preferred candidate. Each Trust Board will have only one vote regardless of the number of academies they manage.

The draft timetable is given below;

Employer consultation on proposed changes ends	15 February
Report to Pensions Committee	22 March
Proposals to BANES Council meeting for approval	23 May
Communication to all academies re: nomination of representative	24 May
Deadline for nomination of Academy rep (4 weeks)	21 June
Election process	1 – 5 July
Training	July/Aug
Avon Pension Fund Committee meeting	20 September

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TERMS OF REFERENCE - LOCAL PENSION BOARD OF AVON PENSION FUND

Function and role

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

- a) to secure compliance with:
 - i. The LGPS (Amendment) (Governance) Regulations 2014 (the “regulations”)
 - ii. Any other legislation relating to the governance and administration of the Scheme
 - iii. Requirements imposed by the Pensions Regulator in relation to the Scheme; and
- b) to ensure the effective and efficient governance and administration of the Scheme.

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

The Board will exercise its responsibilities in the following areas:

- 1. Through monitoring and progress reporting to the Committee including making recommendations on the following activities;
 - a. Implementation of the Pensions Administration Strategy
 - b. Implementation of the Communications policy including the emerging digital strategy.
 - c. Monitoring compliance with the relevant legislation and Codes of Practice as set out by The Pensions Regulator;
 - d. Reviewing all new and emerging regulatory issues and themes and identifying material implications for the Fund
- 2. That governance arrangements and controls are in place to;
 - a. Ensure strategies policies and processes are in place to deliver the objectives of the Avon Pension Fund Committee
 - b. Policies and processes are in place to achieve Employer and Fund compliance with their obligations under the Scheme and regulations
 - c. Monitor the administration performance, including implementation of compliance and improvement projects

- d. Review Internal and External audit reports and other external inspection reports
 - e. Recommending improvement actions on the above to Pensions Committee where necessary.
3. From time to time the administering authority may consult the Board or ask assistance on specific issues.
 4. The Pension Board in undertaking its duties may make recommendations to the Avon Pension Fund Committee aimed at improving the effective governance and administration the scheme

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

Board Membership

There will be up to seven Board members comprising three member representatives, three employer representatives and an Independent Chairperson.

Member representatives can be drawn from the membership and are not restricted to Trades Union representatives. Employer representatives should be representative of the employers within the scheme.

No officer or councillor of the administering authority who is responsible for the discharge of any function under the LGPS regulations can be a member of the Board.

In respect of the Chairperson the term independent means having no current employment, contractual, financial or other material interest in either the Council or any scheme employer in the Avon Pension Fund, and not being a member of the Avon Pension Fund. The Chairperson can delegate to another Board member if unable to attend a meeting.

The Service Director – One West will represent the Administering Authority as an independent support to the Board and oversee the operation of the Board to ensure it is achieving its terms of reference. They can make recommendations on any changes to Board membership or the terms of reference of the board to Council on an annual basis.

Appointment process

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

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

Role of advisors

The Board may appoint professional advisors as appropriate to their work plan. The cost will be met within the budget approved by the administering authority.

Role of officers

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

Frequency of meetings

Meeting frequency will be dictated by the work plan of the Board and formal meetings will be held in public, though the public may be excluded from individual items of business in accordance with the usual exemption procedures.

Voting rights

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

Board Quorum

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

Substitutes and Sub-Committees

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

Board work plan and Budget

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

Access to Board papers

The agenda papers will be circulated in in line with normal council democratic processes and minutes of meetings will be recorded and published in the same way.

Term of office

All appointments will be for a four year term with the maximum term of Board membership limited to two terms. All new appointments will be subject to a review of performance after 12 months to assess any additional training requirements.

Code of Conduct

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

Declarations of Interest and Conflicts of interest

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

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

Removal from Board

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

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

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

The Service Director – One West will consult with the Monitoring Officer to determine the correct process prior to any removal from the Board.

Expenses

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

Allowances

An annual allowance will be paid to the Independent Chairperson.

Knowledge and understanding

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

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

Reporting

The Board will publish an annual report to Council outlining the work it has carried out to fulfil its terms of reference including any recommendations on process or governance. This should be available via the Avon Pension Fund website to members and employers.

Direct reporting line if the Board has material concerns – Service Director – One West

The Board minutes will be circulated to administering authority and the Pension committee.

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

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

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

Data protection and Freedom of Information

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

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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 (12)	3 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 2 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 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 (Board) Representative

Brunel Oversight 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 would 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.

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Bath & North East Somerset Council			
MEETING:	AVON PENSION FUND COMMITTEE	AGENDA ITEM NUMBER	10
MEETING DATE:	22 MARCH 2019		
TITLE:	PENSIONS ADMINISTRATION STRATEGY		
WARD:	'ALL'		
AN OPEN PUBLIC ITEM			
List of attachments to this report:			
Appendix 1 - Draft Pensions Administration Strategy			
Annex 1	Legislative Framework		
Annex 2	Communications Policy Statement		
Annex 3	ICT Strategy		
Annex 4	Performance Standards		
Annex 5	Customer Service Charter		
Annex 6	Schedule of Additional Admin Charges		
Annex 7	Schedule of Chargeable Services		

1 THE ISSUE

The Avon Pension Fund (“the Fund”) has revised its 2015 Administration Strategy to include a more detailed ICT Strategy and also to ensure the Governance and administration requirements of the Pension Regulator are properly addressed as they fall to the Fund and Employers.

The Strategy will need to be formally consulted upon with Employers as required by the Regulations and it is proposed to do this in the first quarter of the 2019 financial year. The Committee is asked to approve the Strategy to become effective from June 2019.

RECOMMENDATION

- 1.1 That the Committee approves the following:-
- 1.2 The draft Communications Policy Statement
- 1.3 The draft ICT Strategy
- 1.4 The draft Performance Standards
- 1.5 The draft Customer Service Charter
- 1.6 The draft Schedule of Additional Admin Charges
- 1.7 The draft Schedule of Chargeable Services
- 1.8 That the Committee approves the draft Pensions Administration Strategy and annexes for the Avon Pension Fund for consultation with Employers

- 1.9 The Committee delegates responsibility for responding to the consultation responses to Officers to enable effective implementation of the Strategy from 1st June 2019

2. FINANCIAL IMPLICATIONS

- 2.1 Employers who participate in the Avon Pension Fund are charged for the cost of administration of the Fund by an allowance of 0.5% in their pension contribution rate. This is a flat-rate amount and takes no account of the amount of administration work necessary for each Employer which is impacted upon its level of performance. The Strategy will allow the Fund to make an additional monetary charge to Employers to cover its costs where the amount of administrative work carried out is disproportionate to other employers.
- 2.2 Any statutory fine levied on the Fund for a breach of its responsibilities which is a direct result of poor administration by an Employer will be passed on to that Employer.

3. THE ISSUE: THE REVISED PENSIONS ADMINISTRATION STRATEGY DOCUMENT

- 3.1 The purpose of the revised Administration Strategy is to continue progress towards a seamless pension service, employing appropriate technology and best practice which both significantly improve the quality of information and the speed with which it is processed, to provide better information for Employers and stakeholders and a more efficient service to Fund members.
- 3.2 The Strategy recognises that significant work will need to continue to be undertaken in achieving the Pension Regulator's compliance requirements and both the Fund and its Employers will need to work in partnership to meet this challenge.
- 3.3 A consultation process will be undertaken with Employer's over the next two months inviting comments on the draft Strategy. It is recommended that officers determine any subsequently amendments and report any changes to the Committee at its next meeting in June 2019.
- 3.6 Key to the success of the Strategy are the continued development of the IT Strategy proposals which will deliver high quality, efficient and integrated digital services to employers and members in an increasingly regulated and financially complex environment. Performance targets for both Employers and the Fund reflecting the Pensions Regulator's requirements have been reflected in revised Service Level Agreements and agreed with Employers. Performance reporting will continue to be discussed with Employers at regular Performance / SLA review meetings and similarly reported to the Committee and Pension Board.
- 3.7 Poor performance by an employer would be flagged up by these reports and the Review meetings will enable Employers and the Fund to work together to resolve any problem areas and to improve performance. Where the Fund identifies poor quality or missing data it will put a data improvement plan in place to address these issues.
- 3.8 If however poor performance continues the Fund, under legislation, has the opportunity to charge an Employer for additional costs, if the work carried out for it is disproportionate to that for other Fund Employers. This process will be used only as a last resort following an Employer's *continuing failure* to improve. Also If the Fund is *fined* for any breach of its legal responsibilities which is as a direct result of an employer's poor performance (e.g. not providing information or providing incorrect

information) the Fund has the power to and does intend to pass on any such fine to the Employer concerned.

3.9 The Fund is developing a chargeable service to employers where there is continued failure to meet the agreed service standards or in circumstances when additional assistance is required outside the agreed Service Level Agreement. A separate Brochure will be produced outlining the chargeable services available and terms of engagement.

3.10 The Pension Board will undertake to assist the Fund in the implementation of the Administration Strategy, making recommendations to the Committee as necessary.

3.11 The Committee is asked to approve the revised Pension Administration Strategy which will then be consulted on with Fund Employers in April 2019 to become effective from 1st June 2019.

4 RISK MANAGEMENT

4.1 This report contains only recommendations to note - no risk assessment is therefore necessary.

5 EQUALITIES

5.1 No equalities impact assessment is required.

6 CONSULTATION

6.1 Consultation has taken place with all Fund Employers as described in this report.

7 ISSUES TO CONSIDER IN REACHING THE DECISION

7.1 The issues to consider are contained in the report.

8 ADVICE SOUGHT

8.1 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

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Avon Pension Fund

Administration Strategy Statement 2019

Administration Strategy Statement 2019

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Introduction

1. Aims
2. Legislative Framework
3. Key Objectives for the Fund and Scheme Employers
4. Achieving the Objectives
 - (a) Communications
 - (b) Training
 - (c) ICT Strategy
 - (d) Performance Framework
5. Implementation and Review

Annexes

- | | |
|---------|---|
| Annex 1 | Legislative Framework for Administration Strategy |
| Annex 2 | Communications Policy Statement |
| Annex 3 | ICT Strategy |
| Annex 4 | Employer Performance Standards |
| Annex 5 | Customer Service Charter |
| Annex 6 | Schedule of Additional Admin Charges |
| Annex 7 | Schedule of Chargeable Services |

Pensions Administration Strategy Statement 2019

INTRODUCTION

The Local Government Pension Scheme (LGPS) Regulations 2013 allow Pension Fund Administering Authorities to prepare a Pensions Administration Strategy (“the Strategy”) for the sole purpose of improving the administrative processes within their LGPS Fund. In discharging their roles and responsibilities under these regulations, the Fund and scheme employers (“employers” or “employer”) are also required to comply with any related overriding legislation and have regard for any regulatory guidance or Code of Practice issued by the Pensions Regulator (TPR)

Previously, the 1st April 2015 represented a key milestone in the governance arrangements of the LGPS. From this date the Pensions Regulator undertook responsibility for setting standards of administration and governance on all administrative aspects of the scheme, whilst Local Pensions Boards established under PSPA 2013 were introduced to provide an independent scrutiny role to ‘assist’ the Fund with its ‘regulatory compliance, effective and efficient administration and governance’.

This document details the revised pension administration strategy of the Avon Pension Fund (“the Fund”) in relation to the Local Government Pension Scheme. The strategy is kept under review and revised to reflect changes to LGPS regulations and Fund policies. The document sets out the framework, outlining the policies and performance standards to enable provision of an efficient, cost-effective and high quality pension administration service ensuring the Governance and administration requirements of the TPR continue to be properly addressed as they fall to the Fund and employers.

The Local Pension Board will have responsibility for monitoring the implementation of the Strategy, including performance standards and will formally report to the Pensions Committee on both.

1. AIMS

The aim of this Strategy is to continue progress towards a seamless, automated pension service, employing appropriate technology and best practice which both significantly improves the quality of information overall and the speed with which it is processed to provide better information for Employers and stakeholders and a more efficient service to members. The Strategy recognises that significant work will need to be undertaken in achieving requirements and both the Fund and its Employers will need to work in partnership to meet this challenge.

2. LEGISLATIVE FRAMEWORK

The Fund and its Employers must have regard to this Strategy when carrying out their Scheme functions. The Strategy is made in accordance with Regulation 59 of LGPS Regulations 2013 which allows administering authorities to prepare a Pension Administration Strategy following consultation with its Employers to facilitate best practices and efficient customer service in respect of the following:

- the establishment of levels of performance which the administering authority and its Employers are expected to achieve in carrying out their Scheme functions
- ensuring the Fund and its Employers comply with statutory requirements in respect of those functions

- improving the communication between the administering authority and its Employers of information relating to those functions.

The Strategy can also set out circumstances in which the Fund may consider giving written notice to any of its Employers under regulation 70 for additional costs on account of that Employer's unsatisfactory performance in carrying out its Scheme function.

Levels of performance achieved must be included within the Fund's Annual Report along with other matters arising from the Strategy that are considered appropriate.

All relevant regulations are set out fully in **Annex 1**.

3. KEY OBJECTIVES

The key objectives of this Strategy are to ensure that:

- The Fund and Employers are aware of and understand their respective roles and responsibilities under the LGPS Regulations and in the delivery of administrative functions (largely defined in the Service Level Agreement)
- The Fund operates in accordance with LGPS regulations and is aligned with The Pension Regulator in demonstrating compliance and scheme governance.
- Communication processes are in place to enable both the Fund and Employers to proactively and responsively engage with each other and other partners.
- Accurate records are maintained for the purpose of calculating pensions entitlements and Employer liabilities, ensuring all information and data is communicated accurately, timely and in a secure and compliant manner
- The Fund and scheme employers have appropriate skills and that guidance/training is in place to deliver a high quality service and effectively contribute to the changing pensions agenda
- Standards are set and monitored for the delivery of specified activities in accordance with Regulations and minimum standards as set out in the Service Level Agreement
- Administrative services are developed and delivered digitally as outlined in the ICT Strategy, in order to streamline processes and maximise efficient use of resources.

4. ACHIEVING THE OBJECTIVES

There are presently over 400 employers in the Fund differing in size, structure and capability which represents a significant logistical challenge to the management of information, processes and services within the Fund. It is clear that because of these differences a "one size fits all approach" would be unlikely to deliver workable solutions; however standard ways of operating applicable to different employer groups would bring benefits. The number of employers within the scheme continues to grow as does the demand for more accurate and timely information, needed to improve liability management at both the local and national level. Furthermore, the Pensions Regulator is seeking higher levels of compliance and the Fund will be required to demonstrate heightened governance and administrative efficiency.

There are four key elements necessary to achieving the Fund's administrative objectives:

- A Communications Policy that:
 - (i) Ensures members have accessible and timely information on all aspects of their pensions benefits and informs and enables decisions in respect of their pensions
 - (ii) Enables Employers to make effective decisions in the management of risks and liabilities as well as facilitates engagement in the wider pensions debate
- A training plan that will offer direct engagement and support to employers and continue to enhance staff knowledge and skills to ensure efficient administration compliant with the Pensions Regulator requirements.
- An IT Strategy which will deliver high quality, efficient and integrated digital services to employers and members in an increasingly regulated and financially complex environment.
- A performance framework which will support the effective working of the Fund and enable both the Fund and Employers to deliver continuous improvement and move towards a higher standard of service.

(a) Communications

The Fund aims to provide clear, relevant, accurate, accessible and timely information to all stakeholders. To this end, the Funds' communications strategy is already well developed providing a wide range of solutions for all parties.

Continued development to the website and online services will aim to provide stakeholders with a single secure access point to relevant services and a range of tools to help streamline and improve efficiency, support good governance and be cost effective. Online services will be available through all devices and formats.

The Communication Policy Statement is attached as **Annex 2**.

The Customer Service Charter is attached as **Annex 5**

(b) Training and Engagement

The objectives of the Fund have always been to keep stakeholders informed of new developments providing training courses and workshops for Employers and the Fund's staff alike when new Regulations are implemented or are under consideration. Additionally training is offered on an ongoing basis to new scheme employers or relevant new HR/Payroll staff.

With this in mind, it is important that both Employers and the Fund ensure that their staff have the right level of skills and knowledge to support any changes, starting with a sound foundation of existing regulations and administrative processes.

Notwithstanding future changes, there is an ongoing need to continuously maintain the quality of member records and the administrative processes by improving the quality of information received from Employers.

The aims of the training strategy are therefore:-

- To maintain a high standard of customer service for members and Employers
- To ensure that relevant staff within each Employer have sufficient knowledge and skills to effectively discharge administrative processes
- To ensure that Employers are fully aware of the risks involved in poor administration and maintenance of member pension records and if they fail to discharge of their discretionary functions
- Recognising the continued growth in employer portfolio – provide ongoing training platform on relevant employer responsibility

- To support the implementation of new technology within the Fund enabling greater self service for the Employer and streamlined administration
- To continually develop the technical skills and competencies of the Fund's staff and retain knowledge in the application of historic regulations
- To identify and develop staff to become the future managers and professionals of the Fund as part of a workforce development plan
- To ensure that members of the Pensions Committee and Local Pension Board also receive adequate training to properly discharge their function.
- Develop a new chargeable resource package to offer direct engagement/support to employers to ensure compliance with regulatory and TPR requirements.

To achieve this:

- The Fund will work with Employers' Human Resources, Payroll and other key staff to identify relevant skills and knowledge gaps and present an appropriate training programme
- Organise workshops and forums for Employers to debate new issues as they emerge
- Continue to invest in specific technical training and professional development of Fund staff
- Promote an ongoing programme of Committee and LPB member training and participation in national events to support governance arrangements.

This training strategy will ensure that both the Fund and Employers have a common understanding of their obligations under their Local Government Pension Scheme and that administrative processes are designed and in place to maximise efficiency and effectively manage risk.

The Fund will provide training for Employers' relevant staff, to build up and maintain a level of professional expertise which together with the Employer's own systems and processes will enable Employers to deliver information required by the Fund to efficiently administer the Scheme.

(c) IT Strategy

The ICT vision for Pensions Administration is to be able to "deliver high quality, efficient and integrated digital services to employers and members" in an increasingly regulated and financially complex environment.

The strategy builds upon the work already undertaken to achieve a digital step change between Fund and Employers in the use of technology to promote a significant degree of self-service. Further development in design solutions are needed to achieve greater efficiency in the wake of growing demand and releasing resources to support the control framework of the digital model and support employers at the front end and with higher value service.

Full details of the ICT Strategy are contained separately in **Annex 3**

(d) Performance

The Administration Strategy has a statutory obligation to set performance standards and publish both the targets and achievement against those targets. The purpose of doing so is to secure and monitor continuous improvement of the administration function. **Annex 4** details the performance measures and proposed targets which will be monitored. The outcomes will be subject to external scrutiny by The Pensions Regulator, the Local Pensions Board and the Pensions Committee. Information is also published in the Pensions Fund' Annual Report. It should be noted that many of these targets are set to ensure compliance with *statutory* requirements that already exist.

Service Level Agreement

New Service Level Agreements (“SLAs”) will be agreed with Employers to set and monitor performance at the local level and will include all the targets for both the Fund and the Employer and will include areas relating to TPR compliance and chargeable Fund resource to enable employers to meet compliance requirements.

The aggregated performance will be reported to the Pension Committee and Local Pension Board on a quarterly basis.

Reporting on Performance

The Pensions Regulator codes of practice require scheme managers to keep records of information pertaining to both common and scheme specific data across all membership categories. The Pensions Board will play an independent scrutiny role to ‘assist’ the Fund with its regulatory compliance and has the authority to report any serious concerns to the Pensions Regulator.

Assessment of the levels of administrative performance requires that agreed performance standards are continuously monitored and the results fed back to Employers. This will be achieved by the production of a quarterly Performance Report for each Employer to keep them fully informed of the efficiency of service delivery to the Scheme Members. The Performance Report will contain the key areas of performance and will be a working document. Reports will also take into account any TPR compliance issues and where the Fund identifies poor quality or missing data it will put a data improvement plan in place to address these issues.

The Performance Report will measure the efficiency of service processes covering early leavers, retirements, estimates and deaths in service between the Employer and the Fund to enable effective benefit processing and payment. The Report will also include, if appropriate, details of any complaints from members or employers and discretions not exercised or kept up-to-date by employers.

Review meetings to consider the findings will be held regularly with employers and will identify problem areas and devise an action plan to improve service delivery. Information from the Performance Report will be made available to the Avon Pension Fund Committee and LPB and details of performance review will be included in the Fund’s Annual Report.

(i) Performance failures

As stated at the outset, the purpose of this Strategy is to secure improvement across the Administrative processes of the Fund. Both the Fund and each Employer need to play their part in ensuring this. However in areas of continuous poor performance the Fund has the ability to apply financial penalties and will ultimately do so but this will be actioned only as a matter of “last resort”.

Where in the opinion of the Fund, it incurs additional costs because of an Employer’s poor performance in carrying out its functions, the Fund will:

- a) give written notice to the Employer that it will be invoiced for an extra monetary amount in respect of these costs (in addition to its standard pension contributions)
- b) specify the basis on which the extra amount is calculated and the provisions of the Strategy which are relevant.

If an Employer feels that an additional allocation of costs is not warranted it would have access to the Avon Pension Fund Committee on which Employers have representation.

- c) The Pension Regulator imposes a statutory obligation to scheme managers and to the Local Pensions Board to report failures which are likely to be of material significance.

(ii) Opportunity to improve

It is the Fund's intention that a poorly-performing Employer will be given the opportunity to improve its performance before additional costs are imposed upon it. However, if in the opinion of the Fund, that Employer fails to improve, the Fund will, after consultation with the Employer, issue an invoice payable by the Employer. The amount of the invoice will represent the cost to the Fund of the Employer's poor performance, plus any resultant additional work undertaken by the Fund's officers.

A schedule of charges is detailed in **Annex 6** and are payable within 30 days of date of issue.

(iii) Passing on "Statutory" Fines and charges

Where the Fund incurs a fine or charge for a breach of its statutory duties which is as a result of the Employer's performance failure (such as failing to provide the Fund with a change in a member's circumstances or supplying inaccurate or inadequate information for an employee member), the Fund reserves the right to require the Employer to reimburse it within 28 working days of the payment of the fine or charge.

Chargeable services

In certain circumstances additional services may be required by an employer. The Avon Pension Fund is able to offer chargeable services to employers in the following circumstances:

- Failure by an employer to meet the agreed data standards
- Request by the employer for additional assistance

A schedule of charges is detailed in **Annex 7**

Governance - Role of the Pensions Committee and Local Pension Board

The Avon Pension Fund Committee is widely representative of all the Employers in the Fund (reflecting best practice) and as such has a duty to ensure that the Administration of the Fund is carried out efficiently and cost effectively.

The Local Pension Board comprises of an equal number of member and employer representatives and an Independent Chairperson and has a duty to assist the administering authority in securing compliance with appropriate regulations ensuring the effective and efficient governance and administration of the Scheme.

The roles and responsibilities of both the Pensions Committee and Local Pensions Board are set out in the related Terms of Reference which form part of the Fund's Governance and Compliance Statement which is available on the Fund's website.

The Committee and LPB already receive quarterly reports in respect of the Fund and Employers administrative processes and performance and this is further enhanced with information regarding matters of compliance required by the Pensions Regulator in respect of data. The summary results reported will be scrutinised by the Board and ~~Page 70~~ Committee who will take action where appropriate.

The Committee annually reviews all Administrative targets and the costs of service delivery and will continue to do so in order to inform future changes to the Administration Strategy.

5. IMPLEMENTATION AND REVIEW

The Strategy sets out the key objectives of all the major areas of pension administration within the Fund and takes effect from 01 XXXX 2019. Prior to implementation a full consultation exercise will be undertaken with Scheme Employers. The Strategy will be further reviewed in 20XX.

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Legislative Framework for the Statement

Local Government Pension Regulations 2013

Pension Administration Strategy

59. —(1) An administering authority may prepare a written statement of the authority's policies in relation to such of the matters mentioned in paragraph (2) as it considers appropriate ("its pension administration strategy") and, where it does so, paragraphs (3) to (7) apply.

(2) The matters are—

- (a) procedures for liaison and communication with Scheme employers in relation to which it is the administering authority ("its Scheme employers");
- (b) the establishment of levels of performance which the administering authority and its Scheme employers are expected to achieve in carrying out their Scheme functions by—
 - (i) the setting of performance targets,
 - (ii) the making of agreements about levels of performance and associated matters, or
 - (iii) such other means as the administering authority considers appropriate;
- (c) procedures which aim to secure that the administering authority and its Scheme employers comply with statutory requirements in respect of those functions and with any agreement about levels of performance;
- (d) procedures for improving the communication by the administering authority and its Scheme employers to each other of information relating to those functions;
- (e) the circumstances in which the administering authority may consider giving written notice to any of its Scheme employers under regulation 70 (additional costs arising from Scheme employer's level of performance) on account of that employer's unsatisfactory performance in carrying out its Scheme functions when measured against levels of performance established under sub-paragraph (b);
- (f) the publication by the administering authority of annual reports dealing with—
 - (i) the extent to which that authority and its Scheme employers have achieved the levels of performance established under sub-paragraph (b), and
 - (ii) such other matters arising from its pension administration strategy as it considers appropriate; and
- (g) such other matters as appear to the administering authority after consulting its Scheme employers and such other persons as it considers appropriate, to be suitable for inclusion in that strategy.

(3) An administering authority must—

- (a) keep its pension administration strategy under review; and
- (b) make such revisions as are appropriate following a material change in its policies in relation to any of the matters contained in the strategy.

(4) In preparing or reviewing and making revisions to its pension administration strategy, an administering authority must consult its Scheme employers and such other persons as it considers appropriate.

(5) An administering authority must publish—

- (a) its pension administration strategy; and
- (b) where revisions are made to it, the strategy as revised.

(6) Where an administering authority publishes its pension administration strategy, or that strategy as revised, it must send a copy of it to each of its Scheme employers and to the Secretary of State as soon as is reasonably practicable.

(7) An administering authority and its Scheme employers must have regard to the pension administration strategy when carrying out their functions under these Regulations.

(8) In this regulation references to the functions of an administering authority include, where applicable, its functions as a Scheme employer.

Additional costs arising from Scheme employer's level of performance

70. —(1) This regulation applies where, in the opinion of an administering authority, it has incurred additional costs which should be recovered from a Scheme employer because of that employer's level of performance in carrying out its functions under these Regulations.

(2) The administering authority may give written notice to the Scheme employer stating—

- (a) the administering authority's reasons for forming the opinion mentioned in paragraph (1);
- (b) the amount the authority has determined the Scheme employer should pay under regulation 69(1)(d) (payments by Scheme employers to administering authorities) in respect of those costs and the basis on which the specified amount is calculated; and
- (c) where the administering authority has prepared a pension administration strategy under regulation 59, the provisions of the strategy which are relevant to the decision to give the notice and to the matters in sub-paragraphs (a) or (b).

Statements of policy about exercise of discretionary functions

60. —(1) A Scheme employer must prepare a written statement of its policy in relation to the exercise of its functions under regulations—

- (a) 16(2)(e) and 16(4)(d) (funding of additional pension);
- (b) 30(6) (flexible retirement);
- (c) 30(8) (waiving of actuarial reduction); and
- (d) 31 (award of additional pension),

and an administering authority must prepare such a statement in relation to the exercise of its functions under regulation 30(8) in cases where a former employer has ceased to be a Scheme employer.

(2) Each Scheme employer must send a copy of its statement to each relevant administering authority before 1st July 2014 and must publish its statement.

(3) A body required to prepare a statement under paragraph (1) must—

- (a) keep its statement under review; and
- (b) make such revisions as are appropriate following a change in its policy.

(4) Before the expiry of a month beginning with the date any such revisions are made, each Scheme employer must send a copy of its revised statement to each relevant administering authority, and must publish its statement as revised.

(5) In preparing, or reviewing and making revisions to its statement, a body required to prepare a statement under paragraph (1) must have regard to the extent to which the exercise of the functions mentioned in paragraph (1) in accordance with its policy could lead to a serious loss of confidence in the public service.

(6) In this regulation a relevant administering authority in relation to a Scheme employer, is any authority which is an appropriate administering authority for that employer's employees.

Statements of policy concerning communications with members and Scheme employers

61. —(1) An administering authority must prepare, maintain and publish a written statement setting out its policy concerning communications with—

- (a) members;
- (b) representatives of members;
- (c) prospective members; and
- (d) Scheme employers.

(2) In particular the statement must set out its policy on—

- (a) the provision of information and publicity about the Scheme to members, representatives of members and Scheme employers;
- (b) the format, frequency and method of distributing such information or publicity; and
- (c) the promotion of the Scheme to prospective members and their employers.

(3) The statement must be revised and published by the administering authority following a material change in their policy on any of the matters referred to in paragraph (2).

Pension fund annual report

57. —(1) An administering authority must, in relation to each year beginning on 1st April 2014 and each subsequent year, prepare a document ("the pension fund annual report") which contains—

- (a) a report about the management and financial performance during the year of each of the pension funds maintained by the authority;
- (b) a report explaining the authority's investment policy for each of those funds and reviewing the performance during the year of the investments of each fund;
- (c) a report of the arrangements made during the year for the administration of each of those funds;
- (d) for each of those funds, a statement by the actuary who carried out the most recent valuation of the assets and liabilities of the fund in accordance with regulation 62 (actuarial valuations of pension funds), of the level of funding disclosed by that valuation;
- (e) the current version of the statement under regulation 55 (governance compliance statement);
- (f) for each of the funds, the fund account and net asset statement with supporting notes and disclosures prepared in accordance with proper practices;
- (g) an annual report dealing with—
 - (i) the extent to which the authority and the Scheme employers in relation to which it is the administering authority have achieved any levels of performance set out in a pension administration strategy in accordance with regulation 59 (pension administration strategy), and
 - (ii) such other matters arising from a pension administration strategy as it considers appropriate;
- (h) the current version of the statement referred to in regulation 58 (funding strategy statement);
- (i) ~~the current version of the statement under regulation 12 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (statement of investment principles)~~ the current version of the investment strategy under regulation 7 (investment strategy statement) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016;
- (j) the current version of the statement under regulation 61 (statements of policy concerning communications with members and Scheme employers); and
- (k) any other material which the authority considers appropriate.

Public Service Pensions Act 2013

2013 c. 25 Administration

17 Regulatory oversight

(1) Schedule 4 contains provision relating to the regulation of schemes under section 1, new public body pension schemes and connected schemes.

(2) The Secretary of State may by order make—

- (a) provision consequential on Schedule 4, and
- (b) further provision for, or in connection with, the regulation of public service pension schemes within the meaning of the Pensions Act 2004 (as amended by that Schedule).
- (3) The provision referred to in subsection (2) includes provision made by amending any legislation (including this Act).
- (4) An order under this section may make different provision for different purposes.
- (5) An order under this section is subject to—
 - (a) the affirmative procedure, if it amends primary legislation, and
 - (b) the negative procedure, in any other case.

SCHEDULE 4 Regulatory oversight [section 17]

Amends the Pensions Act 2004 to cover Public Service Pensions and the Pension Regulator involvement

Section 16

Records

- (1) The scheme manager for a scheme under section 1 and any statutory pension scheme that is connected with it must keep such records as may be specified in regulations made by the Secretary of State.

The Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014

Records

- 3. For the purposes of section 16 of the 2013 Act, the scheme manager for a public service pension scheme must keep the records which are specified in regulations 4 to 6.

Records of member and beneficiary information

- 4.—(1) In respect of member and beneficiary information, the records which are specified are—
 - (a) the name of each member and of each beneficiary;
 - (b) the date of birth of each member and of each beneficiary;
 - (c) the gender of each member and of each beneficiary;
 - (d) the last known postal address of each member and of each beneficiary;
 - (e) each member's identification number in respect of the scheme;
 - (f) the national insurance number of each member who has been allocated such a number; and

- (g) in respect of each active member, deferred member and pensioner member—
- (i) the dates on which such member joins and leaves the scheme;
 - (ii) details of such member's employment with any employer participating in the scheme including—
 - (aa) the period of pensionable service in that employment; and
 - (bb) the amount of pensionable earnings in each year of that employment.
- (2) In respect of each member's rights and, where applicable, of each beneficiary's entitlement, to any benefits which are not money purchase benefits, injury benefits or compensation benefits under the scheme, the records which are specified are—
- (a) any formula or formulas used for calculating the member's or beneficiary's pension or benefit;
 - (b) the percentage to be applied in respect of revaluation for each year to the member's accrued rights to benefits under the scheme; and
 - (c) any increase to be applied to the pensioner member's or beneficiary's pension or benefit in payment in each year..
- (3) In respect of each member's rights to any money purchase benefits under the scheme, the records which are specified are—
- (a) any investment decisions taken by, or in relation to, the member;
 - (b) any investments held on behalf of the member; and
 - (c) any anticipated date of retirement notified by the member..
- (4) In respect of pension credits under section 29(1)(b) of the Welfare Reform and Pensions Act 1999(1) (creation of pension debits and credits) or under article 26(1)(b) of the Welfare Reform and Pensions (Northern Ireland) Order 1999(2) (creation of pension debits and credits), the records which are specified are records of any information relevant to calculating each member's rights under the scheme which are attributable (directly or indirectly) to a pension credit.
- (5) In respect of pension debits under section 29(1)(a) of the Welfare Reform and Pensions Act 1999 or under article 26(1)(a) of the Welfare Reform and Pensions (Northern Ireland) Order 1999, the records which are specified are records of any information relevant to calculating any reduction in each member's rights under the scheme which are attributable to a pension debit.

Records of transactions

5. In respect of transactions, the records which are specified are—

- (a) any employer contribution or member contribution paid in relation to each active member;
- (b) payments of pensions and benefits including the date of the payment;
- (c) except where the payment is a payment under paragraph (b) or (f), payments made by, or on behalf of, the scheme manager to any person including—

- (l) the name and address of the person to whom payment was made; and
- (ii) the reason for that payment;
- (d) any movement or transfer of assets from the scheme to any person including—
 - (i) the name and address of the person to whom the assets were moved or transferred; and
 - (ii) the reason for that transaction;
- (e) the receipt or payment of money or assets in respect of the transfer of members into or out of the scheme including—
 - (i) the name of that member;
 - (ii) the terms of the transfer;
 - (iii) the name of the scheme into or out of which the member has been transferred;
 - (iv) the date of the transfer; and
 - (v) the date of receipt or payment of money or assets;
- (f) payments made to any member who leaves the scheme, other than on a transfer, including—
 - (i) the name of that member;
 - (ii) the date of leaving;
 - (iii) the member's entitlement at that date;
 - (iv) the method used for calculating any entitlement under the scheme; and
 - (v) how that entitlement was discharged;
- (g) payments made to any employer participating in the scheme;
- (h) any amount due to the scheme which has been written off in the scheme's accounts; and
- (i) any other payment to the scheme including the name and address of the person from whom it is received and, where a payment is made in respect of a member, the name of the member in respect of whom it is made.

Records of pension board meetings and decisions

6.—(1) In relation to any pension board meetings, the records which are specified are records relating to any such meeting including—

- (a) the date, time and place of the meeting;
- (b) the names of all the members of the pension board invited to the meeting;
- (c) the name of any person who attended the meeting and the capacity in which each attended; and

(d) any decisions made at the meeting.

(2) In relation to any other decision made by the members of the pension board in the exercise of their functions as members of the pension board, the records which are specified are records relating to any such decision including—

(a) the date, time and place of the decision; and

(b) the names of the members of the pension board who participated in making the decision.

(3) In relation to any decision made by a committee or sub-committee of the pension board which has not been ratified by the pension board, the records which are specified are records relating to any such decision including—

(a) the date, time and place of the decision; and

(b) the names of the members of the committee or sub-committee who participated in making the decision.

Amendment of the Occupational Pension Schemes (Scheme Administration) Regulations 1996

7. For regulation 16A of the Occupational Pension Schemes (Scheme Administration) Regulations 1996) (exemptions from the requirement to notify the Authority or the member of a late contribution payment) substitute—

“Exemptions from the requirement to notify the Authority or the member of a late contribution payment

16A.—(1) Subject to paragraph (3), where an amount corresponding to any contribution payable on behalf of an active member of an occupational pension scheme—

(a) is deducted from that member’s earnings in respect of any employment; and

(b) is not paid to the trustees or managers of the scheme within the period of 19 days beginning on the first day of the month after which the deduction is made,

the trustees or managers do not need to give notice of the failure to pay that amount within that period to the Authority or member in the circumstances specified in paragraph (2).

(2) The specified circumstances are where the trustees or managers of the scheme are exempt from the requirement—

(a) to secure the preparation, maintenance and revision of a payment schedule for the purposes of section 87(1) of the 1995 Act (schedules of payments to money purchase schemes), by virtue of regulation 17; or

(b) to prepare, review and if necessary revise a schedule of contributions under section 227 of the 2004 Act (schedule of contributions), by virtue of any of sub-paragraphs (a) to (i) and (k) to (m) of regulation 17(1) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005.

(3) Paragraph (1) does not apply in circumstances where the scheme is a public service pension scheme.

(4) For the purposes of this regulation—

“the 2013 Act” means the Public Service Pensions Act 2013;

“connected”, “new public body pension scheme” and “statutory pension scheme” have the meanings given in section 37 of the 2013 Act (general interpretation);

“public service pension scheme” means—

(a) a scheme established under section 1 of the 2013 Act (schemes for persons in public service);

(b) a new public body pension scheme;

(c) any statutory pension scheme which is connected with a scheme referred to in para (a) or (b).

Explanatory note for this amendment

Under section 49 of the Pensions Act 1995 (c. 26) trustees or managers must notify the Pensions Regulator and the member where there is a late payment of a contribution where such late payment is likely to be of material significance to the Pensions Regulator’s functions. Regulation 16A of the [Occupational Pensions Schemes \(Scheme Administration\) Regulations 1996](#) sets out exceptions to that duty. The amendments mean that managers of public service pension schemes under the 2013 Act cannot benefit from the exception and will now be subject to the duty to notify.

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Our communication aims:

The Avon Pension Fund is committed to delivering a consistently high level of performance and customer service to its members, employers and stakeholders. Effective communication is at the core of this commitment.

Our communication aims are to:

- provide clear, relevant, accurate, accessible and timely information to all our audiences and stakeholders
- support members to enable them to make informed decisions about their pensions by making information available
- use plain language and avoid unnecessary jargon
- listen and respond appropriately to feedback we receive
- become an digital communication-based Fund, utilising new communication technology (web, email, social media)
- be compliant with all legislative requirements with regard to communicating with members, such as the Pensions Regulator

What the policy statement covers

The policy outlines the communications we provide to various audiences such as our stakeholders, audiences and interested parties.

The communications matrix highlights our audiences, methods of communication and their frequency.

How do we communicate?

Digital plans

When deciding how best to communicate we take into consideration our audience's needs and requirements, regulatory and compliance factors, as well as cost implications for the Fund. We aim to use the most appropriate and effective means of communication for the audiences receiving the information.

Our aim is to conduct the majority of communication with members in electronic/digital format (via our website, online member self-service and email). We follow Disclosure Regulations, which say that we should write to members about changes to their pension and that they can request in writing for continued use of paper-based communications, even if the Fund conducts the majority of its communications digitally. The 'my pension online' facility also allows members to choose how they wish to be communicated with. Members can change their preferences at any time.

The Fund's Digital Road Map and ICT Strategy outline the actions the Fund is taking to move to more digital communications.

Access to communication

We want to ensure that all members can access our services, whatever their needs. All print and electronic communications are designed with consideration for those with additional needs. Our communications media is measured against accessibility standards and we can arrange large print, audio or Braille versions of all printed literature.

Increasingly we are using electronic forms of communication, but we will always offer members the opportunity to receive paper copies by post. Face-to-face and telephone communications will continue to be important channels for members to interact with the Fund and vice-versa.

Customer service

The Fund prides itself on delivering the highest level of customer service to our members, employers and stakeholders. Our Customer Service Charter accompanies the Communications Policy Statement. This outlines standards that customers can expect from us and methods to contact us, including how to make comments, compliments or complaints.

Commitment to staff training and development

We recognise that knowledgeable, experienced and enthusiastic staff is key to delivering good communication and customer service. We are committed to training and developing members of staff to enable delivery of an effective pensions administration service.

Freedom of Information (FOI)

We comply with FOI requests within statutory guidelines and timescales

Data Protection

The security of members' personal data is the Fund's highest priority. Under General Data Protection Regulations (GDPR) the Fund publishes a Privacy Notice, which outlines for members how their data is store, managed and shared. This notice will be reviewed on an annual basis. The Fund has processes in place to ensure that personal data is managed securely and has a reporting process in place if any data protection breaches occur. In respect of communication, the Fund does not share members' personal data with third parties for promotional purposes.

Feedback and surveys

The Fund actively encourages and responds to feedback from members and employers. The website is a key route for member feedback, with online surveys available. The Fund also gathers feedback through letters/correspondence with members. Feedback is formally reported to the Pensions Committee on a quarterly basis.

Who we regularly communicate with:

- Scheme members (active, deferred and pensioners)
- Employing authorities (referred to as "Employers")
- Prospective scheme members
- Prospective employers
- Representatives of scheme members (trade unions)
- Avon Pension Fund Committee
- Avon Pension Fund Board
- Brunel Pension Partnership Ltd
- Other bodies / organisations – such as:
 - Media
 - Investment managers
 - Actuary
 - Other Funds
 - Department for Communities and Local Government (DCLG)
 - Local Government Association (LGA)
 - The Pensions Regulator
 - Advisers / consultant

Fund communications matrix

This outlines the current (as of July 2018) communication channels, their target audience and frequency

Communication material	Audience	Electronic	Paper based	Website	Face-to-face	Frequency	Reviewed
Avon Pension News (newsletter)	Active members	✓	✓	✓		Twice a year (one with ABS)	Ongoing
Avon Pensioner News (newsletter)	Pensioner members	✓	✓	✓		Once a year (with P60)	Ongoing
Deferred Pension News (newsletter)	Deferred members	✓	✓	✓		Once a year (with ABS)	Ongoing
Website: (www.avonpensionfund.org.uk)	Members / public	✓		✓		Ongoing	6 monthly review
Literature/publications/guides	Members	✓	✓	✓		Ongoing	Ongoing
"my pension online" (member self-service)	Members	✓	✓	✓		Ongoing	Ongoing
Pension clinics and seminars	Members				✓	Quarterly	Ongoing
Member Drop-In Sessions	Members				✓	Weekly	Ongoing
Annual Benefit Statements	Active & Deferred members	✓	✓	✓		Annual	Annually
Telephone and email contacts	Members/employers/public			✓			Ongoing
New starter packs	Active members	✓	✓	✓		On Request	Annually
Statutory notice / Welcome letter for new starters	Active members	✓	✓			On Joining	Ongoing
Website (www.apfemployers.gov.uk)	Employers	✓		✓		Ongoing	6 monthly review
Employer monthly data updates / iConnect	Employers	✓		✓		Ongoing	Ongoing
Annual Report and Accounts	Members/employers/public	✓		✓		Annual	Annually
Employer email updates and bulletins	Employers	✓		✓		Ongoing	Ongoing
Employer training videos	Employers	✓		✓		Ongoing	Ongoing
Employer training and workshops	Employers	✓		✓		Ongoing	Ongoing
Employers' Conference	Employers				✓	Once a year	Ongoing
Employer Forums	Employers				✓	At least twice a year	Ongoing
Investment Forum	Employers				✓	Once a year	Ongoing

Methods of communication

1. What the Fund provides for *scheme members*

It is essential that scheme members are provided with appropriate information regarding the pension scheme and their own benefits, to enable them to make informed choices and decisions.

Scheme members are:

- **Active members** (people who are currently in the employment of a participating employer)
- **Deferred members** (people who have left the employment of a participating employer, but who have not yet retired)
- **Pensioners** (people who are in receipt of a pension from the Fund)
- ***Scheme literature/publications/guides***

The Fund produces all paper-based and electronic communications, such as brochures, guides or individual letters in a corporate and branded style. A short guide to the Local Government Pension Scheme and a fuller more detailed guide are available to active members (and prospective members). These guides are available electronically on the Fund's website, and in hard copy format (also available in Braille and audio versions) on request. Forms and factsheets are also available from the website or upon request in hard copy. Often these are sent as part of correspondence with members.

- ***Internet***

The Avon Pension Fund has two websites, one of which is aimed at members.

www.avonpensionfund.org.uk is the Fund's public website for members, prospective members and the wider population. It's the Fund's main information resource for these different audience types. As well as an information resource on the LGPS the website contains downloadable forms and factsheets for members as well as being the portal for "my pension online" (see below for more details).

This website provides a customer-focussed content platform, with information relevant to the various audiences and member life stages. The site has self-service functionality such as online forms (a contact us form) and integration with "my pension online". The website and my pension online are accessible and compatible with mobile platforms, such as tablets and smart phones.

- ***"my pension online" (member self-service)***

Through the Fund's public website, scheme members can securely access their pension details held on the Fund's pension database. This facility allows members to check their personal details, update contact details, update expression of wish forms, submit queries and produce estimates of their potential LGPS benefits.

Pensioner members have the facility to view their Pensions Payment Advice slips and P60s, as well as notify the Fund of bank or building society changes.

- ***Newsletters***

For active members the Fund produces its newsletter *Avon Pension News* at twice a year, with one issue being posted with the Annual Benefit Statement. For deferred members a newsletter is produced once a year and sent with the Annual Benefit Statement. The newsletter contains articles on changes to the LGPS regulations, summary of the Fund's Annual Report and Accounts and any relevant information and promotional messages for members. The newsletter is currently posted to members, but it is also available electronically on the Fund's public website and through "my pension online".

For pensioner members, *Avon Pensioner Newsletter*, is produced at once a year and is posted out to members along with their pay slip (usually in April). The newsletter includes information about pensions

increase, pay day dates and reminders about changes of address or bank details. The newsletter is also available electronically online and through “my pension online”.

- ***Pension clinics and seminars***

We will hold pension clinics for members at least quarterly at rotating venues. Additional clinics, held at the request of employers, will be considered, however, charges may apply. A pension clinic involves pensions officers visiting a venue to discuss benefits on a ‘one-to-one’ basis with active members who have pre-booked appointments.

Member Drop-In Sessions

Members can attend our drop-in sessions which are held at the Keynsham One-Stop-Shop every Tuesday between 10 am – 12:30pm & 1:30pm – 4pm to discuss their benefits on a “one-to-one” basis with a pensions officer. The Member Services team are also available for queries over the telephone during the Fund’s office opening hours which are Monday to Thursday 8.30am to 5pm and Friday 8.30am to 4.30pm.

- ***Annual Pension Benefit Statements***

Each year all active and deferred members are sent an Annual Pension Benefit Statement. Statements are sent by post to the home address or, alternatively, can be viewed on “my pension online”.

The statement summarises the basic information we hold about them such as date of birth, hours of work, pay for pension purposes and gives estimates of the current and future value of the member’s benefits. It also shows an estimate of the survivors’ pension benefits.

Members may also request an estimate of benefits at any time, by phone, letter or email.

- ***Pay advice slips and P60***

The Fund issues payslips to scheme pensioners in April each year. The April advice shows the effect of the annual pension increase on the gross monthly pension for both April & May. We do not send pensioners a pay slip during the rest of the financial year unless their pension amount changes by £5 or more. Early in the financial year pensioners also receive a P60 advice.

- ***Telephone and email contacts***

The Fund has a dedicated telephone number (01225 395 100) and a free phone number for pensioners (0800 0644 155).

The fund has a generic email address for all member enquiries: avonpensionfund@bathnes.gov.uk

2. What the Fund provides for NEW / PROSPECTIVE MEMBERS

- ***New starter packs***

Each member joining the scheme receives access to a new starter pack, issued by their employer along with their contract of employment. This pack contains a scheme guide that explains rights, benefits and options for the new employee, as well as information on transferring previous pension benefits. In most instances this pack is sent electronically via a web link to the Fund’s website. Hard copies of the pack are available upon request from the employer.

- ***Website***

The Fund’s website (under the ‘Thinking of joining’ section) contains information on joining the LGPS and the benefits of the scheme.

- ***Utilising employer communications***

The Fund actively works with employers to utilise their existing communication channels, such as intranets and noticeboards, to promote the pension scheme and its benefits to employees, where appropriate.

3. What the Fund provides for EMPLOYERS

To assist employers participating in the scheme, the Fund has a range of communication materials and methods to help increase their understanding of pension issues and to fulfil their responsibilities as scheme employers. By continuing to work in partnership we are all able to provide a better service to our members.

- ***Internet***

www.apfemployers.gov.uk is the website specifically dedicated to employers. The site is username and password protected and holds details specific to individual employer organisations, which only they can access (with the Fund having administrator rights). This is a popular and well-received resource as provides a wealth of information and guidance for employers. There are downloadable forms and factsheets, online bookable training system and links to the Employer Self Service facility (see below).

- ***iConnect / Monthly data uploads***

This enables employers to transfer and update data electronically to the Fund. This includes uploading new starters, pay changes and changes of member details. This links directly to the Fund's pension database system. The larger employers use this middleware software system to link transfer bulk member data from their payroll system to the Fund.

- ***Annual Report and Accounts***

Our annual report, which contains the Fund's statement of accounts is available on both websites and a link is emailed to the employers.

- ***Email updates and bulletins***

Regular monthly as well as ad hoc email messages and updates are sent employers with information about issues and training opportunities.

- ***Employers' Conference***

All employers are invited to this annual event which includes presentations on topical pension issues including regulation changes.

- ***Employer training and workshops***

The Fund offers a programme of training to all employers on the LGPS and their role in administering the scheme. Training covers the full range of administrative and regulatory activities, as well as ESS training. Workshops are also offered on specific topics, for example discretionary policies. Training and workshops are advertised on the employers' website, through email bulletins and newsletters, and are bookable online.

- ***Employer training videos***

The Fund has developed a suite of short training videos available to employers. These cover areas such as the Year End process.

- ***Employer Forums***

These forums keep employers up-to-date with LGPS developments and provide a forum to discuss common issues and share good practice. These are held at least twice a year.

- **Investment Forum**

The Investments Forum focuses on the investment strategy and actuarial developments. This is held once a year.

4. What the Fund provides for PROSPECTIVE EMPLOYERS

The Fund provides information to prospective employers to ensure they understand the LGPS Regulations, their implications and the role of a scheme employer.

The Fund will provide information which facilitates a smooth transition in respect of prospective employers to which LGPS members may TUPE transfer, such as schools which become academies and contractors providing a service to a scheme employer. Information is available on the APF employers' website.

5. What the Fund provides for It's STAFF

Regular team meetings and briefings take place with staff to keep them updated with the activities of the fund. Regular email bulletins are also sent along with training events and briefings on specific topics. All newsletters and other communications to members are shared with staff to ensure they are familiar with what the Fund is saying.

6. What the Fund provides for AVON PENSION FUND COMMITTEE

The Avon Pension Fund Committee meets quarterly to monitor activities of the Fund and its administration and takes decisions as necessary. It gives the Fund its strategic direction.

The Committee exercises a wide range of powers over Fund administration under its Terms of Reference. The Investment Sub Committee meets more regularly to review investment performance and examine opportunities for improvement in investment strategy.

Reports of these bodies are made available to the public in advance on request and at meetings. The reports and minutes of these meeting are also available on the website.

7. What the Fund provides for AVON PENSION FUND LOCAL PENSION BOARD

- A dedicated page on the Avon Pension Fund website, including details of the Board and publication of its Annual Report
- Ad hoc articles in newsletters, if required

8. Liaison with other organisations

The Fund maintains regular and ad hoc communications with the following organisations, providing information and responses where necessary:

- Trade Unions
- The media
- South West Area Pensions Officers Group (SWAPOG)
- South West Investment Managers (SWIM)
- Local Government Association (LGA)

- CIPFA Pensions Panel
- Brunel Pension Partnership Ltd

Avon Pension Fund

ICT Strategy

The ICT vision for Pensions Administration is to be able to “deliver high quality, efficient and integrated digital services to employers and members” in an increasingly regulated and financially complex environment.

The strategy builds upon the work already undertaken to achieve a digital step change between Fund and Employers in the use of technology to promote a significant degree of self-service. Further development in design solutions are needed to achieve greater efficiency in the wake of growing demand and releasing resources to support the control framework of the digital model and support employers at the front end and with higher value service.

Drivers for change

Whilst many of the drivers for change have been known and emerging for some time, demand growth and the financial climate are now the catalysts for greater focus on IT as the Fund and Employers grapple with a number of significant pension changes.

- There has been significant growth in employers and membership bringing with it a commensurate growth in demand, fuelled by the need for information about the Care Scheme and the ongoing downsizing and reorganising of public sector service provision
- The Care scheme itself requires far more data to be maintained about employees, compounded by the necessity to regularly auto enrol opted out members and the data management requirements of the Pensions Regulator
- The membership structure is highly complex with alternative working patterns created almost daily as employers look for increasing flexibility across the workforce.
- The Government Actuaries department also demands greater granularity of data as its cost sharing mechanism is applied as part of the valuation cycle.
- In the current financial climate, there is a need to operate as efficiently as possible and reduce the strain on the public purse and the Fund must play its part.
- The needs of employers are changing with many unaware of their complex pensions’ obligations and requiring the Fund to vary its service offer.
- Finally technology has taken major steps forward over the past decade in particular and the digital economy is now accessible to a wider community through mobile applications development, changing clients expectations about the way they want to engage with the Fund and want the Fund to engage with them

ICT Service Delivery Objectives

ICT is now critical to the daily operations of the Fund Administration and is a key enabler of service improvement, sustainability and good governance. Its objectives can therefore be stated as;

- A. To manage control and make available accurate and timely member data to inform decision making and inform members and stakeholders about their respective benefits and liabilities

- B. To make this information available via multimedia channels in a secure way to ensure that members and employers are able to access information and services through all available technology
- C. To enable self-service in all communications and transactions between the Fund, its members and Employers
- D. To enable a fully digitised operating environment where all casework is electronically managed and processed
- E. To enable services to be delivered at any location, at any time from any device
- F. To manage technology risk and provide business continuity
- G. To ensure that technology skills are continuously developed and refreshed
- H. To ensure that ICT support arrangements are capable of supporting a highly digitised operating environment and continuously developing efficiency and improvement opportunities
- I. To establish meaningful partnerships with software providers enabling the fund to realise its service delivery ambitions
- J. To establish effective partnerships with stakeholders, employers and other agencies and organisations delivering innovation and service excellence

ICT Improvement Strategy

Whilst the Fund has invested significantly in ICT over the years there is further work that needs to be undertaken in order to enhance service provision and strengthen governance and development of this important area. The ICT Strategy therefor has several strands;

- Maximising the use of existing technology
- Developing new facilities and services
- Building effective partnerships with key partners
- Developing Management information
- Investing in core skills
- Ensuring services are tailored to customer needs

Maximising the use of Existing Technology

Improving our existing functionality has now taken priority, in particular mobilising case management automation, integrating existing work arounds into core product, data transfer to and from employers and extending self-service facilities. The full programme proposal is contained in the attached appendix.

Developing new facilities and services

The Fund has identified a number of developments which enable improved interaction with customers and employers. These include enhancements to the web-site and its functionality; building connectivity with related service providers (eg AVC) to provide a one stop shop for pensions; provision of employers self-service discretionary policy tool; improving access channels to better reflect modern communication tools; improving mobility of staff to enable improved localised services; improved sign posting of services and a greater emphasis on self- service.

Building effective business partnerships with Suppliers

A legacy of the way the ICT market has developed in the LGPS world is that there are very few providers and one with a dominant market share. Development when not driven by legislation is by means of consensus forcing a one paced response to demands. If the Fund is to manage its demand pressures a different relationship needs to be established whereby the Fund can advance its ideas and innovations in partnership with a committed supplier. This may mean that the Fund engages in more development and testing but will be rewarded with a more bespoke product rather than one which is designed by someone else. However it may also mean that the Fund will test the market to ensure that its suppliers are delivering value for money and the innovative solutions demanded of the future

Developing management information

As the Fund continues its transformation journey the need for timely and useful management information is a necessity in ensuring effective and relevant service delivery in the digital age. Such information in respect of performance, quality and accuracy, permeates all aspects of our service whilst information on demand growth is important in shaping services going forward. Compliance plays an increasingly important part in the need to develop good quality data sets particularly as the TPR sets out its agenda and the cap and collar mechanism has a bigger influence on contribution rates and benefits. Understanding more about the membership structure and performance is key to effectively managing it

Investing in core skills

It is expected that over the next five years the focus of administration will move away from processing data to controlling information flows and customer engagement, requiring a change in some roles and an increase of ICT infrastructure support as systems grow in use and complexity. The Fund will need to continue to invest in these emerging core skills and will need to consider how it can maintain its resilience possibly through greater collaboration and partnership

Ensuring services are tailored to customer needs

Pensions are hugely complex to the extent that most people will need some financial advice at some point in order to maximise their benefits or run the risk of not doing so. Government freedoms also mean that individuals need to consider the totality of their pensions together and this may even impact on career choices, opting in or out and personal relationships. Whilst not overtly stated the direction is clear in that we need to work more closely with other agencies if we are to help individuals navigate this complex path. More importantly though our communication strategies and the tools we use will be crucial to getting that message across

Key Delivery Stages

Compared to some peers the APF is in a strong starting position from which to make further improvements but nevertheless the developments will require a programmed approach over a period of time

The proposed delivery stages will incorporate existing planned work, some of which will operate in parallel as follows;

Work Stream 1

Phase (i): Complete implementation of i-Connect

This enables the transfer of pension data between employers and the Fund to update member records on a continuous basis with minimum intervention. The implementation is ongoing across all employers and is due to be completed by the end of 2019.

Phase (ii) Harmonising monthly contribution & i-Connect submission

The next phase will aim to reconcile employee contributions paid to i-Connect submissions to enable employers to submit one payment and one return each month to meet all the Fund's requirements, utilising the existing Employer Relationship Management system (ERM)

Work Stream 2 Creating a shared development Agenda with Software Suppliers

This focuses on a number of critical areas:

- Consolidating the Employer entry portals to a single access channel which caters for all categories of employer and transaction including online leaver forms and the ability to send all types of correspondence and files via i-Connect
- Developing the self-service agenda for employers effectively automating processes and removing Fund intervention
- Continued development of the Member Self Service (MSS) facility and requirements for the planned Pensions Dashboard.

Work Stream 3 Investing in Core skills

This will primarily support work stream 1 to ensure sufficient system knowledge to support the activities of the administration. There will be ongoing user training as part of the Fund's training programme or project implementations for specific stakeholder groups. It is anticipated that embedded working can take place with our suppliers to enhance systems knowledge.

Work Stream 4 Developing services for customers

This will involve both enhancements to systems and website to provide a suite of information and functionality delivering more relevant information to users, targeted where possible, greater use of nationally available material such as video and training suites, and greater self-service functionality.

The aim will be to have more documents available to view on My Pension Online (for example retirement packs and estimates) to streamline processes, reduce postage and improve the customer experience.

Pensioner members will also benefit from the development of better online provision of their P60s and payslips, accessed through My Pension Online.

Work Stream 5 Developing management information

This work stream continues to prioritise the Pensions Regulator Improvement plan requirements and will be developed in line with further clarification of scheme specific data from the Scheme Advisory Board in 2019.

As more employers move to i-Connect submissions adequate monitoring and control needs to be in place to ensure submissions are on time and the data is accurate as well as mitigating any risks to the integrity of the Fund's data held on Altair.

Work Stream 6 New Employer Website

A new employer website is in initial development stages and will be in place in early 2020. The new site will be a more interactive experience for employers and link directly to all aspects of the Service Level Agreement and supporting information. It will also contain more bite size training videos to assist employers understanding of responsibilities.

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Our performance standards of service to members

Annex 4

This outlines service standards and response times that you can expect from us. Service standards for employers are covered in Service Level Agreements.

Who	Service	Actions / triggers	Timescale
New active members	Transfers in	Acknowledge the member's request for transfer details, calculate the estimated benefits that a transfer value will buy for the member and issue a quotation, following receipt from the member's previous scheme and any additional essential information required from Her Majesty's Revenue and Customs (HMRC)	Within 10 working days
		Confirm the actual benefits purchased by the transfer value to the member, following receipt of payment from the member's previous scheme and confirmation (where necessary) of the member's accrued guaranteed minimum pension (GMP) from HMRC	Within 10 working days
Existing active members	Benefit estimates	Issue a quotation, following request, in line with estimate policy	Within 10 working days
	Annual Pension Benefit Statement	<p>Send member statement, provided pay details are received from employers promptly after the close of each financial year and that we hold all of the relevant information</p> <p>Statement sent to the member, either by post (to their last known address) or electronically through "my pension online" via the Fund's website</p> <p>The statement will show:</p> <ul style="list-style-type: none"> the estimated current value of their accrued benefits 	Annually (by 31 August)

		<ul style="list-style-type: none"> the value of their prospective benefits at normal pension age the estimated current value of their death-in-service benefits 	
	Retirements	Send details of the benefits payable following receipt of a leaver notification from the employer	Within 5 working days
		Pay the member's tax-free cash lump-sum, following receipt of the information required from the member	Within 5 working days
	Deaths	Send acknowledgement of death and request for death certificate, following notification of the death	Within 5 working days
		Make payment of death benefits following receipt of all necessary information/documentation	Within 5 working days
	Early leavers	We will send details of the benefit options available, following receipt of leaver information required from the employer	Within 5 working days
	We will send notification of deferred benefits either following receipt of a members leaver option form or following no response from the leaver hold letter after 30 days	Within 20 working days	
Refunds	Provide member with a quotation of the refund payable following no response from the leaver hold letter after 30 days	Within 10 working days	
	Pay a refund following member's request for payment and bank details	Within 10 working days	
Transfers out	Issue a quotation (guaranteed for three months) following member's request and confirmation of the member's accrued GMP/State Second Pension from HMRC	Within 10 working days	
	Pay the transfer value, once confirmation from the member that	Within 10 working days	

		the transfer is to be made and all of the information we require to make payment is received and necessary checks have been carried out on the receiving scheme	
	Newsletters	Send, either electronically or by post, a newsletter (Avon Pension News) to members	At least twice a year
Deferred members	Benefit Estimates	Issue a quotation, following request, in line with estimate policy	Within 10 working days
	Annual Pension Benefit Statement	Provide each deferred member with a benefit statement, showing the current value of their preserved benefits, provided we have a current address	Once a year
	Deferred Benefits into Payment	Provided we hold a confirmed address we will issue the deferred member with a retirement pack. If we cannot confirm the address we will make every effort to trace the deferred member	Within 1 month prior to NPA
	Newsletters	Send, either electronically or by post, a newsletter to members	At least once a year
Pensioner members	Changes in personal details	Update a pensioner's payroll record with any changes to personal details following receiving written notification (by post or email) Due to the nature of payroll administration, such changes may not take effect until a subsequent payroll has been run. Confirmation of changes to bank details will be advised on the next available pay advice	Within five working days
	Newsletter	We will send, either electronically or by post, a newsletter (Avon Pensioner News) to pensioners. This will be sent out with the pension pay advice slips	At least once a year
	Deaths	Acknowledge receipt of a notification of the death of a pensioner and start action to put into payment any dependants' benefits, following notification	Within 5 working days

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The Avon Pension Fund aims to give a consistent level of service to customers, in an efficient, effective and courteous way, no matter how customers contact us.

Our **Customer Standards** apply to all our services and mean that customers can get the responses they need, consistently across the entire Fund. When dealing with enquiries, we will:

- Be helpful, polite and accessible, identifying and addressing any specific needs with sensitivity, tact and diplomacy
- Aim to deal with things as quickly as possible and follow through to deliver what we promise, dealing with any problems that arise
- Ensure that the information we give is timely, accurate and comprehensive
- Ensure we treat our customers fairly
- Use appropriate technology to manage and fulfil our customer requests, recording contact details accurately and securely, and treating communications confidentially
- Where appropriate, provide enquiry references so that details can quickly be recalled, if needed
- Regularly ask for feedback about our customer service – and use this feedback to help shape the services we deliver
- Ensure our services are easy to access, no matter which way we are in contact, as detailed in the table below.

In return we need you, our customer, to:

- tell us clearly and succinctly the nature of your enquiry
- give us the correct information at the right time
- let us know if you no longer require a service, or wish to cancel an appointment we have previously made for you
- inform us of any change to circumstances such as address, status and contact details
- tell us if we exceed your expectations or don't deliver a service to your satisfaction
- treat our staff courteously and politely

When we are in contact	Our Customer Standard
<p>In Person</p> <p>Whenever we meet, whether you visit us at any of our offices and facilities or if we arrange to come to you.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Offer a welcoming efficient service • Ensure our identity badges are visible at all times • Display opening times and be open when we say (our office opening hours are Monday to Thursday 8.30am to 5pm and Friday 8.30am to 4.30pm) • Provide a safe, tidy and clean environment for you to visit and use • See you as soon as possible at our drop-in clinics, which are on a first-come-first-served basis • Aim to minimise the amount of time you wait to see someone, and; • Keep you informed of current waiting times
<p>By Phone</p> <p>When we need to use the phone.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Publish our contact phone numbers to allow easy access to our most frequently requested services and aim to answer 80% of calls within 45 seconds (15 rings) during service opening hours. • Route enquiries and requests to the most appropriate trained and knowledgeable person/team to deal with your enquiry • Always answer the phone giving our name and department • We will take a message and ensure the right person calls you back if we cannot respond immediately
<p>In Writing (email or letter)</p> <p>Whether you write to us by email, letter or via our online webpage forms.</p>	<p>We aim to:</p> <ul style="list-style-type: none"> • Respond to all written enquiries within 10 working days. This means either: <ul style="list-style-type: none"> ○ A full response to your enquiry, or; ○ If we need to take longer to give a fuller response, we'll tell you why and what the next steps are, or; ○ Some email or web-based requests may be automatically acknowledged immediately and provide information about next steps • Write clearly and concisely, so that information is easy to read and understand • Include a named contact person and phone numbers in our correspondence when appropriate • Use email wherever possible but use another method if it's your preference or a statutory requirement
<p>By web and web-self service</p> <p>We provide many self-serve online services, available to use 24/7.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Make more of our services available online, to use at a time that suits you • Ensure our online services can easily be found on our website, are clear and easy to use • Operate secure online services, where your personal data is safe • Explain clearly how to contact us in other ways if you need support

However you contact us

For some specific types of customer request we work to defined business processes or statutory timescales.

Comments, compliments and complaints

We welcome feedback about any aspect of the service we provide. You can make a comment, compliment or a complaint by contacting:

Geoff Cleak
Pensions Manager
Avon Pension Fund
Bath and North East Somerset Council
Lewis House
Manvers Street
Bath
BA1 1JG

Email: avonpensionfund@bathnes.gov.uk

What if your complaint has not been resolved or you're not satisfied with the outcome?

If you are not satisfied with any decision affecting you, you have the right to ask for it to be looked at again under the formal complaint procedure, known as the **Internal dispute Resolution Procedure (IDRP)**. More information can be found on our website at:

<http://www.avonpensionfund.org.uk/customerservice/complaintsprocedure.htm>

Freedom of Information (Foi) requests

- We are required to respond within 20 working days

Data Protection

- We are required to respond to subject access requests about personal data within one month

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SCHEDULE OF ADDITIONAL ADMIN CHARGES, FINES AND PENALTIES FOR NON-COMPLIANCE (SLA03)

Most employers submit accurate data and pay correct pension contributions on time. However when there is **late or inaccurate submission of data or late payment** of contributions the consequent costs to the fund are met from *all* employer's contributions which is unfair.

In order to promote efficiency, reduce costs and better target the costs of non-compliance, the following **additional** charges will be made.

Item	Trigger	Additional charge
Monthly contributions LGPS50 forms	Late submission	£50 per occasion
Monthly contributions	Late payment	Interest at base rate plus 1% as per the 2013 LGPS regulations
Year End LGPS51 form and Pensionable Pay data	Late submission Queries in excess of 10% of membership at year end	£250 per occasion plus £100 per month or part <i>thereof</i>
Fine received from regulatory body eg HMRC, TPR, ICO	APF receive fine as a result of a breach by an employer	Amount of the fine will be re-charged
Disproportionate work	Any data submissions or actions that create a disproportionate amount of work eg <ul style="list-style-type: none"> - Data cleansing exercise required due to incomplete / inaccurate data returns - Incomplete / inaccurate data received as part of an outsourcing of members to a new employer - Re-calculation of member benefits due to incorrect data - Re-runs of annual benefit statements due to incorrect data 	£50 per hour of additional work

i-Connect charges

The submission of monthly data via i-Connect is mandatory for all employers from 1 April 2019. The following penalty charges will apply if:

- Any existing employer is not live by 1 October 2019
- Any new employer is not live within the first 3 months of admission to the scheme
- Once live a monthly return is late

Number of Active members	Penalty charge for failure to start monthly i-Connect returns	Per additional month late or part thereof	Once i-Connect monthly returns are live, penalty charge for one late return during the tax year (after 22 nd of month)	Once i-Connect monthly returns are live, penalty charge for second late return during the tax year (after 22 nd of month)	Once i-Connect monthly returns are live, penalty charge for third or more late return during the tax year (after 22 nd of month)
0-10	£250	£50	Warning	£250	£250 and report to TPR
11-99	£500	£100	Warning	£500	£500 and report to TPR
100 - 999	£750	£150	Warning	£750	£750 and report to TPR
1000 +	£1,000	£250	Warning	£1,000	£1,000 and report to TPR

Any remedial work required as a result of employer data corrupting the Altair system will be treated either in line with the disproportionate work charge of £50 per hour or if it is necessary for the software supplier (Heywood) to correct the data, their charges will be passed on.

Chargeable services

Annex 7

In certain circumstances additional services may be required by an employer. The Avon Pension Fund is able to offer chargeable services to employers in the following circumstances:

- Failure by an employer to meet the agreed data standards
- Request by the employer for additional assistance

As set out below:

Service offered	Location
Additional visits to provide: <ul style="list-style-type: none"> • Data cleansing service following continued non-compliance with data requirements • If IConnect submissions are discontinued APF will assist the employer to re-start submissions 	Employer offices
For some payroll software (eg ITrent) APF is able to offer a service to assist with the development of an IConnect extract	Employer offices
Running bespoke training sessions : <ul style="list-style-type: none"> • Employer Responsibilities • Data Requirements • HR Training • Others as requested and agreed 	Employer offices
Consultancy services are available either from senior officers or external partners in the following areas:	Employer offices

<ul style="list-style-type: none"> • Dealing with IDRPs cases • Writing discretionary policies • Annual & Lifetime Allowance • Understanding pension liabilities • Outsourcing services & TUPE <p>Please note these services do not offer advice, but offer guidance to ensure compliance with regulations.</p>	
<p>Pension Clinics for members. APF officers can:</p> <ul style="list-style-type: none"> • provide individual pension information to members • present information to a group of staff 	Employer offices
<p>Local Government Pension Committee (LGPC) training events for scheme employers</p> <p>The LGPC provides training events for scheme employers including topic-specific workshops and a 3 day residential course for those involved in LGPS administration. Details at: http://www.local.gov.uk/events</p>	Nationwide locations

Chargeable services agreement

The details of the service required and being supplied will be set out in a signed agreement as follows:

Chargeable services provided by APF to _____ employer
APF have agreed to provide the following services: <i>Insert details of service agreed</i>
Date to be provided:
Cost of services:
Signed by employer's Lead Officer:
Date:
Signed by APF Employer Services Manager:
Date:

Charge rates

The charges for these services are based on an hourly rate (including all overheads) depending on the grade of the pension officer that is supporting the employer.

Grade of Pension Officer	Hourly rate
Assistant Officer	£30
Pensions Officer	£35
Senior Pensions Officer	£40
Team Leader	£50
Dept Manager	£60
External providers	On request

Bath & North East Somerset Council			
MEETING:	AVON PENSION FUND COMMITTEE	AGENDA ITEM NUMBER	11
MEETING DATE:	22 MARCH 2019		
TITLE:	2018 - 21 SERVICE PLAN AND BUDGET		
WARD:	'ALL'		
AN OPEN PUBLIC ITEM			
List of attachments to this report:			
Annex 1: 2019 – 22 Service Plan and Budget (including 4 Appendices)			

1 THE ISSUE

- 1.1 The purpose of this report is to present to Committee the 3 Year Service Plan and Budget for the period 1 April 2019 to 31 March 2022.
- 1.2 The Service Plan (Appendix 1) details development proposals that are planned to be undertaken during the next 3 financial years. These are designed to respond to known legislative changes and Committee initiatives as well as to take the Service forward by improving performance and overall quality of service to its stakeholders.

2 RECOMMENDATION

- 2.1 That the Committee approves the 3 Year Service Plan and Budget for 2019-22 for the Avon Pension Fund.

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.

3.3 Financial implications are contained within the body of the Report.

4 SERVICE PLAN 2019-22

4.1 The Service Plan sets out the Pension Fund's objectives for the next three years. The three year budget supports the objectives and actions arising from the plan including work relating to the investment strategy, risk management and compliance and improvements in the administration of the Fund.

4.2 The main focus of this plan is as follows:

- (i) To work with Brunel Client Group and Brunel to ensure efficient transition of assets and full consideration of all investment, financial and governance issues. Ensure Committee and Board kept up to date of progress.
- (ii) To implement the revised Admin Strategy and new employer Service Level Agreement including the option of a new chargeable service offer.
- (iii) To undertake the 2019 triennial valuation and review the implications for investment strategy.
- (iv) To continue the implementation of the IT strategy to achieve a digital step change in service delivery and to mitigate service demand growth.

4.3 Full details of the 2019- 22 Service Plan are included in the Annex. Appendix 3 of the Service Plan shows the new medium term targets for 2019-22

5 BUDGET FOR 2019-22

5.1 The Service Plan includes details of the proposed budget and cash flow forecast over this period. The three-year budget and cash flow forecast commencing 1 April 2019 are included as **APPENDIX 4** to the Service Plan.

5.2 The budget is split between those areas that relate to the administration of the Fund in terms of providing the administration service to members and employers, and those areas where there is less scope to directly control the costs. The latter areas include Investment Management and Custody costs where the fee structure is agreed by the Fund but the actual costs incurred are dependent upon investment performance and the volume of transactions. They also include governance and compliance expenses which are a consequence of the Fund's policy response to regulations and investment strategy. The budget also includes the estimated costs of the pension board. The LGPS regulations require the costs of local pension boards to be met by the local fund.

5.3 The budget approved for Administration in 2018/19 was £2,940,186. In the proposed budget for 2019/20 this has been increased to £3,441,335. The increase will provide additional staffing in Member Services, for technical training and development and in the Investment Team. There is also additional budget for IT developments and one off projects to check mortality and for tracing. Within Governance and Compliance the increased net budget is largely to meet the cost of the 2019 valuation but also because the proportion of actuarial work that is rechargeable is expected to reduce. Within Investment Fees the increase is mainly

due to Performance related fees. The investment management fees for the assets managed by Brunel are shown separately. These will not be fully offset by savings until after the transition of assets has been completed.

5.4 The inclusion of the three year cash flow forecast reflects the need to monitor the Fund's cash flow since it ceased to be continuously cash flow positive. The close monitoring of the Fund's cash flow position is a vital tool in the management of the cash that is achieved through its investment strategy.

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. In addition it monitors the benefits administration, the risk register and compliance with relevant investment, finance and administration regulations. The creation of an Investment Panel further strengthens the governance of investment matters and contributes to reduced risk in these areas.

7 EQUALITIES

7.1 An equalities impact assessment is not necessary.

8 CONSULTATION

8.1 N/a

9 ISSUES TO CONSIDER IN REACHING THE DECISION

9.1 Are detailed in the report.

10 ADVICE SOUGHT

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

Contact persons	<p>Budget – Martin Phillips, Finance & Systems Manager (Pensions) (01225 395259)</p> <p>Service Plan -- Tony Bartlett, Head of Business, Finance and Pensions (01225 477302), Geoff Cleak, Pensions Manager (01225 395277), Liz Woodyard, Investments Manager (01225 395306)</p>
Background papers	Various Accounting Records

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THE AVON PENSION FUND

SERVICE PLAN

2019 - 2022

PREPARED BY:

TONY BARTLETT, LIZ WOODYARD, GEOFF CLEAK and MARTIN PHILLIPS

MARCH 2019

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APPENDICES

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APPENDIX 2	PROGRESS OF THE 2018-21 PLAN
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APPENDIX 4	BUDGET & CASHFLOW FORECAST 2019- 22

AVON PENSION FUND SERVICE PLAN 2019-2022

1 BACKGROUND

In 2017 the Fund set out its key objectives for the period to 2019/20 and this Service Plan continues that direction of travel recognising the continued challenging environment within which the service operates. This plan therefore updates the progress on those objectives and the further emerging challenges which need to be taken account of in the new programme period

Governance

The Fund is still in transition as it adapts to the changes in its investment arrangements and the complexity that arises from ongoing fragmentation of its employer base.

The transition of the assets and the need to implement the investment strategy through the pool will create issues that will require engagement by the Fund at both committee and officer levels. Although the review of the Fund's governance arrangements takes this into account, this needs to be kept under review as the new arrangements are still evolving, including the engagement process between Brunel, the Oversight Board and the Fund, and further changes may be required to ensure the Fund's requirements are addressed, its interests are protected and the governance arrangements are operationally effective.

The Pensions Board has been in existence for almost four years and is now fully engaged in its scrutiny role and in securing compliance and assisting the Administering Authority in delivering effective governance. Looking ahead, The Board will undertake to support the Committee and Officers in the implementation of the Administration Strategy.

Pooling of Investment Assets

Having established the FCA investment management company, Brunel, to manage the pool's assets, the focus through to 2021/22 is on the transition of the client assets to Brunel. A full range of portfolios have been agreed with assets starting to transition to a number of Brunel portfolios. In parallel with the transition of the listed assets, Brunel has established private market portfolios to invest new money commitments from its clients.

Although much time and resources has been spent establishing the pool and Brunel, significant resources are still required to work with Brunel and the wider pool to ensure the transition plan keeps on track, client strategies (and changes to them) are accommodated within the portfolio structure and that client monitoring is robust to give assurance to the Brunel Oversight Board, and local committees, that Brunel is delivering value for money to its clients.

Investment Strategy

Following a period of returns above expectations, 2018/19 saw the return of volatility to markets; the diverse strategy and focus on risk protected the Fund from significant declines in some assets.

The Strategic Asset Allocation will be reviewed following the 2019 actuarial valuation to ensure the Fund continues to fund its pension liabilities efficiently and provide value to its employers in terms of stable and affordable contributions. Any changes to the asset allocation arising from this review will be implemented through Brunel portfolios or, if a portfolio is not available, as an elective service by Brunel or by the Fund directly.

There were no changes to the strategy over the year; the strategic allocations to Secured Income (Long Lease Property) and Renewable Energy have finally been committed through Brunel portfolios and should be fully invested by mid-2020.

Funding Strategy

Significant work has been undertaken to de-risk the employer position within the Fund through the Funding Strategy. In addition to the captive ill-health insurance scheme and the liability hedging strategy already implemented, a strategy to match the liabilities of employers that have exited the Fund is being developed, with implementation planned for early 2Q19. This will de-risk a further £130m of liabilities within the Fund. The options of developing bespoke funds for select groups reflecting their deficit, risk assessment and financial positions will be explored further and the option of moving towards a fully unitised approach will also be explored in time. This will be an important consideration by the Fund given the nature and diversity of employers within the Fund and will be considered on affordability and practical operational criteria.

In addition progress has been made on the covenant assessment work ahead of the 2019 valuation, after which monitoring will be ongoing. This will be an important element of the emerging funding plans at the employer level, especially given the difficult funding environment many of the employers face, both currently and for the foreseeable future.

Administration Strategy

The rapid growth of employers within the APF continues to represent a significant challenge to the Fund. A number of key projects are in train to support objectives and mitigate compliance risk. However, further exploration and development of joined up technical capabilities are required to further maximise service delivery. The Fund has revised its Administration Strategy to continue progress toward a seamless automated pension service, additionally a new employer SLA will include a chargeable service option.

2 KEY OBJECTIVES – 2019/20 to 2020/21

Funding Strategy:

1. Implement the policy for ongoing covenant assessment for incorporating into the Funding Strategy and funding plans.
2. To agree a Funding Strategy for the 2019 valuation to protect the solvency of the Fund and ensure contributions remain affordable for employers.
3. To explore further options for bespoke portfolios to manage the funding and liability position of specific employer risk groups

Investment Strategy:

4. To monitor the transition of assets to the new Brunel Portfolios.
5. To review the strategic asset allocation to ensure the Fund can achieve the returns required in the Funding Strategy and that all risk are effectively managed.
6. To revise the Investment Strategy Statement reflecting strategy developments and changes due to Brunel operations.
7. Monitor and develop the Risk Management Framework further as a mechanism for managing liability risk through the investment portfolio and mitigating investment risk.

Administration Strategy:

8. To implement new SLA arrangements to all employers including chargeable service option.
9. To continue implementation of the planned IT Strategy designed to achieve a digital step change in service delivery and mitigate service demand growth.
10. To introduce a training & development programme across all pension stakeholders
11. To complete the rollout of I-Connect and implement joint monthly contribution and data delivery module.
12. To complete the GMP data reconciliation exercise as required by HMRC to ensure the fund is not at risk of erroneous pension liability.
13. To undertake review of pensioner member 'pots' to identify potential commutation opportunity in line with Government Budget announcement on trivial commutations
14. To complete the move towards electronic delivery of Scheme communications to active members.

Governance:

15. Keep governance arrangements under review to ensure effective monitoring of Brunel and the transition of the assets.
16. To ensure the Committee and the Pensions Board is fully trained and briefed on current strategies and operations and in position to scrutinise and make decisions effectively.

A report on progress towards objectives from 2018 – 2021 is given in Appendix 2. Key objectives for 2019-2021 are set out In Appendix 3.

3 RESOURCE IMPLICATIONS

In 2018/19 a new post was created within the Investment & Finance Team to focus on improving governance and risk management across the whole fund. The post will support the management team to embed a compliance culture, improve best practice and provide more structured training so that the Fund can comply with MiFID II and other regulatory standards.

With the creation of Brunel the resources within the team devoted to investment strategy, policy and operations has diminished, giving rise to resilience and capacity issues. Despite assets transferring to Brunel, significant resources are still required to manage and develop the relationship with Brunel and the client side of the pool. In particular, there is key person risk and inadequate resource to maintain and develop knowledge around strategic investment issues including ESG, where the Fund has specific focus. Internal capability ensures the strategy evolves efficiently to meet the Fund's objectives, there is proper control of implementation, that members are trained and supported, and there is adequate internal challenge of expert advice. Therefore the 2019/20 budget allows for an extra post of Senior Investment Officer to support and deputise for the Assistant Investment Manager.

In respect of administration, an additional part-time post has been included in the budget to support the administration in recruitment, training and development requirements of both Fund officers and scheme employers. Additionally, there is currently inadequate resource to deliver technical training and support across the administration service and therefore the 2019/20 budget allows for an extra post of at Senior Officer to undertake this. Finally, an additional Team Leader post on Member Services team has been created to support the current structure. With the continuous volume of projects being undertaken by managers across the Fund the requirement of a Projects and Processes Manager post has been considered. However, this has been deferred pending the capacity of the new Governance & Risk Advisor role.

4 BUDGET

This Service Plan period includes the costs of managing investment assets through Brunel; however savings in investment expenses and management fees will only begin to materialise as the transition of assets is completed over time. The Fund is expected to realise net (of transition costs) cumulative savings by 2024-25.

The budget (excluding investment costs) proposed for 2019/20 is £4,712,030.

In the areas of Governance and Compliance and Investment Management, where expenditure cannot be directly controlled, the budget reflects the expected volumes of work and fees.

Within the directly controlled budget for Administration there is a proposed increase in net expenditure over the 2018/19 budget of £501,000. This net increase includes additional resources to meet the employer driven demands of schools achieving academy status, the increasing number of outsourcings and the cost of meeting the challenge to maintain accurate up to date data. Provision has been made for IT developments including the option to have the Altair system and Member Self-Service system hosted and the move to a new server. The budget also includes the cost of one off projects to carry out mortality checks and detailed forensic tracing of deferred members. In addition there are provisions for an employer training module, an employer discretions package and a regulatory and guidance tool.

Investment Management fees:

The estimated investment management fees have increased by £4.7m to £28.9m which is more than the assumed 6% increase in asset values. The increase is due to an increase in performance related fees; annual management fees are estimated to be flat year on year at £19.8m. The actual fees paid in 2019/20 will depend on the change in asset values over the year and the performance of the assets subject to the performance fees (performance fees accrue within each year but are only payable when the underlying assets are realised).

The increase in performance fees relate to (i) the infrastructure portfolio following particularly strong asset performance during 2017 and 2018 and (ii) the real estate portfolio where, as the closed ended funds mature into the divestment phase, performance fees increase as asset sales are realised and the annual management fee reduces.

Annual investment management fees paid to managers are estimated to be flat compared to last year. Where asset values have fallen year on year, the annual fees (in monetary terms) based on the asset value show a small saving. However, the Fund's strategy is to increase the allocation to private market assets, sourcing the allocation from listed market assets. Typically the fee rate paid on private market assets is higher (in basis points) than for listed assets, leading to upward pressure on underlying fee rates.

Lastly, the fees are impacted by the transition of assets to portfolios managed by Brunel. The fee rates achieved to date from pooling the UK Equity and Passive Equity assets have been competitive and resulted in a small reduction overall in fee rates. Specifically, the Fund will make savings from the performance related fees that were paid on the legacy UK Equity mandate.

Brunel management costs:

During 2018/19, shareholders approved an increase in Brunel's budget for 2019/20 to ensure there are adequate resources to (i) deliver the transition plan within an agreed timeline in order that clients can implement their investment strategy efficiently and (ii) to support client funds with business as usual activities. In addition, a budget was approved to procure an administrator for the private market

assets to be managed by Brunel. The increases were approved by Special Reserve Matters during 2018/19 and the Business Plan for 2019/20 to 2021/22. In the later years of the 3 year Business Plan, the budget stabilises as the costs associated with the transition fall out of the budget.

Governance Costs:

In 2019-20 two significant projects, the 2019 Valuation and Strategic Investment Review will be undertaken and the costs are provided for in the budget. The cost of an additional Independent Member for the Committee and associated appointment costs have also been provided for (subject to changes to the Fund's constitution). Due to the new electoral cycle, it has been assumed there will be a number of new committee members and the training budget has been increased accordingly.

Salaries:

Having identified capacity and resilience risks within the Investments Team, the budget allows for an extra post of Senior Investment Officer to support and deputise for the Assistant Investment Manager. Similarly, to mitigate operational risk and provide support to the administration function the budget allows for extra 3 posts across the Administration Team at Team Leader and Senior Officer level.

Pensions Board:

The Pension Fund is required to meet the costs of the Pensions Board that became operational in July 2015. The estimated full year costs of the Board for 2019/20 to 2021/22 have been added to the overall cost to the Fund for the three year budget.

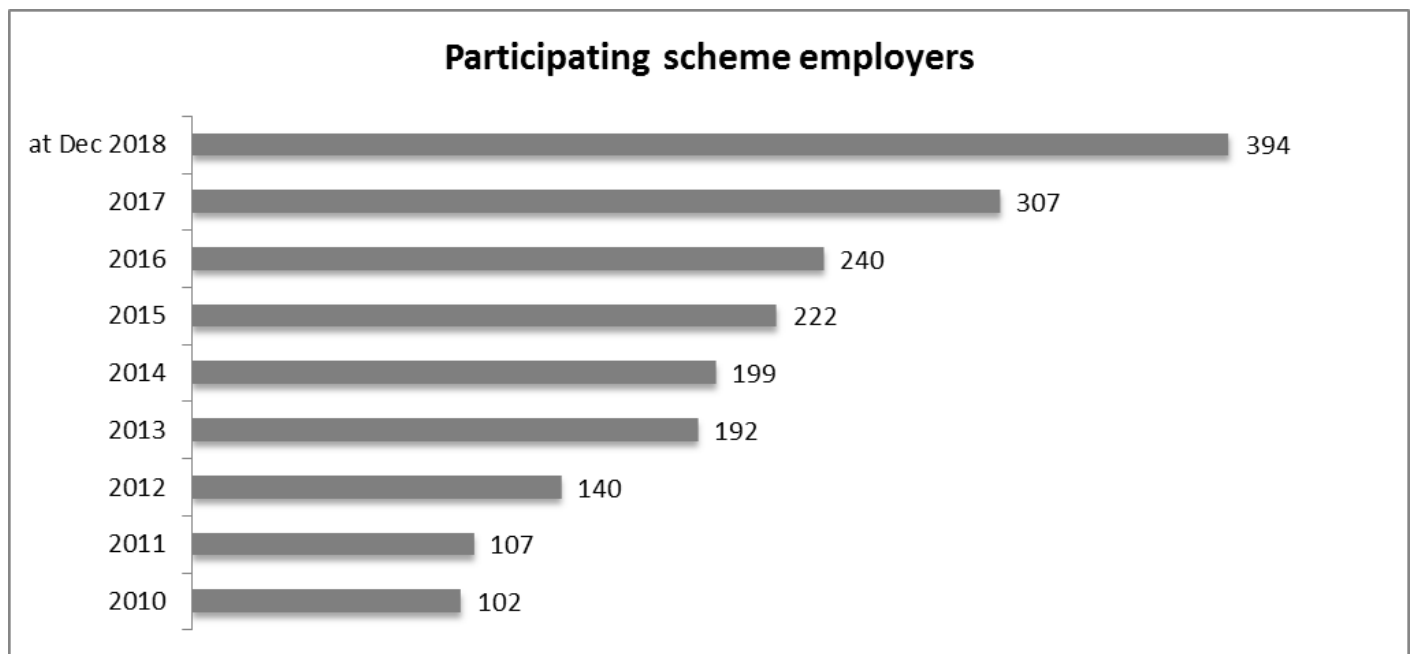
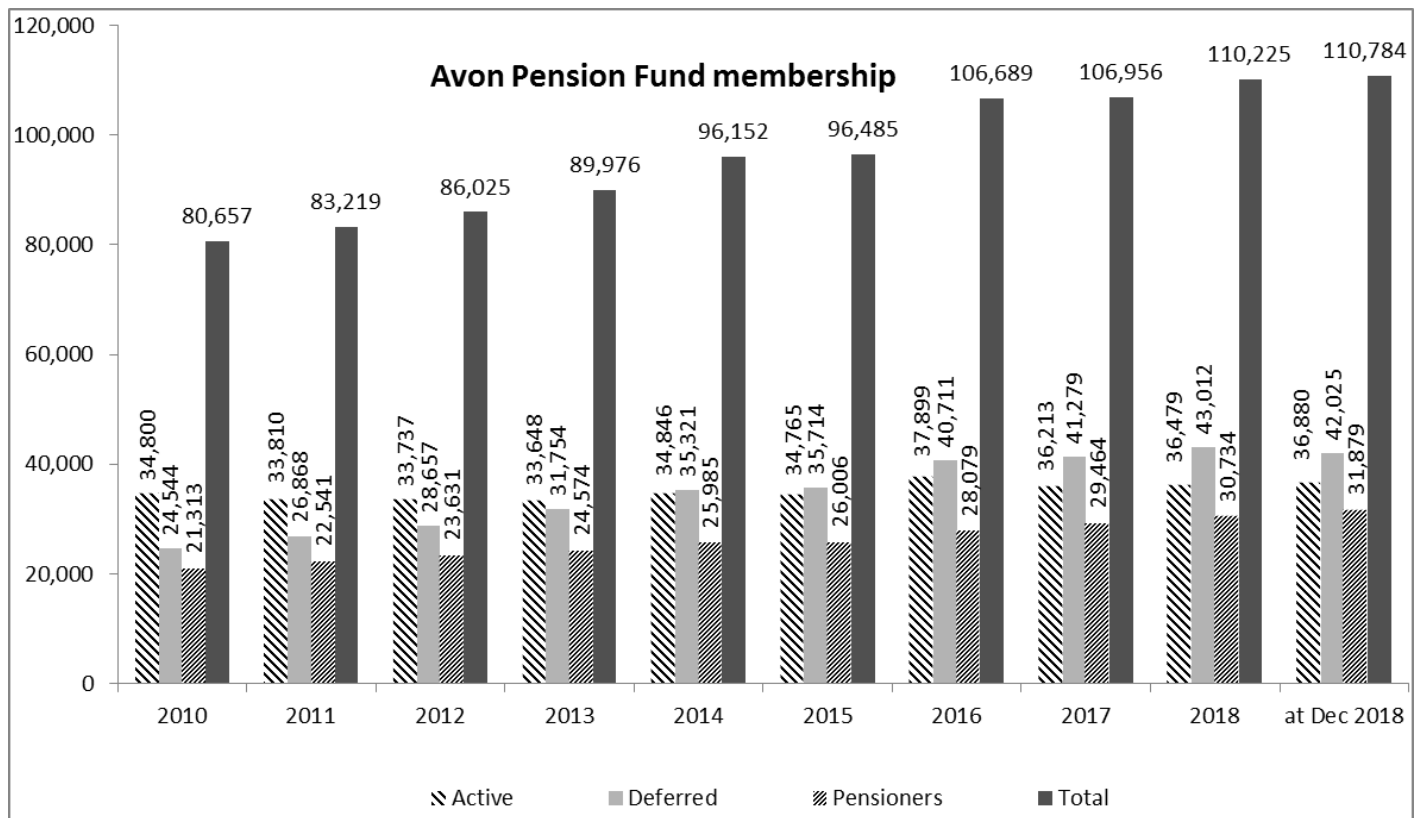
5 CASH FLOW

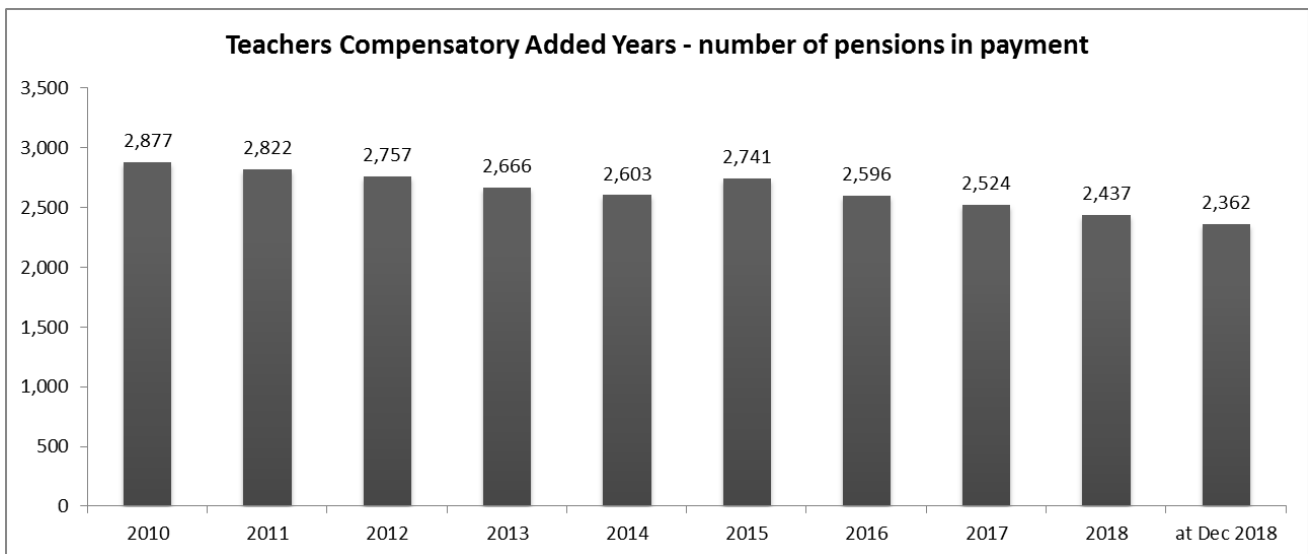
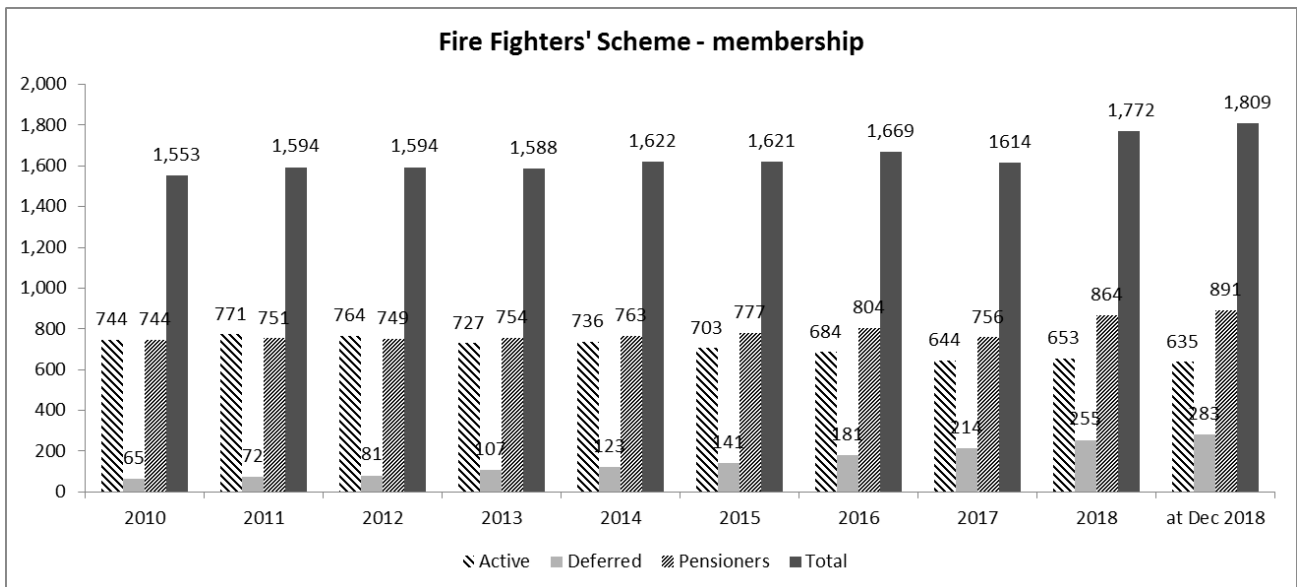
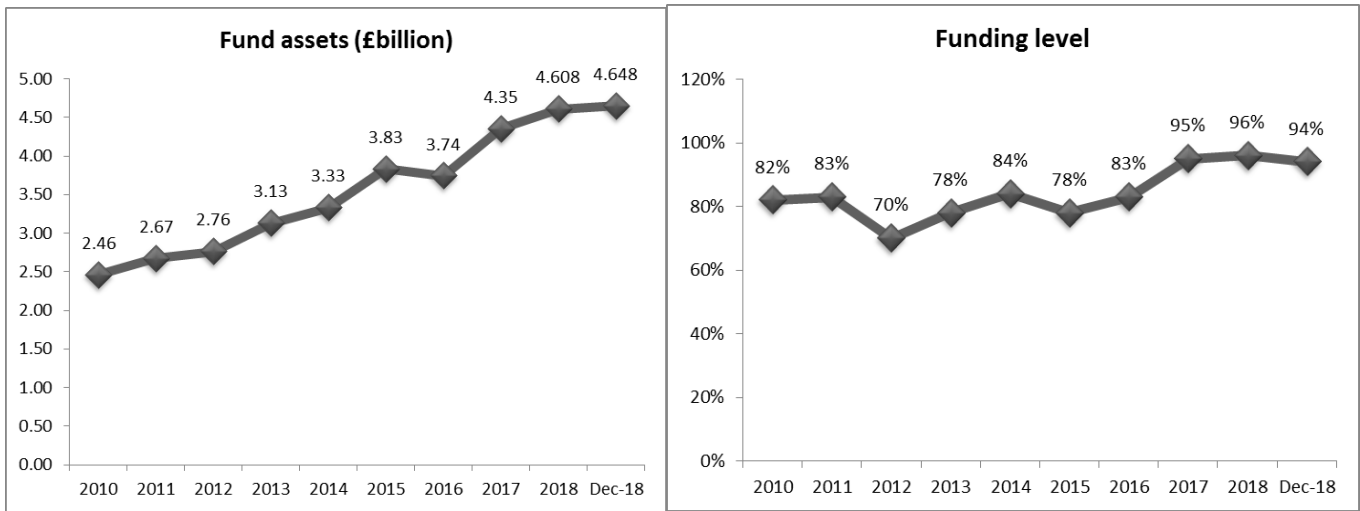
As the Fund's profile matures, monitoring future cash flow trends increases in importance. The Fund is transitioning from being cash flow positive (accumulating cash from contributions at a greater rate than paying out cash in benefits and expenses) to being cash flow negative. The cash flow is currently monitored on a monthly basis and reported quarterly to Committee. As a result of the advance lump sum deficit payments made by the major employers in April 2017 the Fund had large cash in-flows. However the consequent absence of these deficit payments in the following two years results in negative annual cash flows. The negative cash flows are managed by using income from the investment portfolio and divestments as required. Divestments are delegated to Officers as part of their operational duties. Consideration is given to the actual allocation against the strategic allocation as well as the view of investment markets.

Full details of the budget between 2019-20 and 2021-22 together with a cash flow forecast for the payment of benefits and the receipt of contributions are given in **Appendix 4**.

Appendix 1 – Scope of Avon Pension Fund

(as at 31 December 2018)





Progress against Key Objectives & Targets in 2018-2021 Plan

	Key Objective	Tasks	Target Date
Admin Strategy			
1	Delivery of IT Strategy to increase efficiency ...	<ul style="list-style-type: none"> Develop Document Management System [ERM/CRM] Progress full employer electronic data delivery Review & update employer website and improve employer online functionality(linked to 1 above) EA2P (Payroll interface) Increase member self-service take up and system functionality 	<p>Amber: in progress to complete by end 2019</p> <p>Green: on track with plan to complete by March 2019</p> <p>Amber: delayed – expected by February 2020</p> <p>Red: - delayed due to product capability</p> <p>Green Ongoing</p>
2	Review and revise Fire Service model	<ul style="list-style-type: none"> Develop revised service offer and SLA Develop Fire website Develop Fire member self-service functionality Fire IAS19 (prepare and liaise with GAD and Fire Service) 	<p>Amber: in progress April/May 2019</p> <p>Completed</p> <p>Green – in progress</p> <p>Completed</p>
3	Embrace partnership and collaborative opportunities as they arise at both regional and national level	<ul style="list-style-type: none"> Explore communications opportunities within region Use of national and regional frameworks for services 	<p>Ongoing</p> <p>Ongoing</p>
4	Implement new SLAs	<ul style="list-style-type: none"> Revise employer SLA document and reporting suite incorporating TPR Improvement Plan 	<p>Green – in progress to accompany revised Admin Strategy</p>
5	GMP data reconciliation project	<ul style="list-style-type: none"> Data match exercise with DWP to mitigate risk of pension overpayment/erroneous pension liability 	<p>Green – on track with plan. Due completion by March 19</p>
6	Trivial Commutation	<ul style="list-style-type: none"> Review pensioner member pension pots to identify potential commutation opportunity following 	<p>Amber – in progress. Expected</p>

		Gov't Budget announcement.	completion by March 2020
7	Processing Backlogs	Agreed projects to clear down:- <ul style="list-style-type: none"> • Inter-Fund case Tasks • Aggregation/Link Tasks • Outstanding Tasks set at 'Reply Due' 	Green Completed Completed Ongoing – due August 2019
8	TPR – Data Improvement	Address Rectification <ul style="list-style-type: none"> • Data Screening • Reference Testing • Manual Basic Tracing • Manual Forensic Tracing 	Green Completed Completed Completed In progress – due March 2020
9	Internal Dispute Resolution Policy (IDRP)	<ul style="list-style-type: none"> • Review internal process – identify resource for stage 1 and stage 2 review and developing employer engagement 	Red: delayed due to resource availability
10	Employer Engagement and Training	<ul style="list-style-type: none"> • Develop and roll out employer training and support matrix to ensure employer compliance 	Green Ongoing
11	Admin Strategy Document	<ul style="list-style-type: none"> • Review Admin Strategy Document & Service Offer 	Green: in progress Spring/Summer 2019
Funding Strategy			
1	Covenant assessment of employers during valuation period	<ul style="list-style-type: none"> • Establish policy for monitoring employer covenant over next 3 years to 2019 valuations; rolling timetable for reviewing employers; collection and collation of data; identifying higher risk employers for closer monitoring • Explore options with employers to mitigate covenant risks 	Green: in progress for 2019 valuation Green: Ongoing
2	2018 Interim Valuation	<ul style="list-style-type: none"> • Understand forecast outcome and identify implications for FSS • Hold forums for employers to discuss; disseminate outcome and implications for 2019 valuation & budgets. • Arrange training event for committee and board 	Completed

3	2019 Valuation	<ul style="list-style-type: none"> • Planning and initial meetings with actuary • Approve FSS • Initial outcome at fund level • Discussions with employers • Disseminate results to employers 	Green: on track with plan
4	Review AVC arrangements	<ul style="list-style-type: none"> • Review range of investment choices for members – high level review by advisor to meet governance requirement • Further work to decide on any changes. 	Red: delayed due to capacity
Investment Strategy			
1	Transition of assets to Brunel	<ul style="list-style-type: none"> • Member of Client sub group focussing on investments with Brunel • Development of Avon plan for transitioning assets based on Brunel plan 	Green: Green: ongoing monitoring of transition plan
2	Implement investment strategy projects maintaining compliance with the Fund's Investment Strategy and Policies	<p>Agreed projects</p> <ul style="list-style-type: none"> • Long Lease Property • Sustainable equities • Renewable infrastructure 	Green: Commitment made As per transition plan Commitment made
3	Monitor risk management strategies ensuring collateral managed efficiently and decisions taken in timely manner	<ul style="list-style-type: none"> • Liaise with Mercer and Blackrock as to exposures, trigger points and monitoring framework • Annual review of trigger points and strategy • Arrange Panel & committee training as needed 	Green: Ongoing Done in 3Q18 Done in 3Q18
4	Review options for further de-risking through the investment portfolio and /or the funding strategy	<ul style="list-style-type: none"> • Commission report from Mercer for officers to consider • Build into Committee discussions at Interim Valuation 	Green: Build into 2019 Strategic review
5	Annual review of Investment Strategy Statement (ISS)	<ul style="list-style-type: none"> • Annual or when make significant changes to ISS 	Green: Revised 2018 & Ongoing review
6	Bespoke corporate bond portfolio for CB funded employers	<ul style="list-style-type: none"> • Better match duration of portfolio with liabilities • Commission Mercer to analyse and advise • Strategy will be managed alongside LDI assets (as currently are) 	Green: implementation in progress

7	Restructure investments team	<ul style="list-style-type: none"> Review resource for actuarial team Review resource for investments for transition and post pooling Revise JDs and appoint (timing dependent on pooling) 	Complete
Governance			
1	Review governance arrangements following the pooling of assets	<ul style="list-style-type: none"> Review ToR of Committee and Investment Panel 	Green: recommendations to Council May 2019
2	Reporting to Avon Pension Fund Pension Board and Fire Service Pension Board	<ul style="list-style-type: none"> Support Board, education and training needs as required 	Green Ongoing
3	Independent Members on Committee	<ul style="list-style-type: none"> Appoint Independent Member. Terms end 2Q21 (end of 2nd term for one member) 	Green: Start January 2021

Key Objectives & Targets in 2019-2022 Plan

	Key Objective	Tasks	Target Date
Admin Strategy			
1	Communications Implement new SLA's	<ul style="list-style-type: none"> Roll out of new SLA to all employers Roll out of employer discretionary policy tool Promotion of employer training & chargeable service offer 	September 2019 September 2019 December 2019
2	Member digital engagement	<ul style="list-style-type: none"> Activate online ABS availability Maximise MSS take up 	August 2019 May 2019
3	Member digital engagement (Fire Schemes)	<ul style="list-style-type: none"> Launch AF&R website with MSS functionality 	April 2019
4	Governance	<ul style="list-style-type: none"> Develop online portal for PC & LPB members – public and secure areas 	June 2019
5	Embrace partnership and collaborative opportunities as they arise at both regional and national level	<ul style="list-style-type: none"> Collaborative working with LGA/SAB on delivery of national firefighter member website Participation in i-connect and MSS User Groups – development of product specifications 	December 2019 Ongoing
6	IT Strategy Progress full employer electronic data delivery	<ul style="list-style-type: none"> Completion of i-connect project Implement monitoring & controls Reconciliation of contributions & i-connect extract 	October 2019 April 2019 March 2020
7	Progress software developments	<ul style="list-style-type: none"> Development of online leaver form Enhanced secure 2 way portal functionality 	December 2019 March 2020
8	Enhance employer support/decision making capabilities	<ul style="list-style-type: none"> Roll out of employer online discretionary policy tool/including training & support 	September 2019
9	Development of management information hub	<ul style="list-style-type: none"> Review suitability of available systems [ERM/CRM] Develop & Implement 	April 2019 September 2019
10	Review & update employer website	<ul style="list-style-type: none"> Develop an improved employer online experience- linking directly to relevant SLA and employer responsibilities 	March 2020

		<ul style="list-style-type: none"> • Provide 'knowledge hub' including video training elements 	March 2020
11	Training & Engagement Introduce staff technical training programme	<ul style="list-style-type: none"> • Scheme Specific training • Data requirements • Governance & compliance • Legislation • IT Skills 	September 2019
12	Review & Implement employer training programme	<ul style="list-style-type: none"> • Employer responsibilities • Data & TPR requirements • I-Connect • HR Development • Discretionary Policy tool 	Ongoing Ongoing Ongoing September 2019
13	Chargeable Services Offer	<ul style="list-style-type: none"> • Set up framework to manage chargeable services • Develop chargeable services brochure 	March 2020 October 2019
14	Performance GMP data reconciliation project	<ul style="list-style-type: none"> • Data match exercise with HMRC to mitigate risk of pension overpayment – GMP Rectification of identified cases 	March 2020
15	Trivial Commutation	<ul style="list-style-type: none"> • Review of pensioner member pension pots to identify potential commutation opportunity • Support from scheme actuary 	December 2019 In Progress
16	Processing Backlogs	<ul style="list-style-type: none"> • To clear outstanding task work set at 'Reply Due' 	August 2019
17	TPR Data improvement	Address Rectification <ul style="list-style-type: none"> • Manual forensic tracing • Agree tolerance & process 	Final stage from 2018 project March 2020
18	Internal Dispute Resolution Policy	<ul style="list-style-type: none"> • Review internal process – identify resource for stage 1 & 2 review and develop employer engagement 	Review requirements and plan from 1Q2020 with new resource
19	Statutory refund payment	Review of member data to establish qualifying entitlement to statutory refund under LGPS Regs 2014	Review requirements and plan from 1Q2019
20	Revise Fire Service model	Develop revised service offer and SLA	April 2019
Funding Strategy			

1	Covenant assessment of employers during valuation period	<ul style="list-style-type: none"> Establish policy for monitoring employer covenant for 2019 valuation and thereafter; rolling timetable for reviewing employers; collection and collation of data; identifying higher risk employers for closer monitoring. Explore options with employers to mitigate covenant risks 	<p>Core work started during 2018/19. Discussion with Actuary how incorporate analysis into Funding Strategy.</p> <p>Ongoing</p>
2	2019 Valuation	<ul style="list-style-type: none"> Planning and initial meetings with actuary Approve FSS Initial outcome at fund level Discussions with employers Disseminate results to employers 	<p>From January 2019</p> <p>June 2019 committee</p> <p>June 2019</p> <p>From July 2019</p> <p>From October 2019</p>
4	Actuarial advisory contract retender	<ul style="list-style-type: none"> Procure using National Framework 	2021/22
5	Review AVC arrangements	<ul style="list-style-type: none"> Review range of investment choices for members – high level review by advisor to meet governance requirement Further work to decide on any changes. 	Review Requirements and plan from 1Q20 once fully resourced
Investment Strategy			
1	Transition of assets	<ul style="list-style-type: none"> Input as member of Brunel Client Group Monitor Avon plan for transitioning assets based on Brunel plan 	<p>Ongoing</p> <p>Ongoing</p>
2	Implement investment strategy projects maintaining compliance with the Fund's Investment Strategy and Policies	<p>Agreed projects</p> <ul style="list-style-type: none"> Long Lease Property Sustainable equities Renewable infrastructure 	To be invested by Brunel Commitments made As assets transition Commitments made
3	Monitor risk management strategies ensuring collateral managed efficiently and decisions taken in timely manner	<ul style="list-style-type: none"> Liaise with Mercer and Blackrock as to exposures, trigger points and monitoring framework Annual review of trigger points and strategy (will be rolled into Strategic review) Arrange Panel & committee training as needed 	<p>Ongoing</p> <p>3Q19</p> <p>3Q19</p>

	Review strategic asset allocation (post 2019 valuation)	<ul style="list-style-type: none"> Plan the review process with Mercer Agree review plan with Committee Workshops to explore options and agree direction of travel Approve revised Investment strategy Implementation Plan: <ul style="list-style-type: none"> Via Brunel portfolios (existing and planned) Discuss with pool if cannot be implemented via pool portfolios 	February 2019 March 2019 3 & 4Q19 1Q2020
5	Annual review of Investment Strategy Statement (ISS)	<ul style="list-style-type: none"> Annual or when make significant changes to ISS 	March 2020 (next major planned changes)
6	Restructure corporate bond portfolio for CB funded employers	<ul style="list-style-type: none"> Better match duration of portfolio with liabilities Commission Mercer to analyse and advise Strategy will be managed alongside LDI assets (as currently are) 	In progress for transition by end 1Q19
7	Investment advisory contract retender	<ul style="list-style-type: none"> Procure using National Framework 	2021/22
8	Review of Responsible Investing Policy	<ul style="list-style-type: none"> Review policy as to effectiveness and incorporate new initiatives post transition of assets , when Brunel service offering more developed Avon to participate in Brunel RI sub group 	2021/22 ongoing
Governance			
1	Review governance arrangements following the pooling of assets	<ul style="list-style-type: none"> Review ToR of Committee and Investment Panel 	Reviewed in March 2019 and revise as required thereafter
2	Reporting to Avon Pension Fund Pension Board and Fire Service Pension Board	<ul style="list-style-type: none"> Support Board, education and training needs as required 	Ongoing
3	Independent Members on Committee	<ul style="list-style-type: none"> Appoint Independent Member. Terms end 2Q21 (end of 2nd term for one member) 	Start January 2021
4	Committee changes and training	<ul style="list-style-type: none"> Appoint any new members as a result of changes to the committee Plan training programme for new members following elections in May 2019 	1 & 2Q19 2Q19
5	Legal contract retender	<ul style="list-style-type: none"> Procure using National Framework 	2020

6	Team Resources	<ul style="list-style-type: none">• Appoint Senior Investment Officer• Consider team structure post asset transition	During 2019 From 2020/21
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Budget and Cash Flow Forecast

APPENDIX 4

<u>Three Year Budget</u>	Budget for 2018/19	Forecast 2018/19	Budget 2019/20	Budget 2020/21	Budget 2021/22
	£	£	£	£	£
Investment Expenses	21,375	21,375	23,043	23,504	23,974
Administration Costs	75,392	74,392	79,050	62,231	63,436
Communication Costs	72,619	72,619	74,071	75,553	77,064
Payroll Communication Costs	85,171	85,171	170,689	142,413	144,171
Information Systems	247,405	247,405	289,637	310,030	315,531
Salaries	2,049,797	1,929,797	2,400,942	2,443,625	2,492,497
Central Allocated Costs	537,067	537,067	527,700	538,254	549,019
IT Strategy	72,202	1,000	72,202	0	0
Miscellaneous Recoveries/Income	(220,842)	(220,842)	(196,000)	(199,920)	(203,918)
Total Administration	2,940,186	2,747,984	3,441,335	3,395,690	3,461,774
Governance Costs	383,380	343,380	415,170	365,403	320,641
- Members' Allowances	38,260	38,260	39,025	39,806	40,602
- Independent Members' Costs	28,000	28,000	65,000	65,900	66,818
Compliance Costs	567,305	598,305	931,500	668,630	661,003
Brunel Expenses	25,000	25,000	25,000	25,000	25,000
Compliance Costs recharged	(326,000)	(326,000)	(225,000)	(229,500)	(234,090)
Governance & Compliance	715,945	706,945	1,250,695	935,239	879,974
Pensions Board	20,000	15,000	20,000	20,400	20,808
Global Custodian Fees	165,000	215,000			
Brunel Management Fees	790,000	835,000	1,477,000	1,477,000	1,477,000
<u>Investment Manager Fees</u>					
Annual Management Fees	19,762,393	19,370,836	19,832,956	21,022,934	22,284,310
Performance Related Fees	4,446,683	5,597,572	9,083,313	9,628,312	10,206,010
Investment Fees	25,164,076	26,018,408	30,393,269	32,128,245	33,967,320
TOTAL COST TO FUND	28,840,207	29,488,337	35,105,299	36,479,574	38,329,875

<u>Cash Flow Forecast</u>		<u>2019/20</u>	<u>2020/21</u>	<u>2021/22</u>
(Excluding Administration and Investment costs)		£'000	£'000	£'000
<u>Benefits Outflows</u>				
Benefits	Pensions	(146,732)	(156,044)	(162,910)
	Lump sums	(32,524)	(30,777)	(34,821)
Total Benefits Outflows		(179,255)	(186,821)	(197,731)
<u>Inflows</u>				
Deficit recovery		17,994	108,656	18,721
Future service Contributions		138,023	138,023	140,784
Total Contributions		156,017	246,680	159,505
Net Cash Flow (excluding Administration & Investment costs)		(23,238)	59,858	(38,226)
Divestments & Investment income received as cash		34,000	(49,000)	50,000
Net Pension Transfers In / Out		0	0	0
Cash outflow due to administration of the Fund		(11,362)	(11,589)	(11,821)
Net Cash Flow (Out-Flow)		(600)	(731)	(47)
<u>Notes</u>				
- Net cash requirements will be met from divestments and cash balances				
- Transfers in and out are assumed to net to zero				
- The cash outflow due to administration includes Investment Management Fees that are invoiced to the Fund.				
- The forecast for 2020/21 includes the assumption that employers will not make up front three year deficit payments in advance. The deficit payments in 2019/20 and 2021/22 are smaller due to some employers making three year advance deficit payments.				

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Bath & North East Somerset Council		
MEETING:	AVON PENSION FUND COMMITTEE	
MEETING DATE:	22 March 2019	AGENDA ITEM NUMBER 12
TITLE:	Brunel Pension Partnership – Update on pooling	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
<p>List of attachments to this report:</p> <p>Appendix 1 a & b – Minutes of Brunel Oversight Board meeting</p> <p>Exempt Appendix 2a – Project plan for transition of Avon’s assets to Brunel portfolios</p> <p>Exempt Appendix 2b – Risk Register for transition of Avon’s assets to Brunel portfolios</p> <p>Appendix 3 – APF Risk Dashboard March 2019</p>		

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 reviewed specific investment aspects at its meeting on 27 February 2019.
- 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 2018/19. They have been calculated in line with the pricing policy that was agreed for 2018/19.
- 3.2 Brunel's budget for 2019/20 is in the process of being approved by the shareholders.

4 PROGRESS UPDATE

4.1 Governance:

- a) Brunel Oversight Board (BOB) has met once since the December update report. The minutes of the November 2018 meeting is attached in Appendix 1a and draft minutes (cleared for issuing) in Appendix 1b.
- b) The Client Group (CG) meets each month for a full meeting; there is also a weekly update call and 6 sub-groups working with Brunel on specific aspects of the services to be delivered. Sub-group activity and output is discussed at weekly calls.
- c) Work is progressing to provide Brunel level KPI monitoring reports to BOB. This includes the assurance framework for monitoring the transition process to ensure the process is in line with Brunel policies and the process for monitoring portfolios once managed by Brunel. The first report on the performance of the Brunel portfolios has been issued to BOB for period to 31 December 2018. The report for the quarter ending March 2019 will be revised to reflect feedback from BOB.
- d) Brunel has drafted a summary of the Stakeholder Engagement they will provide to its clients (at a minimum). Engagement at the committee level will be driven by client requests.
- e) Following feedback from clients a formal review of the governance arrangements relating to Brunel is required to ensure that all parties are operating effectively, the arrangements are consistent with the operating model of Brunel now operational and the levels of oversight and control are appropriate. The review will cover the Articles of Association, the Shareholders Agreement (not all the related policies) and the Services Agreement. The Client Group will work with Brunel on the review, with BOB considering the issue at their meeting in April 2019; with the intention of concluding the review mid-2019. Any changes to the governance arrangements will require unanimous approval of the shareholders.

4.2 Investments:

- a) The transition of the UK Equity assets has completed and the transition outcome report will be considered by the Investment Panel in due course (not available for Panel on 27 February). Inalytics advised Brunel on the transition and provided separate external validation of the costs. The CG will provide assurance to BOB on the transition process once the outcome report has been finalised.
- b) The tender process to select managers for the Emerging Markets portfolio is underway; the Global High Alpha portfolio tender process has been launched. Both are in track with the transition plan.

- c) Discussions have begun on how LDI strategies could be managed under pooling. This is an important strategic aspect for Avon given its Risk Management Strategies.

4.3 Transition Plan:

- a) Avon's project plan for the transition of its assets (see Exempt Appendix 2a) is based on Brunel's timeline for transitioning the assets. There is no change from December update. The timing of transitioning of assets is continuously reviewed by Brunel and the Client Group 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.
- b) Avon's project plan includes a Risk Register (see Exempt Appendix 2b) of risks specific to the transition for Avon. With agreement of the revised transition plan by shareholders in January 2019, the risk of delay to the transition has been downgraded.
- c) There is no change to the actual fee savings reported to December meeting.

4.4 Operational/Finance:

- 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.
- b) Brunel's 3 year business plan and budget for 2019/20 was agreed by Shareholders at the AGM in January. This plan provided for an increase in resources over the transition period to ensure the plan could be delivered within a timeframe that supports strategic decision making by its clients.
- c) The Business Case for pooling is update following each transition, once fees and costs are known, reviewed by CG.

4.5 The Avon Brunel Risk dashboard is in Appendix 3.

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 EQUALITIES

10.1 An equalities impact assessment is not necessary.

7 CONSULTATION

7.1 The Investment Panel is consulted on investment related issues.

8 ISSUES TO CONSIDER IN REACHING THE DECISION

8.1 Report is for noting.

9 ADVICE SOUGHT

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	CG and BOB papers
Please contact the report author if you need to access this report in an alternative format	

Brunel Oversight Board Meeting

Minutes

Purpose: To review Brunel/Client progress agree next steps
Date and time: Thursday 1 November 2018, 10:30 – 13:00
Location: Brunel Offices, 101 Victoria Street, Bristol, BS1 6PU
Dial-in details: Dial In: 0330 336 1949 | Participant Pin: 566525

<i>Pension Committee Representatives</i>		
David Veale	Avon	
John Chilver	Buckinghamshire	
Derek Holley	Cornwall	
Ray Bloxham	Devon	
Peter Wharf	Dorset	Apologies
Joanne Segars	EAPF	Apologies
Hywel Tudor	EAPF	
Ray Theodoulou	Gloucestershire	Chair
Kevin Bulmer	Oxfordshire	Vice-Chair
Mark Simmonds	Somerset	Phone
Tony Deane	Wiltshire	
<i>Member representative observers</i>		
Andy Bowman	Scheme member rep.	
Ian Brindley	Scheme member rep.	
<i>Fund Officers and Representatives</i>		
Tony Bartlett	Avon	
Julie Edwards	Buckinghamshire	Phone
Mark Gayler	Devon	
David Wilkes	Dorset	Phone
Craig Martin	EAPF	
Mark Spilsbury	Gloucestershire	
Sean Collins	Oxfordshire	Chair – CG
Jenny Devine	Wiltshire	
Nick Buckland	JLT – Client Side Executive	
<i>Brunel Pension Partnership Ltd</i>		
Denise Le Gal	Brunel, Chair	
Steve Tyson	Brunel Shareholder NED	
Matthew Trebilcock	Brunel, CRD	
Dawn Turner	Brunel, CEO	
Mark Mansley	Brunel, CIO	
David Anthony	Brunel, CFO	
Alice Spikings	Brunel, Client Relations	Minutes

Item	Agenda	Paper provided	Owner
1	Election of Chair and Vice-Chair		NB
	<p>NB reminded members of the process for election of Chair and Vice-Chair and invited nominations for the role of Chair. RT put himself forward to continue in the role, and his nomination was agreed and seconded. With no further nominations being received a vote was taken and RT was unanimously elected a Chair. RT thanked the Board for the confidence show in him to continue in the role.</p> <p>RT invited nominations for the role of Vice-Chair. KB expressed his desire to continue in the role and this was agreed and seconded. As no further nominations were received a vote was taken and KB was elected by unanimous vote. KB thanked the Board for their support.</p>		
2	<p>Confirm agenda</p> <p>Requests for AOB (Urgent or for information)</p> <p>Any new declarations of conflicts of interest</p>		Chair
	The agenda for the meeting was confirmed and there were no new declarations of interest or additional items of business received.		
3	<p>Review 27 September BOB minutes</p> <ul style="list-style-type: none"> Matters arising - SRMs 	Minutes	Chair
	The minutes of the meeting on 27 September were agreed by the Board. All ongoing or outstanding items were either complete or elsewhere on the agenda for the meeting, with one exception: MT updated BOB the on the result of the Special Reserve Matter 9 – Pricing Policy. The SRM was approved by 100% of the shareholder representatives.		
4	Business Plan	Report	DLG/DT/SC
	<p>DLG introduced the Brunel Business Plan and highlighted a number of the changes that had happened since the Original Business Case was developed:</p> <ul style="list-style-type: none"> The Assets Under Management had increased to nearly £30bn Estimated level of savings had increased. Actual savings from initial transitions were higher than estimates. Level of work involved in the creation and transition of each portfolio had been under-estimated. To do the work effectively and with the appropriate level of detail it was taking longer. The investment team therefore needed to strengthen its level of resource to ensure it is able to deliver. <p>DLG reminded BOB of the discussions at the last meeting around the options available for the transition and that in reality the “best ” option involved a lengthened transition and additional resource, and that the</p>		

	<p>Business Plan was built on this assumption.</p> <p>DLG concluded by suggesting a small amendment to the wording of the recommendations to keep them consistent with that of the Special Reserve Matter. This amended wording was supported.</p> <p>ST supported the proposals within the Business Plan and commented that the Brunel Board had been scrutinising the plans and had spent a good deal of time questioning the robustness of the plans and ensuring that the additional resource required was enough to deliver the transition plan. It was highlighted that the Client Group had undertaken a significant amount of work to analyse the assumptions and calculations within the proposals. MS was invited to comment in his role as Chair of the Client Group's Financial Sub-group (FSG), which had undertaken a substantial proportion of the assurance work.</p> <p>MS commented on the detail of the work that had been undertaken. He concluded that following the exercise, the FSG and Client Group felt that they had been provided with sufficient information on the non salary budgets to conclude that all major budget increases were supported by detailed and robust costings, and appeared to be justified by business need.</p> <p>Hence overall he summarised that the FSG and Client Group were able to give a high level of assurance to BOB on the detailed budget proposals for 2019/20.</p> <p>DH thanked MS for the assurance and commented that he was generally happy with the proposals. He asked for clarity around the proposal to allow for movement in budgets between year's, and what would get reported to BOB. DT confirmed that the move to allow over and underspends to be carried forward from one financial year to the next would allow for flexibility around particular projects if there was either slippage, or delivery was ahead of schedule. She also confirmed that in the regular budget updates to BOB it would be highlighted if this was likely to happen, and it would also be reported where any issues have arisen that previously would have resulted in a Special Reserve Matter.</p> <p>This was supported generally amongst the Board, and there were further clarification questions around the recommendations, and also the ability for Brunel to recruit the right calibre of staff in the future. The responses received assured BOB on these points.</p> <p>SC was invited to comment, and he confirmed that the Client Group was supportive of the proposals, and that he felt giving Brunel the ability to carry-forward over and underspent positions was sensible and allowed them to take a longer term view over projects.</p> <p>RB commented that he felt that it was essential for Brunel to have the correct level of staffing to enable the proper due diligence on fund manager appointments. He was happy with the proposals and revised timetable. In addition to this comment there were questions around whether the proposed staffing level was enough. DT commented that with what was known at the moment she was content that they would be.</p> <p>On being asked further whether she could guarantee not coming back in the next year's business plan for more budget DT said she could not as there may be changes that are not known yet and she gave three</p>	
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	<p>examples: increase in demands from funds following triennial valuation, regulatory or legislative changes, and understanding of needs as we move further into business as usual. The was accepted as a fair statement and that the rules of engagement if this were to happen were clear and that this would require a Special Reserve Matter.</p> <p>Given the increases in the resourcing levels within Brunel SC was asked whether he felt there was enough resource amongst the clients, in particular within the Client Group. He responded that it was on the agenda to be discussed at the next meeting in the next couple of weeks, and that he would report back to the next BOB meeting.</p> <p>In concluding DT commented that the process of review of the financial aspects of the business plan had been very thorough and she wished to highlight the work that MS had undertaken in leading the work of the FSG. The Chair thanked MS for his work.</p> <p>BOB supported the recommendations (as amended) included in the cover report.</p> <ul style="list-style-type: none"> I. The Oversight Board support the Business Plan and detailed budget for 2019/20 and draft budgets for 2020/2021 and 2021/22, to be issued as a Special Reserve Matter (SRM). II. The Oversight Board support the proposal that underspends from delayed activity in a year, or overspends by bringing activity forward can be managed by Brunel in consultation with the Client Group rather that through an in year SRM if the impact was to exceed the 5% tolerance. If this did occur it would be included with the regular reporting to BOB. III. The Oversight Board notes the current expenditure forecast of £7.795m which is £267k above the 5% budget tolerance within the current Business Plan, and endorses the request for an SRM to approve this additional expenditure funded from the £570k underspend in 2017/18. IV. The Oversight Board endorse the Business Case Review in the context of the savings generated to date from the first three tenders and set out in detail within the main report. 		
5	Client Oversight & Assurance	Presentation	SC
	<p>SC took BOB through a presentation to show where the Client Group were involved in the process of the creation of portfolios, to enable the appropriate levels of assurance to be gained, and given to BOB.</p> <p>The presentation detailed a number of papers that will be issued by Brunel during the portfolio creation and implementation process. SC highlighted a number of areas where there would be input from clients (in the form of the Client Group as a whole) into the process.</p> <p>It was commented that the there were a couple of key points within the process where there were specific "Client Group touch-points". SC commented that these points were not for individual clients to be</p>		

	<p>expressing specific views on individual manager appointment; it was to allow the Client Group, as a whole, to assess whether the work that Brunel has done gave any reason to stop the process i.e.</p> <ul style="list-style-type: none"> Was there anything which the clients felt that the portfolio launch process would not deliver to the specification <p>He also highlighted that if at this stage the Client Group felt that there was an issue that hadn't been dealt with by Brunel it would be classed as a formal complaint under the FCA rules. He therefore felt that this was a situation that would be extremely unlikely to arise.</p> <p>There was a specific question to clarify what was meant by the statement on Slide 3 around an individual Fund's fiduciary duty, and the potential need for action ahead of a Brunel portfolio being available. MT clarified that the comment around additional costs being incurred referred to the potential transition costs of needing to move twice, and not any additional charge to be levied by Brunel. He highlighted that the robust transition plan that was now in place should allow Fund to plan.</p> <p>There were questions around the process, and assurance was taken from the work that Brunel and the Client Group had undertaken to develop the formal set of procedures.</p> <p>There were no requests to amend the framework presented and that this would now be presented by one of the fund's officers as part of the engagement day presentation taking place next week on 05, 06 and 07 November in Oxford, Bristol and Exeter respectively.</p>		
6	Brunel Update Report	Paper	MT
	<p>MT summarised the quarterly Brunel update report, and highlighted a couple of specific points:</p> <ul style="list-style-type: none"> He updated BOB on a telephone conversation that he and SC had with Teresa Clay from the MHCLG by way of follow up to the autumn update. He assured BOB that positive feedback was received, specifically with regard to governance structure being used by Brunel. There were also positive comments around the work that was being done in Private Markets. MT highlighted the engagement days that were being held in the next week and encouraged BOB members to ensure that their own Funds had good attendance. This was the opportunity for Fund's to ensure their officers, committee and board members that weren't involved pooling on regular basis were acting in an informed way. 		
7	Shareholder NED update	Paper	ST
	<p>ST presented his update report, and commented that most of his comments had already been discussed as part of the other discussions around the Business Plan. He highlighted the importance to the Partnership has a whole of the Business Plan being agreed, and commented that he</p>		

	felt a little nervous around the progress of the Special Reserve Matter through the shareholder representatives. When asked about this comment he asked that BOB members, who weren't shareholder representatives to highlight the importance of this at a local level and he also acknowledged that different funds operate in different ways and have different decision making processes. He finished by saying that his nervousness really stemmed from the importance of the Business Plan being agreed.	
8	AOB	Chair
	<p>There was no additional business other than to confirm the dates of the engagement days, to be held in Oxford, Bristol and Exeter, and to confirm the dates for BOB meetings in 2019:</p> <ul style="list-style-type: none"> • Thursday 31st January • Tuesday 30th April • Thursday 25th July • Thursday 26th September • Tuesday 5th November. <p>It was highlighted that all key dates for Brunel meetings in 2019 were contained in an Appendix to the Business Plan report.</p> <p>This being the final item on the agenda, the meeting was closed at 12.58pm</p>	

Produced: JLT on 27/11/2018

Brunel Oversight Board Meeting Minutes

Purpose: To review Brunel/Client progress agree next steps

Date and time: Thursday 31 January 2019, 10:30 – 13:00

Location: Park Avenue Room, 1st Floor, Doubletree by Hilton, Redcliffe Way,
Bristol, BS1 6NJ

Dial-in details: Dial In: 0330 336 1949 | Participant Pin: 429632

<i>Pension Committee Representatives</i>		
David Veale	Avon	
John Chilver	Buckinghamshire	
Derek Holley	Cornwall	
Ray Bloxham	Devon	
Peter Wharf	Dorset	Phone
Robert Gould	EAPF	
Ray Theodoulou	Gloucestershire	Chair
Kevin Bulmer	Oxfordshire	Vice-Chair
Mark Simmonds	Somerset	Phone
Tony Deane	Wiltshire	
<i>Member representative observers</i>		
Andy Bowman	Scheme member rep.	Phone
Ian Brindley	Scheme member rep.	
<i>Fund Officers and Representatives</i>		
Tony Bartlett	Avon	
Julie Edwards	Buckinghamshire	
Mark Gayler	Devon	
Dave Wilkes	Dorset	Phone
Marion Maloney	EAPF	
Mark Spilsbury	Gloucestershire	
Sean Collins	Oxfordshire	
Jenny Devine	Wiltshire	
Nick Buckland	JLT - Client Side Executive	
Sophie McClenaghan	JLT - Minutes	
<i>Brunel Pension Partnership Ltd</i>		
Denise Le Gal	Brunel, Chair	
Steve Tyson	Brunel Shareholder NED	
Matthew Trebilcock	Brunel, CRD	
Dawn Turner	Brunel, CEO	
Mark Mansley	Brunel, CIO	
Joe Webster	Brunel, COO	
Laura Chappell	Brunel, CCRO	
Chris Crozier	Brunel, CRO	
Alice Spikings	Brunel, CRA	

David Jenkins	Brunel, SIO	
David Anthony	Brunel, CFO	
Mike Clark	NED and Chair of ARC	

Item	Agenda	Paper provided	Owner
1	Confirm agenda Requests for Urgent or items for Information only Any new declarations of conflicts of interest	Agenda C of Interests	Chair
	<u>Conflicts of interest</u> <ul style="list-style-type: none"> JLT to update the conflict register to remove JS & NB's conflicts. JLT declared a conflict on item 4 and offered to leave the room for this item. 		
2	Review 1 November BOB minutes	Minutes	Chair
	The November minutes were agreed and confirmed as final.		
3	Quarterly Performance Report – Q3 2018	Performance report	MT/CC
	<p>MT presented the Quarterly Performance Report which was included as an appendix to the paper. The Quarter 3 report ending 30 September 2018 is the first iteration of an oversight board report. The report ending December is due to be released later today. In future the quarterly performance report will become part of the standing Brunel Update item. The format is similar to committee reports that members will have seen already.</p> <p>Key points discussed:</p> <ul style="list-style-type: none"> Brunel is looking to avoid investment jargon (such as ex-post) in reports going forward. The titles of the pie diagram require a bit of formatting. The reference to November in the Responsible Investment section refers to November 2018. Brunel has already produced a Voting Policy which is available on the website. The Voting Policy sits within the broader Stewardship Policy. It is possible for a Fund to vote in a different direction to other funds should it be required, however, it may incur additional costs. It was asked if Brunel is challenging investment managers. Brunel has appointed Hermes, who has a strong track record of engaging and challenging investment managers. Brunel will also be doing some of this engagement directly. ST provided assurance that rigorous training session was held with Hermes. This report will be produced quarterly and delivered on Business Day 22 after each quarter end. The 30 April BOB meeting will be before the deadline for production of the Q1 report, so will table Q4 report. Will be a review of 		

	<p>the BOB meeting dates, to ensure data is timely. It was requested that the Dec report is circulated via email outside of the meeting pack. Agreed.</p> <ul style="list-style-type: none"> • It was noted that the report is already large in size and Brunel were asked to condense if possible and avoid any repetition. Brunel agreed to review so only relevant detail is included. • Transition costs are not included in this report but will be included in a separate transition outcome paper. Transition details are currently included in the standing item, business update report (item 6). <p>It was queried whether the business plan is being scrutinised robustly given substantial changes in market conditions. It will be increasingly difficult to compare to pre-pooling conditions as the baseline has changed. Brunel is observing the market and in some areas Brunel is pushing managers to provide a LGPS share class such as in private markets. ST felt this should be taken away to look at how this can be covered. Fund officers to discuss at a CG meeting.</p> <p>DT believes that the Funds would not be able to obtain the fee discounts that the pool as a collective can achieve. Property was given as an example, as a collective pool the fund of fund manager (and costs) can be removed. Brunel will be demonstrating this in future papers.</p> <p>It was asked if Brunel compares the costs savings achieved with other pools. MM responded that to a limited extent Brunel speak with other pools, however he emphasised that the cheapest manager is not necessarily selected and other pools may have different managers and different fees so comparisons are often difficult. Across passive markets, the managers are operating a standardised cost structure. Brunel has been including 'most favoured nation' clauses to contracts meaning managers can't provide a lower fee to any other investor without giving Brunel the same rate. MM believes that investment performance is more important than fees.</p> <p>It was asked whether Brunel were scrutinising the custodian fee in the same level. JW noted that Statestreet was appointed via a 5 year contract (with 4 years remaining) via a formal OJEU process. The contract includes competitive rates.</p>		<p>Brunel</p> <p>Brunel</p> <p>CG</p>
4	Future support/resource requirements for Clients	Presentation	SC
	<p>JLT left the room for this item, and therefore the detail of the conversation was not minuted.</p> <p>The Oversight Board accepted the proposal of the CG to appoint JLT for another 1 year, with the option to extend for 1 year.</p>		

5	Governance Review	Presentation	MT/DT
	<p>Brunel has been operational for a period of time so it is appropriate for both sides to review whether the governance arrangements are working effectively and in line with regulatory requirements. Brunel is reviewing the articles of association and the shareholders agreement. Brunel has received feedback about the number of reserve matters. Page 4-6 of the presentation demonstrate the areas included in the review. The review timeline is dependent on its outcome.</p> <p>It was asked how often a governance review of this scale should be undertaken. FCA status requires Brunel to review its governance every year, but this is not likely to include clients. LC expects that if this review is done properly then it will not need to be done for another few years.</p> <p>It was asked if there was anything in the draft MHCLG guidance that should be incorporated. Brunel will formally review this document with CG and will ensure the feedback is included as part of the review.</p> <p>It was commented that the Shareholder agreement was originally produced by working groups of Section 151 officers and legal officers, and would they be involved again? DT confirmed that she is the sponsor of this document and that consultation of these and all interested groups had been planned into the review. Kevin (Brunel's Legal Counsel) will be reaching out to the original legal sub group that prepared the document. Brunel is keen to complete the review by September but acknowledges this is ambitious. The cost of completing the review was included in the business plan so has already been built in to budgets.</p> <p>A query was raised on the internal audit committee. MC summarised the ARC team and the appointment of Deloitte as external auditor.</p>		
6	Brunel Update Report	Update report	MT/CC
	<p>This is the usual standing item update report. The performance report will be included in this report going forward.</p> <ul style="list-style-type: none"> • Brunel remains on track with the account forecasts. • Colmore is being on-boarded to provide mid and back office functionality for the property portfolios. • Factset is being implemented for the investment team to monitor investment portfolios. • The report includes a summary of investment portfolio developments. • The MHCLG consultation is noted. Brunel and the CG are planning a combined response to this document. • The client portal was launched in December and some key performance indicators are summarised in the 		

	<p>document.</p> <p>It was asked if Brunel produce any gender pay analysis. Although it is not a formal requirement for Brunel, it is included in the annual report which will be discussed at the AGM later today. There is a gender pay gap, but this is mostly because there are women in the lowest quartile and in a small firm (35 people) the data can be distorted by 1 or 2 people.</p> <p>A comment was made on Appendix 3, point 7.2 regarding infrastructure investments. MM believes that the Government has come to understand that it can't tell LGPS to invest in infrastructure. Brunel is looking at different UK infrastructure projects, but will not invest in bad projects, noting that many projects are struggling to get off the ground.</p>		
7	Shareholder NED update	Paper	ST
	<p>ST spoke to his standing item report. ST has added in his activity since the last BOB meeting.</p> <p>ST acknowledged that the investment team is getting to the more complex portfolios. The Strategic Investment Committee (SIC) reviewed the LDI report and Global High Alpha (GHA) papers at the last meeting. ST noted that the quality of papers is very high, as good, if not better than seen in private sector. The benchmark targets are ambitious, ST commented that if 50% of the GHA benchmark return was achieved it would result in a top quartile Fund. ST highlighted the focus on RI at the SIC.</p> <p>ST asked that funds provide feedback to client team on performance reports. ST encouraged members to get in touch with him if any questions.</p> <p>It was asked about the equivalent Shareholder NED position at other pools. DT noted not all pools have a shareholder NED but Borders to Coast have now appointed a shareholder NED. DT will ask at the next cross pool meeting with CEOs in February.</p>		<p>Funds/ members</p> <p>DT</p>
8	ARC Annual Report	ARC report	MC
	<p>MC gave an overview of the annual report prepared by the Audit Risk and Compliance (ARC) committee. This report concludes that the work conducted by the external auditors agrees that Brunel is a going concern. The audit was unqualified which is hopefully comforting to members and ARC believe adequate capital is maintained.</p> <p>The ARC is increasing its focus on operational risk as there is now a larger team of people, and more portfolios to manage.</p>		

	<p>It was highlighted that in the risk register, personnel is still flagged as red. During the course of the year, operations became more complex, increasing the risk around people and what they are doing, resulting in a red flag. All high level risks are a standing item at ARC meetings and ARC challenge Brunel to plan to fix these flags. Over the next 6 months, ARC expects this red flag to reduce, but it takes time for the action plan to be implemented and have effect. Recruitment was agreed in December and is under way.</p> <p>A delay in the roll out of management accounts is also flagged as red. The internal audit will be looking at this area. Systems have caused issues but these have been resolved by DA and his team and ARC will review at the next meeting.</p>		
9	Annual Report & Financial Statements	Financial Statements	JW/DA
	<p>JW summarised the key points of the annual report.</p> <ul style="list-style-type: none"> • Brunel includes additional disclosures that it is not required to include. • The biggest strategic decisions were to establish the tax efficient vehicle – ACS, and to accelerate the Private Markets portfolios, supported in a shareholder reserve matter. • Brunel achieved FCA regulation. • 9 clients have been on-boarded to Statestreet as custodian. • Brunel is no longer eligible for small company exemptions. • Page 45 shows the P&L statement. • Internal control environment ICE launched during the year which includes CG portal. • Equity section shows that the second tranche of funding was received. • Original savings assumed were £550m and current estimated savings are expected to exceed this assumption by £70m. <p>It was queried where the cash balance of £5.5m is being held. The cash is currently invested in a deposit account but Brunel are looking at investing £0.5-1.0m in an interest bearing account. The cash was deposited in Dec 18. Brunel requires regulatory capital of £1.5m is held in a liquid account. The investment process has been slowed as Brunel has MIFIID status and the finance team is light on resource. It was noted that the team has a treasury policy.</p>		
10	Stakeholder Engagement		MT
	<p>MT spoke to the paper which summarises the minimum service that clients should expect from Brunel and how it will be provided. MT asked that all communications are initiated through the client relationship team. This team will ensure</p>		

	<p>the correct people within Brunel respond to the communication.</p> <p>DH thanked MT for attendance at recent committee meetings in Cornwall. He continued to ask about Brunel's relationship with local pension boards as Cornwall recently had training from the pension's regulator who emphasised the importance of engagement with Local Pension Boards. This was also highlighted as important in the MHCLG. DT responded that Brunel has included fund member representatives on the Oversight Board. IB is on the EAPF Pension Committee and the Board. AB is on the Devon Board and often attends Pension Committee meetings as an observer. DT is not anticipating direct engagement with members. AB and IB circulate the notes/outcomes of meetings to the scheme member representatives from each of the underlying Funds.</p> <p>Not all of the other pools have scheme member representatives on the equivalent of their oversight boards. The Scheme Advisory Board has asked pools to clarify why they don't have member representation. Only 2 pools currently have representatives. Statutory guidance is currently to comply or explain. The Scheme Advisory Board will be completing a survey on the effectiveness of the boards shortly.</p> <p>DLG noted that Brunel would like to be represented at all pension committee meetings to enable them to understand the requirements and develop the relationship further. This however cannot be mandated. DLG confirmed they would find capacity to attend and this was built into the business plan. MT noted this may be the client relations team or someone from another team.</p> <p>The Chair asked whether the Brunel team was spreading itself too thin by attending the significant number of conferences and industry events highlighted in the papers. DT confirmed event attendance is something that is scrutinised. Brunel looked for conferences and events that are in line with the firms RI policy and other initiatives. Attendance is divided across the team to ensure training and development needs are met.</p>		
11	<p>Any other Urgent or items for Information only.</p> <ul style="list-style-type: none"> • SRM 10 – Business Plan outcome <p>Future meeting dates</p> <ul style="list-style-type: none"> • 30th April • 25th July • 26th September • 5th November 		Chair/ MT
	SRM 10 - Business Plan outcome included 3 items:		

Access to Information Arrangements

Exclusion of access by the public to Council meetings

Information Compliance Ref: LGA 369/19

Meeting / Decision: Avon Pension Fund Committee

Date: 22 March 2019

Author: Liz Woodyard

Report Title: Brunel Pension Partnership – Update on pooling

Appendix 1 a & b – Minutes of Brunel Oversight Board meeting

Exempt Appendix 2a – Project plan for transition of Avon’s assets to Brunel portfolios

Exempt Appendix 2b – 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.

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 appendices contain information on potential future trades 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 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.

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

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Brunel – Avon Pension Fund Risk Dashboard

Governance & Legal

Risk Area	Aspects	Status
Council sign off of Full Business Case	<ul style="list-style-type: none"> 1Q2017 	Complete
Key legal documents	<ul style="list-style-type: none"> Articles of Association, Shareholders Agreement, Services Agreement, Pricing Policy, Remuneration Policy, Exit Policy, Funding Policy 	Complete
Avon representation	<ul style="list-style-type: none"> Committee representative on Oversight Board Officer representatives on Client Group 	Complete

People & Resources

Risk Area	Aspects	Status
Staffing implications	<ul style="list-style-type: none"> Brunel Staff recruitment Resourcing of APF team <ul style="list-style-type: none"> Governance and Risk Manager Senior Investment Officer 	Amber Complete Amber – in progress

Processes and providers

Risk Area	Aspects	Status
Relationship management	<ul style="list-style-type: none"> Identify all contract and specification changes (advisors, managers, custodian during transition) 	Green - Ongoing
Custody contract	<ul style="list-style-type: none"> Transitioned to new custodian Dec 2017 	Complete
Client Group activity (CG)	<ul style="list-style-type: none"> Portfolios CG sub groups established for next phase to focus on key areas: <ul style="list-style-type: none"> Accounting Financial Service Delivery Investments Responsible Investing Strategic & Governance 	Green Avon is represented on the financial, investments and RI subgroups
Internal process /policy change	<ul style="list-style-type: none"> Cash Management, Rebalancing, Custody processes, Investment management and reporting 	Green – in progress
Transition of assets	<ul style="list-style-type: none"> 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 2019/20

Budget & expenditure

Risk Area	Aspects	Status
Clarity on budget agreed as part of Original Business Case	<ul style="list-style-type: none"> Budget update reported to Oversight Board and Client Group 2019/20 Budget & 3 year Business Plan agreed by Shareholders 	Green – ongoing
APF budget for Brunel costs	<ul style="list-style-type: none"> Investment and operational costs of Brunel included in APF 2018/19 budget; 2019/20 being confirmed Governance costs of supporting Client side work included separately 	Green – Brunel investment management fees in 2018/21 service plan; CG support in governance costs
Delivery of OBC objectives - costs/savings	<ul style="list-style-type: none"> 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. Green – ongoing after each transition

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Bath & North East Somerset Council		
MEETING:	AVON PENSION FUND COMMITTEE	
MEETING DATE:	22 MARCH 2019	AGENDA ITEM NUMBER
TITLE:	Strategic Review 2019 – Draft Plan	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendix 1 – Draft Plan		

1 THE ISSUE

- 1.1 The Investment Strategy is designed to meet the long term funding objective, which is to generate returns to meet the Fund liabilities with an appropriate level of risk. It also has to ensure that employer contribution rates are both affordable and stable over time.
- 1.2 In line with best practice the Fund periodically reviews its strategic policy in order to ensure the investment strategy can still deliver in line with the funding objective. The review in 2019 will reflect the outcome of the 2019 valuation and take into account the transition plan for pooling the Fund’s assets in the Brunel Pension Partnership.
- 1.3 Fund officers have drafted the plan for the Strategic Review with Mercer, the Fund’s advisor. The draft plan is set out in Appendix 1. The Panel were asked to comment on the draft plan at their meeting on 27 February and their feedback has been incorporated to the plan.

2 THE RECOMMENDATION

That the Committee:

- 2.1 Agrees the plan for the Strategic Investment Review**

3 FINANCIAL IMPLICATIONS

3.1 Estimated costs for the Strategic Review 2019 will be provided for in the 2019/20 budget (to be agreed at March 2019 Committee meeting).

4 DRAFT PLAN

4.1 The draft plan includes all aspects of the current strategy that need to be reviewed. This includes both asset allocation and risk management including the Fund’s current equity protection strategy and its approach to managing the financial risks arising from climate change.

4.2 The draft plan includes a timetable for the review. The timing is affected by the local elections in May 2019 which will affect the membership of the Committee. The plan allows time for sufficient introductory training for new members.

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 EQUALITIES

10.1 An equalities impact assessment is not necessary.

7 CONSULTATION

7.1 N/a

8 ISSUES TO CONSIDER IN REACHING THE DECISION

8.1 Are set out in the report.

9 ADVICE SOUGHT

9.1 The Council's 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	

Draft Plan – Strategic Investment Review 2019 v1 (Panel meeting 27 /02/19)

	Consideration	Outcomes	Who delivers	How /when
1	SETTING THE SCENE	Understand where we are and basic concepts of asset allocation		
A	Fund context	Where the fund is now and challenges/ pressures: <ul style="list-style-type: none"> • Funding level • Market outlook • Employer funding pressure • Current strategy to manage carbon risk and peer group comparison 	Mercer	Workshop 1 September workshop (allows time for new committee members to have basic training)
B	Market outlook	Expected returns 3-10 years for each asset class	Mercer	
C	Current Allocation	Expected returns, risk, VaR, sensitivity analysis using Mercer modelling tools Conclude if can deliver to funding plan <i>Outcome: Implications for asset allocation and setting the risk budget (e.g. minimum funding level to manage affordability)</i> Next stage will then look at key return & risk factors	Mercer	
2	STRATEGIC CONSIDERATIONS	Direction of travel for key asset allocation decisions and risk management		Workshop 2
A	Consider the key return & risk factors	<ol style="list-style-type: none"> 1. Asset allocation to generate investment return in funding plan (include LDI) and risks around it 2. Where is the Committee willing to take risk – e.g. diversification across assets 3. How does net cash flows affect the strategy 4. What level of (asset) liquidity is needed within the fund (liquidity premium) 5. What are the ESG and wider investment related risks 6. What protection strategies do we need strategically? <p>Implications for asset allocation and risk budget; use of Mercer modelling to scenario test</p> <p><i>Outcome: what flexibility there is in the risk budget?</i></p>	Mercer	Early October

3	CLIMATE CHANGE	MANAGING RISKS AND OPPORTUNITIES: Direction of travel for implementing strategy/ asset allocation Current direction is to invest in alternative energy and Low carbon solutions	Workshop 3
A	Current policy and approach	Recap on current strategy and peer group comparison	(October/ November)
B	Climate change risk background	Mercer asset modelling for 2 Degree scenario and sensitivity analysis Understanding the context: <ul style="list-style-type: none"> • Paris agreement and government commitments • Industry and sector context <ul style="list-style-type: none"> • What are companies /sectors /geographies doing; • What are the exposures (top100 carbon intense; top industries etc.) • Market /index /BM exposure to energy sector, renewables and carbon footprint; APF current exposure and trends) 	Mercer Manager / Mercer
C	LT goal and implementation considerations Page 166	Exploring divest & engagement strategies <ul style="list-style-type: none"> • define what mean by Fossil fuels & stranded assets • understand implications for listed markets in terms of investment return and risk; what is market already pricing in • evidence of engagement approach & how measure success of engagement Renewable/alternative energy assets - public and unlisted/private markets Aspirational long term goal for portfolio <i>Outcome: how manage impact of and opportunities from climate change across the assets</i>	Mercer / manager
4	Proposed Strategy	Bring together all strands <ul style="list-style-type: none"> • Proposed Asset allocation and use of risk budget • Revised Risk Management strategies • Implementation <ul style="list-style-type: none"> ○ Brunel portfolio offer Evidence with Expected returns, risk, VaR, sensitivity analysis from Mercer model Identify asset allocation changes and time scales Agree Implementation via Brunel and implications	Mercer Special Committee Meeting (by 28/2/20 to make commitments to Brunel Private Market portfolios in April 2020)

Bath & North East Somerset Council		
MEETING:	AVON PENSION FUND COMMITTEE	
MEETING DATE:	22 March 2019	AGENDA ITEM NUMBER 14
TITLE:	LGPS: Regulatory update	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report: Appendix 1 – Current matters affecting LGPS administration Feb 2019 Appendix 2 – Fund response to MHCLG Draft guidance on pooling consultation		

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. An informal consultation on 'Draft Guidance on Pooling' was released by MHCLG and APFs proposed response is included in Appendix 2.

2 RECOMMENDATIONS

That the Committee:

- 2.1 Notes the current position regarding the developments that could affect the administration of the Fund.
- 2.2 Notes the proposed response to be sent to the MHCLG consultation on 'Fair Deal'

3 FINANCIAL IMPLICATIONS

- 3.1 The administrative and management costs incurred by Avon Pension Fund are recovered from the employing bodies through the employer's contribution rates
- 3.2 Any other specific areas will be reported as required

4 LGPS and Unfunded Public Sector Cost Cap:

- 4.1 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
- 4.2 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.
- 4.3 SAB has its own cost management which will allow any changes to benefits to be taken into account before the HM Treasury process begins
- 4.4 A small technical group has been set up by SAB to look at changes to benefits
- 4.5 The other unfunded public sector schemes have a further complication in that it was confirmed in the Budget that the SCAPE discount rate used for assessing their employer contribution rate had reduced from 2.8% to 2.4% which means not only will the benefits be improved but the employers will also be paying more into the scheme.
- 4.6 LGPS does not have the same problem but there will be some changes to member benefits.
- 4.7 It was intended that all scheme changes would be effective from 1 April 2019 and will apply until at least March 2023. However, in January, 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 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.
- 4.8 Therefore, scheme changes are unlikely to be in place for 1 April 2019.
- 4.9 As a result of these four year reviews it is expected that local fund valuations will also be made on a quadrennial timeframe.

5 LGPS 2014: LGPS (Miscellaneous Amendment) Regulations 2018

- 5.1 These regulations were laid before parliament on 18 Dec 2018 and, with a couple of exceptions as detailed in Appendix 1, came into force on 10 Jan 2019
- 5.2 These cover the following
 - Amend the unintentional consequence of the May 2018 amendment regulations
 - Amend the regulations to comply with the Supreme Court judgment in respect of benefits payable to same-sex married or civil partners that they should be entitled to the same as widows.
 - To allow the Secretary of State the power to issue statutory guidance. The proposed changes to the scheme, is to accommodate judgments made and to give some flexibility to respond to future developments.

5.3 It will be necessary for administering authorities and employers to amend their discretionary policies following the implementation of these amendment regulations.

6 MHCLG Consultation on Fair Deal

6.1 On 10 Jan 2019, MHCLG launched a policy consultation and draft regulations on 'Fair Deal'

6.2 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.

6.3 The consultation closes on 4 Apr 2019

6.4 A response will be sent on behalf of Avon Pension Fund.

7 MHCLG Consultation on 'Statutory Guidance on Asset Pooling

7.1 In Jan 2019, MHCLG launched an informal consultation on 'Statutory Guidance on Asset Pooling'

7.2 The consultation replaces the non-statutory guidance issued in November 2015 and consolidates all previous guidance issued to date.

7.3 The consultation closes on 28 Mar 2019

7.4 A response will be sent on behalf of Avon Pension Fund. The proposed response is included as Appendix 2.

8 Treasury Consultations on Exit Payments in the Public Sector

8.1 Still no movement on this but seems that some work being done behind the scenes but dependent on parliamentary time.

8.2 At the same time there is also a Private Members Bill called the Public Sector Exit Payments (Limitations) Bill 2017. This was introduced into Parliament on 5 September 2017 and has had numerous dates scheduled for the second reading but this has still not happened and the latest update is that the second reading date is to be announced. The contents of the Bill indicate that it is to enact legislation set out in the Small Business, Enterprise and Employment Act 2015.

9 Supreme Court decision Walker v Innospec

9.1 The LGPS (Miscellaneous Amendment) Regulations 2018 amend the situation following the judgment made by the Supreme Court on how benefits payable to partners within same-sex marriages or civil partnerships are calculated. Instead of being calculated on a similar basis to widowers it was confirmed that such benefits should be the same as for widows.

9.2 At present there is no intention of amending this to include partners of opposite sex marriages and civil partnerships. The initial estimate for this across the public sector pension schemes is £2.8bn. However it is expected that a legal challenge will be made sometime in the future and if successful would require retrospective action to rectify.

RISK MANAGEMENT

9.3 No specific issues to consider.

10 EQUALITIES

10.1 None as this report is primarily for information only.

11 CONSULTATION

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

12 ISSUES TO CONSIDER IN REACHING THE DECISION

12.1 The issues to consider are contained in the report.

13 ADVICE SOUGHT

13.1 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	<i>Kate Shore – Technical & Compliance Advisor 01225 395283</i> <i>Geoff Cleak Pension Manager 01225 395277</i> <i>Liz Woodyard Investment Manager 01225 5306</i>
Background papers	<i>Regulations and accompanying notes;</i> <i>Exit Payment Consultations and Government Response</i> <i>LGA Bulletins</i> <i>Policy Consultation draft regulation documents Oct 2018</i>
Please contact the report author if you need to access this report in an alternative format	

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

SCHEME ADVISORY BOARD [SAB]	
<p>*New Item* Pension Fund Annual Report</p> <p>➤ Action (Completed)</p>	<p>Regulation 57 of the LGPS Regulations 2013 requires administering authorities to publish their pension fund annual report, in relation to the scheme year ending on the 31 March, on or before the following 1 December. On 23 November, Liam Robson emailed all administering authorities requesting that they email him their annual report (or hyperlink) by Friday 30 November at the latest, for publication on the Scheme Advisory Board's website.</p> <p>APF emailed a copy of their Annual Report before the deadline.</p>
<p>*New Item* Local Pension Boards</p>	<p>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.</p>
<p>*New Item* Workplan 2019/20</p>	<p>The Board considered a paper setting out an early indicative proposed budget and workplan for 2019/20. Although members were advised that no new major projects were envisaged and that the year should be regarded as a period of consolidation, it was suggested that some work on annual and lifetime tax allowances may be necessary. The Board agreed that the Secretariat should continue to firm up the 2019/20 budget and workplan with the view of this being submitted to MHCLG in February.</p>
<p>Cost Cap Controls</p>	<p>Latest Updates:-</p> <p>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.</p> <p>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.</p> <p>On 30 Jan 2019 the Government announced a pause in the cost cap process due to uncertainty caused by a court ruling</p>

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;

- i. 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.*
- ii. 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.*
- iii. 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.*
- iv. 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

➤ **Action
(Completed
19 Feb 2019)**

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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 breached 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.

<p>Improving member data to meet the Pensions Regulator requirements</p>	<p>Project will aim to assist administering authorities in meeting the Pension Regulators requirements for monitoring and improving data. This project would include the identification of scheme specific conditional data and the production of guidance for authorities and employers.</p> <p>SAB are to release guidance as to what constitutes “conditional information” in time for authorities to complete TPR return. Authorities have been advised to complete information as last year and any guidance will now be operative from 2019</p>
<p>Identifying regulations requiring statutory guidance and the drafting of such guidance</p>	<p>It is anticipated that MHCLG will propose a project to identify regulations which may be better sited within statutory guidance and to both propose the necessary amendments and assist with the drafting of guidance. [See MHCLG section draft amendment]</p>
<p>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.)</p>	<p>Latest 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.</p> <p>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.</p>

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	<p>respectively - despite being 11% worse funded on average (73% versus 84%, respectively).</p> <p>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.</p> <p>Discussed/agreed at SAB meeting 10 Oct 2018</p> <ul style="list-style-type: none"> • 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 <p>A link to full information on the review of academies is available on the SAB website here.</p>
<p>Tier 3 Employers</p>	<p>Latest Update from SAB Meeting 16 Jan 2019:-</p> <p>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.</p> <p>Previous Update:-</p> <p>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.</p> <p>There are currently two concurrent phases of work involved – Collating data and identification of issues.</p> <p>SAB tier 3 employer project carried out by Aon Hewitt– extension of surveys deadline to 31 January 2018 APF have completed survey</p> <p>SAB will then assess the risks to Funds and consider next steps.</p>

	<p>Discussed / agreed at SAB meeting 10 Oct 2018</p> <ul style="list-style-type: none"> • 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 <p>A link to full information on Tier 3 Employers is available on the SAB website here.</p>
<p>Code of Transparency - Compliance System</p>	<p>Latest Update from 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.</p> <p>Previous Update:- The Board has committed to securing a third party checking service</p> <p>Discussed at SAB meeting 10 Oct 2018</p> <ul style="list-style-type: none"> • 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 <p>A link to full information on Code of Transparency is available on the SAB website here.</p>
<p>SAB obtain QC’s opinion on the pensions responsibilities of local authority owned companies [EOC]</p>	<p>The Scheme Advisory Board for the LGPS in England and Wales have obtained a Counsel opinion on scheme employer wholly owned companies (EOCs). Link to Opinion included here.</p> <ul style="list-style-type: none"> • Whether the Best Value Authorities Staff Transfers (Pensions) Direction 2007 applies to the transfer of employees from a local authority to a local authority EOC. • Whether the non-statutory Fair Deal guidance issued by HM Treasury in October 2013 applies to the transfer of employees from an academy to an academy EOC. • Whether EOCs meet the requirements of paragraphs 5 or 6 of part 2 of schedule 2 of the LGPS Regulations 2013. • The protections available to employees transferring under TUPE in relation to pensions, and the obligations placed on employers with regard to the provision of pensions. • The situation if an employer to offer different schemes to different employee groups.

	<p>In addressing the final bullet point, Counsel states:</p> <p>This would be highly likely to contravene equal pay legislation. EOC employees would be comparators with each other and with the authority’s retained employees.”</p> <p>LGA understand that this does not mean that an employer would automatically be contravening equal pay legislation if it offered the staff it employed directly a different pension scheme to the staff it employed via an EOC. The usual potential defences could still apply, such as the material factor defence and whether a comparator is still a valid one in the particular circumstances of the case.</p>
<p>Cross Pooling</p> <p>➤ Action</p>	<p>Latest Update from SAB Meeting 16 Jan 2019:-</p> <p>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.</p> <p>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. APF will be responding to this consultation.</p> <p>Previous Update:-</p> <p>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</p> <p>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.</p>
<p>Responsible</p>	<p>Latest Update from SAB Meeting 16 Jan 2019:-</p>

<p>Investment</p>	<p>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.</p> <p>Previous Update from SAB Meeting 10 Oct 2018:-</p> <ul style="list-style-type: none"> • 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.
<p>The Pension Regulator</p>	<p>Latest Update from SAB Meeting 16 Jan 2019:-</p> <p>A letter was sent, by the SAB Chair in November 2018, to TPR Chief Executive, Lesley Titcomb, expressing concerns about the burdens being imposed by TPR on individual administering authorities, copy available here. TPR replied in December 2018 and a copy of the response, which can be found here, has been circulated to Board members for comment. Lesley Titcomb also confirmed to the Chair that a senior member of her team will be asked to attend the next Board meeting to discuss the issues further.</p> <p>Previous Update from SAB Meeting 10 Oct 2018:-</p> <ul style="list-style-type: none"> • Further to concerns raised by a number of funds, SAB agreed that the Chair should write to the Pensions Regulator about their activities and approaches in dealing with the scheme. • The Pensions Regulator has advised the SAB’s Chair that the annual Governance and Administration survey will be issued to fund authorities on the 5 November with completion requested by the end of the month. A preliminary note from the Pensions Regulator will be sent to funds beforehand.
<p align="center">MINISTRY FOR HOUSING COMMUNITIES & LOCAL GOVERNMENT [MHCLG]</p>	
<p>*New Item* MHCLG Consultation on Fair Deal</p>	<p>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.</p>

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<p>➤ Action</p>	<p>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.</p> <p>Avon Pension Fund will be responding to the consultation and circulating details of the consultation to employers for them to respond also.</p>
<p>*New Item* LGPS (Miscellaneous Amendment) Regulations 2018</p> <p>➤ Action</p>	<p>These regulations were laid before parliament on 18 Dec 2018 and can be found here. They came into force on 10 Jan 2019 with a few exceptions (regulation 4, which has effect from 17 Apr 2018, and regulation 5, which has effect from 5 Dec 2005 for surviving civil partners and 13 Mar 2014 for surviving spouse of a same sex marriage).</p> <p>Main changes:-</p> <p>Regulation 4 - Amends the unintentional consequence of the amendment regulations in May 2018 regarding deferred members before 1 April 1998 voluntarily drawing their pension from age 55. We were expecting regulation 4 to take effect from 14 May 2018, as this is the date the original policy change took effect by virtue of the LGPS (Amendment) Regulations 2018, however it instead takes effect from 17 Apr 2018. MHCLG have confirmed that whilst they appreciate it would have been more appropriate for regulation 4 to take effect from 14 May 2018 they are of the opinion that the alternative date will not cause any significant issues.</p> <p>Regulation 5 - Amend the regulations in respect of benefits payable to same-sex marriage spouses or civil partners as a result of the Supreme Court judgment in the case of Walker v Innospec. Instead of being entitled to the same benefits as widowers it legislates that they should be entitled to the same as widows.</p> <p>Regulation 2 - Allows the Secretary of State the power to issue statutory guidance to administering authorities on the administration and management of the Scheme. Before preparing new guidance or revising existing guidance, MHCLG must consult with persons they consider to be appropriate.</p> <p>Actions for Administering Authorities:-</p> <ul style="list-style-type: none"> • Note and make any necessary changes to procedures / documentation to reflect that from 17 April 2018 deferred members who left the Scheme before 1 April 1998 must now make a written election for early payment to the administering authority, instead of their former employer, and no longer have to have left all local government

employment in order to receive early payment of their benefits

- Re-visit calculations of pensions paid to surviving civil partners and same sex spouses and pay any additional amounts due. Await statutory guidance with regard to any further adjustments that may be due e.g. to CETVs, trivial commutations paid to surviving civil partners and same sex spouses and trivial commutations paid to members where the member was in a civil partnership or married to a same sex spouse at the date of payment. MHCLG have confirmed they will issue statutory guidance to assist administering authorities in this exercise.
- Make adjustments to the calculation of some widows' and widowers' pensions where the member dies after 9 January 2019.

➤ **Action**

Disclosure Requirements:-

LGPS administering authorities will need to communicate the changes to scheme members, communication of the changes should take place as soon as possible, and in any event, within three months of the date of change (i.e. by 10 April 2019). The national Communications Working Group met on 15 January 2019 and have agreed to provide template wording to be used to communicate the changes. This will be issued by the end of February.

**October 2018
Policy Consultation
and
Draft Regulations**

The MHCLG have issued both a policy consultation [LGPS: Technical amendments to benefits] and draft regulations have been issued to a select group
These cover the following

- Amend the unintentional consequence of the amendment regulations in May 2018 regarding deferred members before 1 April 1998 voluntarily drawing their pension from age 55. This is expected to be backdated to the previous amendment date.
- To amend the regulations in respect of benefits payable to same-sex married or civil partners as a result of the Supreme Court judgment in the case of Walker v Innospec Instead of being entitled to the same benefits as widowers it legislates that they should be entitled to the same as widows.
- To allow the Secretary of State the power to issue statutory guidance. The proposed changes to the scheme, is to accommodate judgments made and to give some flexibility to respond to future developments. The Department's view had no legal force as the Secretary of State has currently no power to issue statutory guidance

A response will be sent from APF by the closing date of 29 November 2018

	<p>Comments on the draft regulations are required earlier by 16 November 2018</p>
<p>MHCLG/GAD; Review of LGPS Factor Tables</p>	<p>Latest Update:- Factor table amendments required due to the change in the SCAPE discount rate have now all been issued apart from club transfer factors, however admin authorities have been advised not to stockpile these cases.</p> <p>With regards to the ongoing review of factors tables outside of the SCAPE discount rate change, GAD has prepared a document to enable MHCLG to provide LGPS software suppliers and administrators with advance information on the format and formula changes. The document, which can be found here, outlines the layout of affected factors tables and formulas in force immediately prior to the current review and the new layouts that will apply following the review. It does not include any current or revised factor values. Most importantly, none of the changes outlined in the document take effect until they are superseded by the issue of updated factor tables and guidance by the Secretary of State for the Ministry of Housing, Communities and Local Government.</p> <p>It is intended that all of the Scheme’s actuarial factors (excluding additional pension) will move to unisex factors, thereafter, the document explains that GAD are proposing table format and/or formula changes to the following:-</p> <ul style="list-style-type: none"> • AA Charges (Calculation of Scheme Pays Offset) • Application of a Pension Credit • Purchase of Additional Pension • Factors for CETVs • NPAs (where not an exact age) <p>Previous Update:- MHCLG and GAD are reviewing all tables and due to another change in the scape rate, announced there may be a delay in issuing these. It is understood that GAD intend to make some tables unisex. The expected effective date of the new factors will be the same as the budget and GAD have advise that they may be at least 6 weeks late so stockpiling will be necessary for transfers.</p>
<p>HM TREASURY [HMT]</p>	
<p>Pension scams: consultation</p>	<p>Latest Update:- Regulations to implement a ban on pensions cold-calling were approved without a vote by Parliament in December and came into force on 9 Jan 2019. The new ban prohibits cold-calling in relation to pensions, except where the caller is authorised by the FCA, or is the trustee or manager of an occupational or personal pension scheme, and the recipient of</p>

	<p>the call consents to calls, or has an existing relationship with the caller.</p> <p>Previous Update:- Government Response issued August 2017 outlines key areas, a link to the consultation can be found by clicking here, and a link to the government response here.</p> <p>a ban on cold calling in relation to pensions, to help stop fraudsters contacting individuals</p> <p>limiting the statutory right to transfer to some occupational pension schemes making it harder for fraudsters to open pension schemes</p>
<p>Indexation and equalisation of GMP in public service pension schemes</p>	<p>Latest 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.</p> <p>Previous Update:- APF responded to consultation in Feb 2017 On 22 January 2018, HMT published its response to the consultation.</p> <p>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”.</p> <p>Government Actuary has issued an addendum to the guidance for Transfer and Divorce calculations</p> <p>HMRC to set up working group in 2019</p>
<p>Reforms to public sector exit</p>	<p>Latest Update:- The Bill was initially expected to have its second reading debate on Friday 25 Jan 2019, however, it now shows that the</p>

<p>payments: response to the consultation</p>	<p>date for the second reading is to be announced.</p> <p>A link to the latest updates on this bill can be found here.</p> <p>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</p> <p>The third more broader proposals in the third consultation no immediate development on these has been reported, see link to consultation here.</p> <p>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.</p> <p>Link to the Enterprise Act can be found here.</p>
<p>Scheme Valuations</p>	<p>On 6 September 2018, in a Written Ministerial Statement the Chief Secretary to the Treasury, Elizabeth Truss, announced details of the quadrennial national scheme valuation of public service pension schemes. A link to the statement can be found here.</p>
<p>THE PENSION REGULATOR (TPR)</p>	
<p>*New Item* Statement on the UK’s exit from the EU</p>	<p>On the 24 January 2019, TPR published a statement on the UK’s exit from the European Union, aimed primarily at the trustees of defined benefit (DB) pension schemes, available here.</p> <p>The statement confirms that because UK workplace pensions are largely domestic in nature, the TPR does not expect the UK’s departure from the EU to have a significant effect in respect of the legislative basis under which schemes operate or trustees’ ability to continue to administer their scheme effectively (whether or not the departure is with ‘deal’ or ‘no deal’ scenario). However, there are some specific areas that administering authorities may need to pay attention to and these are detailed within the statement (largely relating to cross border activities and the payment of occupational pensions to EU citizens).</p>
<p>*New Item* 2018 Governance and Administration</p>	<p>TPR issued the survey link to scheme managers and scheme contacts on 5 November and encouraged all administering authorities to complete the survey by the closing date of 30 November.</p>

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<p>Survey</p> <p>➤ Action (Completed)</p>	<p>APF completed the survey before the deadline.</p>
<p>*New Item* New TPR Website</p> <p>➤ Action (Completed)</p>	<p>On 12 November, TPR launched a new website to give more than three million yearly visitors a clearer and simpler experience. The new site, link here, is a key part of TPR’s redesigned branding which highlights how the organisation is changing its approach to become clearer, quicker and tougher.</p> <p>Administering authorities were asked to check their communications to make sure that any links to the old TPR website still work, or update where necessary.</p>
<p>*New Item* Updated Guidance on Annual Benefit Statements (ABS)</p>	<p>In November, TPR published updated guidance for scheme managers, and others involved in administering public sector pension schemes, issuing ABS in the public sector. Updates include a number of case studies and the outcomes of TPR engagement during the 2017 ABS Project. The guidance can be found here.</p>
<p>Proactive engagement with LGPS funds planned for 2018 and 2019</p>	<p>The Pensions Regulator’s (TPR) Corporate Plan for 2018-2021 at page 18, link here, includes three new Key Performance Indicators (KPIs) directly related to public service pension schemes. Following the publication of these new KPIs TPR has chosen the Local Government Pension Scheme as a cohort for proactive engagement throughout 2018 and 2019.</p> <p>TPR has chosen Local Government schemes because, in their view, the results of the 2017 Governance & Administration Survey show that improvements in governance & administration standards have slowed when compared to other public service pension schemes.</p> <p>Over the coming months, all LGPS scheme managers will receive written communications from TPR (and others involved with LGPS may also hear from TPR). These will cover governance & administration matters including:</p> <ul style="list-style-type: none"> • the main risk areas scheme managers should already be focusing on • what TPR’s expectations are • how those responsible for managing and running schemes can identify and mitigate such risks <p>It is anticipated that up to ten administering authorities will be visited during the period</p> <p>Local authorities have been approached but none to date in the South West Region</p>

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ITEMS FROM OTHER SOURCES

ITEMS FROM OTHER SOURCES	
New Item Lifetime Allowance for 2019/20	The Finance Act 2004 (Standard Lifetime Allowance) Regulations 2019 [SI 2019/29] were made on 10 January 2019 and come into force on 6 April 2019. As announced in the Budget 2018, the lifetime allowance will increase to £1,055,000 for the tax year 2019/2020.
New Item Exit Credits	<p>Following the introduction of exit credits with the LGPS (Amendment Regulations) on 14 May 2018, a survey was issued before Christmas by the LGA asking authorities for details of any expected exit credits they will be paying and any paid to date. The expected and paid credits reported are currently £86m. The Secretariat is aware that the payment of exit credits is causing some issues, particularly where there is a side contractual agreement in place with the employer and also where contractors are no longer extending contracts/admission agreements but are looking to terminate the contract and re-bid in order to receive payment of an exit credit.</p> <p>They have now met with MHCLG on this issue – they have agreed that whilst the general thrust of the regulation requiring an exit credit is right, they will consider making a regulatory change or issuing statutory guidance to provide that where the employer bears no risk, this can be taken account in the calculation of an exit credit payment.</p>
New Item Discretionary Policies	<p>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.</p>
➤ Action	<p>Action for administering authorities and scheme employers</p> <p>The documents have very minor changes though will require an amendment to both scheme employers' and administering authorities' mandatory discretionary policies:</p> <ul style="list-style-type: none"> • 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).
New Item Employee Contribution bands	On 17 October 2018, the Office for National Statistics (ONS) announced that the Consumer Prices Index (CPI) rate of inflation for September 2018 was 2.4%. Draft contribution bands, which will be effective from 1 April 2019 have been issued. These are based on the pay bands for 2018/19 as increased by the September 2018 CPI figure of 2.4%, with the

<p>for 2019/20</p> <p>➤ Action (Completed)</p>	<p>result rounded down to the nearest £100.</p> <p>APF have updated their website and also communicated the draft table to all employers.</p>
<p>*New Item*</p> <p>LGPS Technical Group Update</p>	<p>Items of interest from meeting held 11 Dec 2018:-</p> <p>Transfers out and requests for information from claims management companies</p> <p>It was brought to the group’s attention that several requests for historical transfer information had been received by at least one administering authority. In particular copies of documentation that the administering authority had provided to a member before making a transfer payment out of the scheme. There is concern that administering authorities could be faced with historical reinstatements (where at a later date it is proven that the transfer was inappropriate - this could be years down the line) if it is proven that the information provided to the member prior to transfer was not sufficiently robust. We are only aware of 1 administering authority to have received such a request, though another mentioned that they had received a similar request by way of FOI.</p> <p>Establishment of sub-groups to review future legislation</p> <p>It was agreed that for future consultations the group would form sub group(s) to examine in more detail the subject to be considered. This will involve, though not limited to, an examination of the regulations to ensure that they are ‘fit for purpose’ and to make recommendations where in the view of the sub-group this is not the case. The response will be circulated to all standing members for agreement prior to issue by the Chair person. Two sub-groups would be formed to address the forthcoming consultations on Fair Deal and Cost Control.</p> <p>The requirement under the LGPS 2013 Regulations to pay a refund within 5 years of the date of leaving</p> <p>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.</p> <p>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:</p> <ul style="list-style-type: none"> 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

	<p>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.</p> <p>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.</p> <p>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.</p>
<p>*New Item* Single Financial Guidance Body (SFGB)</p>	<p>The Government's Single Financial Guidance Body (SFGB), after becoming a legal entity in October 2018, has now officially adopted its delivery functions.</p> <p>The SFGB consolidates the services offered by the Money Advice Service, TPAS and Pension Wise. On its official website, the SFGB sets out five core functions, including advice and consumer protection.</p> <p>The SFGB is funded by levies on both the financial services industry and pension schemes. The new body is sponsored by the Department for Work and Pensions, but will also engage with HM Treasury, which is responsible for policy on financial capability and debt advice. The body will also change its name in 2019 as it develops a new outreach strategy, which will include a new integrated service offer and enhanced partnership working with the wider industry, employers and key stakeholders.</p>
<p>DWP commence consultations</p>	<p>Latest Update:- On 11 September 2018, the DWP published a response to the consultation on changes to the Occupational Pension Schemes (Investment) Regulations 2005 (the "2005 Regulations") together with a final version of the regulations, now called the Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 (the "Regulations"), link here.</p> <p>Previous Update:- On 18th June 2018, DWP commenced a consultation entitled <i>Pension trustees: clarifying and strengthening investment duties</i>.</p> <p>The consultation seeks views on the draft Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2018 and does not contain proposals which would directly impact the LGPS, as it covers trust-based pension schemes alone. However, the draft regulations have been consulted upon to tackle issues that also affect the LGPS and we understand the Scheme Advisory Board for England and Wales intend to respond to the consultation.</p>

<p>European Court</p>	<p>Latest Update:- The impact of this ruling for the LGPS is still unclear; however, any changes to UK legislation in light of the ruling are likely to be made as part of the reforms to the Gender Recognition Act 2004. In the meantime, administering authorities should still request that a member produce a copy of their new birth certificate showing their acquired gender before amending their gender for pension purposes.</p> <p>Previous Update:- European Court of Justice ruling on transgender rights The European Court of Justice has ruled in favour of a transgender woman who was refused payment of her UK state pension in 2008 at age 60 (on the grounds that she did not have a Gender Recognition Certificate (GRC)). The LGPC Secretariat will provide further information regarding the impact of this case for the LGPS in a future bulletin. No further information received</p> <p>This matter was discussed at the South West regional meeting and because of the complex and sensitive nature required the consensus was that once full details were received that a collective approach may be beneficial</p>
<p>DWP: Pension's Dashboard</p>	<p>Latest Update:- 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:</p> <ul style="list-style-type: none"> • 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.

	<p>Previous Update:-</p> <p>Pensions dashboard – results of feasibility study delayed</p> <p>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.</p> <p>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.</p> <p>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</p>
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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

Local Government Pension Scheme

Statutory guidance on asset pooling

Contents

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Foreword

The reform of investment management in the Local Government Pension Scheme (LGPS) for England and Wales began in 2015 with the publication of criteria and guidance on pooling of LGPS assets, following extensive consultation with the sector. LGPS administering authorities responded by coming together in groups of their own choosing to form eight asset pools.

Through the hard work and commitment of people across the scheme, those eight pools are now operational. Their scale makes them significant players at European or global level, and significant annual savings have already been delivered, with the pools forecasting savings of up to £2bn by 2033. Along the way many lessons have been learnt and great progress has been made in developing expertise and capacity, including in private markets and infrastructure investment.

This is a considerable achievement in itself, but there is still a long way to go to complete the transition of assets and to deliver the full benefits of scale. In the light of experience to date with pooling and the challenges ahead, authorities have requested guidance on a range of issues. The time is now right for new guidance to support further progress.

1 Introduction

1.1 This guidance sets out the requirements on administering authorities in relation to the pooling of LGPS assets, building on previous Ministerial communications and guidance on investment strategies, and taking account of the current state of progress on pooling. It is made under the powers conferred on the Secretary of State by Regulation 7(1) of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the 2016 Regulations). Administering authorities are required to act in accordance with it.

1.2 This guidance replaces the section at pages 7 to 8 of Part 2 of *Guidance for Preparing and Maintaining an Investment Strategy*, issued in September 2016 and revised in July 2017, which deals with regulation 7(2)(d) of the 2016 Regulations. It also replaces *Local Government Pension Scheme: Investment Reform Criteria and Guidance*, issued in November 2015.

2 Definitions

2.1 This guidance introduces a set of definitions for use in this and future guidance, as follows:

'Pool' the entity comprising all elements of a Local Government Pension Scheme (LGPS) asset pool

'Pool member' an LGPS administering authority which has committed to invest in an LGPS pool and participates in its governance

'Pool governance body' the body used by pool members to oversee the operation of the pool and ensure that the democratic link to pool members is maintained (for example, Joint Committees and officer committees)

'Pool company' the Financial Conduct Authority (FCA) regulated company which undertakes selection, appointment, dismissal and variation of terms of investment managers, and provides and operates pool vehicles for pool members

'Pool fund' a regulated unitised fund structure operated by a regulated pool company, such as an Authorised Contractual Scheme (ACS)

'Pool vehicle' an investment vehicle (including pool funds) made available to pool members by a regulated pool company

'Pooled asset' an investment for which the selection, appointment, dismissal and variation of terms for the investment manager is delegated to a regulated pool company, or an investment held in a pool vehicle

'Retained asset' an existing investment retained by a pool member during the transition period

'Local asset' a new investment by a pool member which is not a pooled asset

AVON comment – *not always a new asset so delete "new"*

3 Structure and scale

3.1 All administering authorities must pool their assets in order to deliver the benefits of scale and collaboration. These include:

- reduced investment costs without affecting gross risk-adjusted returns
- reduced costs for services such as custody, and for procurement
- strengthened governance and stewardship and dissemination of good practice
- greater investment management capacity and capability in the pool companies, including in private markets
- increased transparency on total investment management costs
- diversification of risk through providing access to a wider range of asset classes, including infrastructure investments

3.2 In order to maximise the benefits of scale, pool members must appoint a pool company or companies to implement their investment strategies. This includes:

- the selection, appointment, dismissal and variation of terms of investment managers, whether internal or external
- the management of internally managed investments

- the provision and management of pool vehicles including pool funds

It is for the pool companies to decide which investment managers to use for pool vehicles, including whether to use in-house or external management. Pool members may continue to decide if they wish to invest via in-house or externally managed vehicles.

AVON comment - *Useful clarification but states the pool company makes decision whether to in house or external. It should be for the shareholders of the pool if wholly owned to decide whether to have in house capability as strategic / business model decision.*

3.3 Pool companies may be wholly owned by pool members as shareholders or may be procured and appointed by the pool members as clients.

3.4 A pool company must be a company regulated by the Financial Conduct Authority (FCA) with appropriate FCA permissions for regulated activities. This helps ensure the pools comply with financial services legislation, and provides additional assurance to scheme members and employers. Depending on the structure of the pool, appropriate permissions may include permissions for execution, acting as agent, provision of advice, or such other permissions as required by the FCA. Where regulated funds (e.g. in an ACS) are operated by the pool company it should comply with relevant UK legislation.

Regular review of services and procurement

3.5 Pool governance bodies, working with the pool company, should regularly review the provision of services to the pool, and the process of procurement, to ensure value for money and cost transparency. Where services are procured or shared by pool members, pool members should regularly review the rationale and cost-effectiveness of such arrangements, compared to procurement and management through the pool company. Pool members and pool companies should consider using the national LGPS procurement frameworks (www.nationallgpsframeworks.org) where appropriate.

Regular review of active and passive management

3.6 Pool members, working with the pool company, should regularly review the balance between active and passive management in the light of performance net of total costs. They should consider moving from active to passive management where active management has not generated better net performance over a reasonable period. Pool members should also seek to ensure performance by asset class net of total costs is at least comparable with market performance for similar risk profiles.

AVON comment - *There is a danger if focus purely on net return after cost means as not taking risk or volatility into account. This guidance is too simplistic and potentially encourages short termism. Also strategic asset allocation remains responsibility of pool members, reflecting scheme specific liability and cash-flow forecasts.*

4 Governance

4.1 Pool members must establish and maintain a pool governance body in order to set the direction of the pool and to hold the pool company to account. Pool governance bodies should be appropriately democratic and sufficiently resourced to provide for effective decision making and oversight.

4.2 Pool members, through their internal governance structures, are responsible for effective governance and for holding pool companies and other service providers to account. Strategic asset allocation remains the responsibility of pool members, recognising their authority's specific liability and cash-flow forecasts.

4.3 Members of Pension Committees are elected representatives with duties both to LGPS employers and members, and to local taxpayers. Those who serve on Pension Committees and equivalent governance bodies in LGPS administering authorities are, in many ways, required to act

in the same way as trustees in terms of their duty of care to scheme employers and members, but are subject to a different legal framework, which derives from public law. In particular while they have legal responsibilities for the prudent and effective stewardship of LGPS funds, LGPS benefits are not dependent on their stewardship but are established and paid under statute in force at the time.

AVON comment - *Need to clarify as committee members are not only elected members, so add “or appointed” after “elected”*

4.4 Those who serve on Pension Committees and equivalent governance bodies in pool members should therefore take a long term view of pooling implementation and costs. They should take account of the benefits across the pool and across the scheme as a whole, in the interests of scheme members, employers and local taxpayers, and should not seek simply to minimise costs in the short term.

AVON comment - *Reinforces long term objective of pooling and need to balance needs of local fund and pool as a whole. However, pool members cannot be expected to have sight of activities of scheme as a whole so should remove “and across the scheme as a whole”.*

4.5 Local Pension Boards of pool members have a key role in pool governance, given their responsibilities under the LGPS Regulations 2013 (regulation 106 (1)) for assisting authorities in securing compliance with legislation, and ensuring effective and efficient governance and administration of the LGPS. They can provide additional scrutiny and challenge to strengthen pool governance and reporting, and improve transparency and accountability for both members and employers.

4.6 Local Pension Boards may also provide a group of knowledgeable and experienced people from which observers may be drawn if pool members wish to include observers on pool governance bodies.

Strategic and tactical asset allocation

4.7 Pool members are responsible for deciding their investment strategy and asset allocation, and remain the beneficial owners of their assets, in accordance with *Guidance for Preparing and Maintaining an Investment Strategy*.

4.8 Pool members collectively through their pool governance bodies should decide the pool's policy on which aspects of asset allocation are strategic and should remain with the administering authority, and which are tactical and best undertaken by the pool company. Pool governance bodies, when determining where such decisions lie, should be mindful of the trade-off between greater choice and lower costs and should involve the pool company to ensure the debate is fully informed on the opportunities and efficiencies available through greater scale.

4.9 Providing pool members with asset allocation choices through an excessively wide range of pool vehicles or investment managers will restrict the pool company's ability to use scale to drive up value. On the other hand maximising scale by significantly limiting asset allocation options may not provide all pool members with the diversification needed to meet their particular liability profile and cash flow requirements. Pool members should set out in their Funding Strategy Statement and Investment Strategy Statement how they, through the pool governance body, have balanced these considerations and how they will keep this under regular review.

4.10 Where necessary to deliver the asset allocation required by pool members, pool companies may provide a range of pool vehicles and in addition arrange and manage segregated mandates or access to external specialist funds. Pool governance bodies should ensure that their regulated pool companies have in place the necessary permissions to enable pool vehicles to be made available where appropriate.

4.11 Determining where asset allocation decisions lie will not be a one-off decision as pool member requirements will change over time. Pool governance bodies should ensure that a regular review process, which involves both pool members and pool companies, is in place.

5 Transition of assets to the pool

5.1 Pool members should transition existing assets into the pool as quickly and cost effectively as possible. Transition of listed assets should take place over a relatively short period.

AVON comment - *This is too simplistic. Market conditions and strategic changes will dictate the pace of transition, as will the capacity of the pool to manage each transition successfully. A poorly executed transition will inevitably incur higher transition costs that will be passed onto pool members.*

5.2 Pool governance bodies, working with pool companies and, where appointed, external transition managers, should seek to minimise transition costs to pool members while effectively balancing speed, cost and timing, taking into account exit or penalty costs and opportunities for crossing trades.

5.2 The transition process will incur direct or indirect costs which may fall unevenly across pool members. For example, where the selected managers are used by some pool members but not others. In such cases pool members who are already using the selected manager may incur significantly lower (if any) transition costs than those who do not.

5.3 Inter-authority payments (or other transfers of value) may be desirable in order to share these costs equitably between pool members. The Government's view is that such payments are investment costs within Regulation 4(5) of the 2016 Regulations, and payments made by a pool member to meet its agreed share of costs may be charged to the fund of that pool member, whether the payments are made to other pool members, the pool company, or another body by agreement.

Temporary retention of existing assets

5.4 In exceptional cases, some existing investments may be retained by pool members on a temporary basis. If the cost of moving the existing investment to a pool vehicle exceeds the benefits of doing so, it may be appropriate to continue to hold and manage the existing investment to maturity before reinvesting the funds through a pool vehicle.

5.5 In many cases there will be benefits in such retained assets being managed by the pool company in the interim. However pool members may retain the management of existing long term investment contracts where the penalty for early exit or transfer of management would be significant. These may include life insurance contracts ('life funds') accessed by pool members for the purpose of passive equity investment, and some infrastructure investments. Pool members may also retain existing direct property assets where these may be more effectively managed by pool members.

AVON comment - *This should not just reference infrastructure as equally applicable to other private market assets especially closed ended funds or illiquid assets. Whether the pool company manages these assets in interim or not must depend on capability and capacity of the pool company.*

In addition, 5.6 more than adequately covers the principles set out in 5.4 and 5.5. Therefore 5.4 and 5.5 should be deleted.

Regular review of retained assets

5.6 Pool members, working with the pool company, should undertake regular reviews (at least every three years) of retained assets and the rationale for keeping these assets outside the pool. They should review whether management by the pool company would deliver benefits. Pool members should consider the long term costs and benefits across the pool, taking account of the

guidance on cost-sharing, and the presumption should be in favour of transition to pool vehicles or moving such assets to the management of the pool company.

AVON comment - *Agree but needs to be clear that the decision must be led by the pool member, taking the interests of wider pool into account.*

6 Making new investments outside the pool

6.1 Pool members should normally make all new investments through the pool company in order to maximise the benefits of scale. Following the 2019 valuation, pool members will review their investment strategies and put revised strategies in place from 2020. From 2020, when new investment strategies are in place, pool members should make new investments outside the pool only in very limited circumstances.

AVON comment – *add after last sentence “and only if the pool company is unable to deliver the pool members requirements”.*

6.2 A small proportion of a pool member’s assets may be invested in local initiatives within the geographical area of the pool member or in products tailored to particular liabilities specific to that pool member. Local assets should:

- Not normally exceed an aggregate 5% of the value of the pool member’s assets at the point of investment.

AVON comment – *We understand the desire to limit non pooled assets but where linked to particular liability profile this may exceed 5% so what is rationale for the limit in this instant?*

- Be subject to a similar assessment of risk, return and fit with investment strategy as any other investment.

6.3 Pool members may invest through pool vehicles in a pool other than their own where collaboration across pools or specialisation by pools can deliver improved net returns.

AVON comment - *This implies pool members can make own decision to invest via another pool if offered choice. As drafted it could undermine the interests of other pool members; suggest adding at the end “where this is not to the detriment of the pool overall.”*

6.4 During the period of transition, while pool governance bodies and pool companies work together to determine and put in place the agreed range of pool vehicles, a pool member may make new investments outside the pool, if following consultation with the pool company, they consider this is essential to deliver their investment strategy. This exemption only applies until the pool vehicles needed to provide the agreed asset allocation are in place.

7 Infrastructure investment

7.1 Infrastructure investment has the potential to provide secure long term returns with a good fit to pension liabilities, and form part of investment strategies of authorities. The establishment of the pools was intended to provide the scale needed for cost-effective investment in infrastructure, and to increase capacity and capability to invest in infrastructure.

7.2 There is no target for infrastructure investment for pool members or pools, but pool members are expected to set an ambition on investment in this area. Pool companies may provide pool vehicles for investment in UK assets, or overseas assets, or both, as required to provide the risk and return profile to meet pool member investment strategies. However the Government expects pool companies to provide the capability and capacity for pools over time to move towards levels of infrastructure investment similar to overseas pension funds of comparable aggregate size.

7.3 Pool companies may provide pool vehicles for investment in existing (brownfield) or new (greenfield) infrastructure, based on an assessment of the benefits and risks in relation to pool member liabilities, and non-financial factors where relevant. Pool members may invest in their own

geographic areas but the asset selection and allocation decisions should normally be taken by the pool company in order to manage any potential conflicts of interest effectively, maintain propriety, and ensure robust evaluation of the case for investment.

7.4 For the purpose of producing annual reports, infrastructure assets are defined in the Chartered Institute of Public Finance and Accountancy (CIPFA) guidance *Preparing the Annual Report* as follows:

Infrastructure assets are the facilities and structures needed for the functioning of communities and to support economic development. When considered as an investment asset class, infrastructure investments are normally expected to have most of the following characteristics:

- *Substantially backed by durable physical assets;*
- *Long life and low risk of obsolescence;*
- *Identifiable and reliable cash flow, preferably either explicitly or implicitly inflation-linked;*
- *Revenues largely isolated from the business cycle and competition, for example, through long term contracts, regulated monopolies or high barriers to entry;*
- *Returns to show limited correlation to other asset classes.*

Key sectors for infrastructure include transportation networks, power generation, energy distribution and storage, water supply and distribution, communications networks, health and education facilities, social accommodation and private sector housing.

Conventional commercial property is not normally included, but where it forms part of a broader infrastructure asset, helps urban regeneration or serves societal needs it may be.

AVON comment - *There is some cross over between infrastructure and other asset classes such as property and secured income as they can also invest in non-commercial property and infrastructure assets. Pool members should consider showing look through exposure to infrastructure rather than just strategic allocation to an asset class.*

7.5 All residential property is included in this definition of infrastructure. It is not restricted to social accommodation or private sector housing.

AVON comment - *Again a property fund may also invest in residential housing*

7.6 A variety of platforms may be required to implement the infrastructure investment strategies of pool members. Pool companies are expected to provide access to a range of options over time including direct and co-investment opportunities.

8 Reporting

8.1 Pool members are required to report total investment costs and performance against benchmarks publicly and transparently in their annual reports, following the CIPFA guidance *Preparing the Annual Report*, with effect from the 2018-19 report.

Avon comment – *only 8.1 is required as 8.2- 8.9 is too detailed and therefore at risk of becoming outdated. 8.1 should be more general to say that “Pool members are required to report total investment costs and performance against benchmarks publicly and transparently in their annual reports, in line with CIPFA or other relevant guidance”.*

8.2 In summary, pool member annual reports should include:

- opening and closing value and proportion of pooled assets by asset class
- opening and closing value and proportion of local assets by asset class
- net and gross performance of pooled assets by asset class
- total costs of pooled assets by asset class
- for actively managed listed assets, net performance by asset class net of total costs compared to appropriate passive indices over a one, three and five year period

- net and gross performance of local assets by asset class
- total costs of local assets by asset class
- asset transition during the reporting year
- transition plans for local assets
- pool set-up and transition costs, presented alongside in-year and cumulative savings from pooling
- ongoing investment management costs by type, with a breakdown between pooled assets and local assets

8.3 Investments should be classed as pool assets on the basis of the definition in the CIPFA guidance *Preparing the Annual Report*.

For the purpose of defining those assets which are classed as being within an asset pool, 'pooled assets' are those for which implementation of the investment strategy – i.e. the selection, appointment, dismissal and variation of terms for the investment managers (including internal managers) – has been contractually, transferred to a third party out with the individual pension fund's control.

8.4 Any investment where a pool member retains the day to day management, or the responsibility for selecting or reappointing an external manager, is not a pool asset.

8.5 Pool members should provide a rationale for all assets continuing to be held outside the pool, including the planned end date and performance net of costs including a comparison which costs of any comparable pool vehicles. They should also set out a high level plan for transition of assets.

8.6 The SAB will publish an annual report on the pools based on aggregated data from the pool member annual reports, in the Scheme Annual Report. Pool members should comply with all reasonable requests for any additional data and information from the SAB to enable it to publish a comprehensive report.

8.7 Pool members should ensure that pool companies report in line with the SAB Code of Cost Transparency. They should also ensure that pool companies require their internal and external investment managers to do so.

8.8 Pool members should also ensure that the annual report of the pool company is broadly consistent with the reports of pool members, and with the Scheme Annual Report, in so far as it relates to their investments, and that the report includes a narrative to explain differences. These may arise for example from reporting periods of pool companies which differ from that of the pool member.

8.9 Pool members are required to report any change which results in failure to meet the requirements of this guidance to the LGPS Scheme Advisory Board (SAB) and to MHCLG.

Bath & North East Somerset Council		
MEETING:	AVON PENSION FUND COMMITTEE	AGENDA ITEM NUMBER
MEETING DATE:	22 MARCH 2019	
TITLE: TREASURY MANAGEMENT POLICY		
WARD: 'ALL'		
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendix 1	The proposed Treasury Management Policy	
Appendix 2	Counter parties acceptable under the policy and their Credit ratings	

THE ISSUE

- 1.1 The Fund's Treasury Management policy was approved in March 2018. The policy closely mirrors the Council's policy set out in the Councils' Annual Investment Strategy.
- 1.2 The Committee are asked to approve the Treasury Management policy each year.
- 1.3 The policy proposed for 2019/20 is a continuation of the policy approved in March 2018. The proposed policy is set out in Appendix 1. Counterparties acceptable under the policy and their credit ratings are shown in Appendix 2.

2. RECOMMENDATION

- 2.1 That the Committee approves the Treasury Management Policy as set out in Appendix 1**

3 FINANCIAL IMPLICATIONS

- 3.1 The Fund requires accessibility to short term cash investments to meet its day to day operating requirements. Cash received in contributions needs to be invested for periods from a few days to less than three weeks before being used to meet the payment of pensions. This short term investment of up to £50m earns interest and incurs transfer costs. However the significance of an efficient means of short term investment is to ensure that the payment of pensions can be achieved on time and without incurring unplanned borrowing costs.

4 THE REPORT

- 4.1 The proposed Treasury Management policy closely mirrors the policy set out in the Councils' Annual Investment Strategy. The Pension Fund's Treasury Management is managed by the Council's Treasury Management Team. The Pension Fund and Council have a similar attitude to Treasury Management risk. The use of similarly

formatted policies reduces the risk of error. Where the policy limits differ, it is a reflection of the different cash flow requirements and the amounts of cash that need to be invested.

4.2 The Fund makes extensive use of Call accounts at Handelsbanken and the Bank of Scotland. It also uses Money Market Funds at Goldman Sachs, Aberdeen Asset management, Federated Investors, Amundi and State Street. The rules of access to these accounts particularly suit the Fund’s cash flow requirements.

4.3 The Treasury Management Policy is in line with the advice of the Council’s Treasury management adviser Arlingclose. All potential counterparties are continuously monitored using the advice of the external consultant.

4.4 The Fund retains a minimum working balance of c£10m. However, the Fund has a negative cash flow from net benefits and contributions, so the estimated annual cash requirement is currently managed by the Treasury Management Team (to minimise movements between the bank account and custody bank account) and is drawn down as needed throughout the year.

4.4 The Committee are asked to approve the Treasury Management Policy. The permitted counterparties shown in Appendix 2 are those that currently meet the criteria as a result of the policy. There are no changes to the policy or counterparties.

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. In addition it monitors the benefits administration, the risk register and compliance with relevant investment, finance and administration regulations.

6. EQUALITIES

6.1 This report provides recommendations about the Fund’s Treasury Management Policy and no specific equalities impact assessment was carried out.

7. CONSULTATION

7.1 None appropriate.

8. ISSUES TO CONSIDER IN REACHING THE DECISION

8.1 The issues are detailed in the report.

9. ADVICE SOUGHT

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	Martin Phillips Finance & Systems Manager (Pensions)) (<i>Budgets</i>) Tel: 01225 395259.
Background papers	Various Accounting and Statistical Records

AVON PENSION FUND

– DRAFT TREASURY MANAGEMENT POLICY 2019

- 1 The management of the pension fund cash will be delegated to B&NES Council Treasury Management Team.
- 2 The monies will be invested separately from the Council's and the Fund will receive the actual interest earned. Monies will be paid out of and received back in to the Pension Fund bank account.
- 3 The Pension Fund's limits are in addition to the Council's limit in any single counterparty.
- 4 The Fund will invest its short term cash balances in bank call accounts and Money Market Funds (with maximum notice requirements of three days) that fall within the credit rating criteria stated below.
- 5 In the event that call accounts and Money Market Funds are not available the Fund will invest its short term balances with counterparties meeting the same ratings criteria.
- 6 In the absence of alternative or more preferred counter parties the Fund will invest its short term balances with the Government's Debt Management Office.
- 7 The criteria for acceptable counter parties and their limits are:-

	Maximum Monetary limit	Time limit
Banks and building societies based outside the Eurozone holding long-term credit ratings no lower than A- or equivalent. (see note 1)	£10m each	2 months
Money market funds (see note 2) holding the highest possible credit ratings (AAA) or equivalent.	£10m each	3 months
NatWest Bank (as the Council / Pension Fund's Banker), rating and limits as other UK banks or, if rating below that, but no lower than BBB-	£10m	To next working day.

Where the above counterparties are considered unavailable for any reason:-

UK Local Authorities (see note 3) (irrespective of ratings)	£5m each	2 months
UK Central Government (Including Debt Management Agency Deposit Facility)	no limit	no limit

1. Banks within the same group ownership are treated as one bank for limit purposes.
2. as defined in the Local Authorities (Capital Finance and Accounting) Regulations 2003
3. as defined in the Local Government Act 2003

- 8 The cash retained as the required working balance will target £10 million.
- 9 The Treasury Manager will inform the pension Fund of any changes to the counterparty credit ratings.
- 10 All Treasury Management activity related to the Pension Fund will be reported to the Pension Fund Finance and Systems Manager on a regular basis.
- 11 A guide to the rating agencies equivalent ratings and to the credit ratings themselves is given in the tables below.
- 12 The current credit ratings of counter-parties that would be accepted under the proposed policy are given in Appendix 2.

Fitch	Moody's	S&P
Long term	Long term	Long term
AAA	Aaa	AAA
AA+	Aa1	AA+
AA	Aa2	AA
AA-	Aa3	AA-
A+	A1	A+
A	A2	A
A-	A3	A-
BBB+	Baa1	BBB+
BBB	Baa2	BBB
BBB-	Baa3	BBB-
BB+	Ba1	BB+
BB	Ba2	BB
BB-	Ba3	BB-
B+	B1	B+
B	B2	B
B-	B3	B-

There are a further three levels of C ratings.

Summary Guide to Credit Ratings

Rating	Details
AAA	Highest credit quality – lowest expectation of default, which is unlikely to be adversely affected by foreseeable events.
AA	Very high credit quality - expectation of very low default risk, which is not likely to be significantly vulnerable to foreseeable events.
A	High credit quality - expectations of low default risk which may be more vulnerable to adverse business or economic conditions than is the case for higher ratings.
BBB	Good credit quality - expectations of default risk are currently low but adverse business or economic conditions are more likely to impair this capacity.
BB	Speculative - indicates an elevated vulnerability to default risk, particularly in the event of adverse changes in business or economic conditions over time.
B	Highly speculative - indicates that material default risk is present, but a limited margin of safety remains. Capacity for continued payment is vulnerable to deterioration in the business and economic environment.
CCC	Substantial credit risk - default is a real possibility.
CC	Very high levels of credit risk - default of some kind appears probable.
C	Exceptionally high levels of credit risk - default is imminent or inevitable.
RD	Restricted default - indicates an issuer that has experienced payment default on a bond, loan or other material financial obligation but which has not entered into bankruptcy filings, administration, receivership, liquidation or other formal winding-up procedure, and which has not otherwise ceased operating.
D	Default - indicate an issuer that has entered into bankruptcy filings, administration, receivership, liquidation or other formal winding-up procedure, or which has otherwise ceased business.

Proposed Counterparty List - Unsecured Bank Investments

2019/20										
CRITERIA										
	Duration	Fund Limit	FITCH RATINGS			Moody's Ratings		S&P Ratings		
			S/Term	L/Term	Support	S/Term	L/Term	S/Term	L/Term	
UK Banks			Sovereign Rating		AA+		Aa1		AAA	
Barclays Bank plc	2 months	10	F1	A+	1	P-1	A1	A-1	A	
Close Brothers Ltd	2 months	10	F1	A	5	P-1	Aa3			
Goldman Sachs International	2 months	10	F1	A	1	P-1	A1	A-1	A+	
HSBC Bank plc	2 months	10	F1+	AA-	1	P-1	Aa3	A-1+	AA-	
<u>Lloyds Banking Group</u>										
Lloyds Bank plc	2 months	10	F1	A+	5	P-1	Aa3	A-1	A+	
Bank of Scotland plc	2 months	10	F1	A+	5	P-1	Aa3	A-1	A+	
<u>Royal Bank of Scotland Group</u>										
National Westminster Bank plc	2 months	10	F1	A+	5	P-1	A1	A-2	A-	
Royal Bank of Scotland plc	2 months	10	F1	A+	5	(P)P-1	A1	A-2	A-	
Ulster Bank Limited		10	F1	A+	1	P-1	A1	A-2	A-	
Handelsbanken		10	F1+	AA	1			A-1+	AA-	
Santander UK plc (domiciled in UK)	2 months	10	F1	A *+	2	P-1	Aa3	A-1	A	
Standard Chartered Bank	2 months	10	F1	A+	5	P-1	A1	A-1	A	
UK Building Societies										
Nationwide	2 months	10	F1	A+	5	P-1	Aa3	A-1	A	
Yorkshire	2 months	10	F1	A-	5	P-2	A3	NR	NR	
Coventry	2 months	10	F1	A	5	P-1	A2			
Leeds	2 months	10	F1	A-	5	P-2	A3			
Foreign Banks										
Australia			Sovereign Rating		AAA		Aaa		AAAu	
Australia & New Zealand Banking Group	2 months	10	F1+	AA-	1	P-1	Aa3	A-1+	AA-	
Commonwealth Bank of Australia	2 months	10	F1+	AA-	1	P-1	Aa3	A-1+	AA-	
<u>National Australia Bank Group</u>										
National Australia Bank Ltd	2 months	10	F1+	AA-	1	P-1	Aa3	A-1+	AA-	
Westpac Banking Corporation	2 months	10	F1+	AA-	1	P-1	Aa3	A-1+	AA-	
Canada			Sovereign Rating		AAA		Aaa		AAA	
Bank of Montreal	2 months	10	F1+	AA-	2	P-1	Aa2	A-1	A+	
Bank of Nova Scotia	2 months	10	F1+	AA-	2	P-1	Aa2	A-1	A+	
Canadian Imperial Bank of Commerce	2 months	10	F1+	AA-	2	P-1	Aa2	A-1	A+	
Royal Bank of Canada	2 months	10	F1+	AA	2	P-1	Aa2	A-1+	AA-	
Toronto-Dominion Bank	2 months	10	F1+	AA-	2	P-1	Aa1	A-1+	AA-	
Singapore			Sovereign Rating		AAA		Aaa		AAAu	
Development Bank of Singapore Ltd	2 months	10	F1+	AA-	1	P-1	Aa1	A-1+	AA-	
Oversea-Chinese Banking Corp	2 months	10	F1+	AA-	1	P-1	Aa1	A-1+	AA-	
United Overseas Bank Ltd	2 months	10	F1+	AA-	1	P-1	Aa1	A-1+	AA-	

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Bath & North East Somerset Council	
MEETING:	AVON PENSION FUND COMMITTEE
MEETING DATE:	22nd MARCH 2019
TITLE:	PENSION FUND ADMINISTRATION (1) SUMMARY PERFORMANCE REPORT TO 31st December 2018 (2) PERFORMANCE INDICATORS TO 31st December 2018 (3) TPR COMPLIANCE
WARD:	ALL
AN OPEN PUBLIC ITEM	
<p>List of attachments to this report:</p> <p>Appendix 1 – Membership data</p> <p>Appendix 2 – Performance Measurement against SLA and Workloads</p> <p>Appendix 2a – SLA Measurement Schedule</p> <p>Appendix 2b – Performance Measurement against Statutory Legal Deadline</p> <p>Appendix 2c – Statutory Legal Measurement Schedule</p> <p>Appendix 3 – Employer Performance</p> <p>Appendix 4 – TPR Data Improvement Plan</p> <p>Appendix 5 – Late Payers</p> <p>Appendix 6 – Customer Feedback</p> <p>Appendix 7 – IDRPs Current Cases</p> <p>Appendix 8 – Risk Register Top 10</p>	

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 31st December 2018.
- 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.

2 RECOMMENDATION

The Committee is asked to note:

- 2.1 Membership data, Fund and Employer performance for the 3 months to 31st December 2018.
- 2.2 Progress and reviews of the TPR Data Improvement Plan.

3 FINANCIAL IMPLICATIONS

- 3.1 There are no direct financial implications related to this report as it is an information report.

4 MEMBERSHIP TRENDS

- 4.1 *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.

5 AVON PENSION FUND – ADMINISTRATIVE PERFORMANCE

- 5.1 Key Performance Indicators for the 3 months to 31st December 2018.
- 5.2 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.
- 5.3 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.
- 5.4 *Appendix 2b* sets out APF performance against legal statutory deadlines and *Appendix 2c* provides legal context. In all cases the legal deadlines are less stringent than the SLA targets.
- 5.5 Performance against SLA targets are reported and show mostly improvements on the last quarter.
- 5.6 Performance against legal statutory deadlines have also improved on the last quarter and where flagging up as amber were down to factors outside of the control of the administration team for retirements from active and transfer out payment stage.
- 5.7 The project to clear the backlog of aggregation cases began on the 1st July with 3,869 cases identified as project work. The project continues to be very successful with 3,313 cases being cleared as at 31st December leaving a further 556 cases outstanding meaning the team had cleared approximately 85% of the cases. The project is on track for completion within the designated 8 month period. The Trivial Commutation project, to extinguish the number of small pensions, we are currently paying to pensioners, by making a one-off commutation payment, is underway and we are currently in discussion with the

scheme actuary to determine how to proceed with this and what support they can offer.

5.8 Admin Case Workload *Annex 5 & 6*: The level of work outstanding from tasks set up in the 3 month period is reported in *Appendix 2; Annex 5 & 6* by showing what percentage of the work is outstanding. As a snapshot, at 31st December there were 5,911 cases outstanding (a significant decrease of 1891 cases from previous report) of which 36.17% represents actual workable cases, ie 2,138 cases, and 63.83% represents cases that are part complete, pending a third party response. The decrease in outstanding cases is mainly due to the volume of cases being cleared by the aggregation project.

6 RESOURCE UPDATE

6.1 **Member Services** – A Senior Pensions Officers from the Member Services team has moved over to the Employer Services team as an Employer Relations Officer and the vacant position has since been filled internally by a Pensions Officer who in turn has been replaced internally by an Assistant Pensions Officer. We are currently undertaking recruitment to fill the Assistant Pensions Officer post along with two temporary Pensions Officer posts that have arisen due to an extended secondment of an officer to the GMP reconciliation project and a further position that has become vacant due to a staff member leaving for a permanent position with another Fund. Training to develop officers who are newer to their roles continues.

6.2 **Employer Services** – Recruitment into posts previously agreed to cover both staff churn and temporary projects has resulted in the addition of a further 5 new staff members. As at the end of December 2018 all posts were filled. However one senior pension officer and one part time temporary pension officer on the Data Control Team left in January. One pension officer is also due to go on maternity leave in April. Recruitment is under way to fill these positions.

6.3 Overall the amount of training and mentoring required across new staff and apprentices has resulted in a general downturn on performance. It is expected that this will continue in the short term until the new staff bed in.

7 EMPLOYER PERFORMANCE

7.1 Employer Performance *Appendix 3* highlights employer performance for the 3 months to 31st December 2018. The report is now updated to show performance for retirements only as leaver forms are not required for other types of leaver (eg refunds and deferred benefits) once employers are using monthly online returns.

7.2 During the period from 1st October to 31st December a total of 1,206 leaver forms were received with an average accuracy rate of 66%.

7.3 Once all the Unitary Authorities and larger employers are submitting monthly online returns there should be an overall reduction in leaver forms of at least a third.

7.4 The project to roll out monthly online returns (IConnect) across the APF portfolio commenced at the end of March 2018. As at the end of December app 189 employers are now live and submitting returns monthly, covering app 75% of the active membership. Phase 1 (employers with less than 50 members) is now

complete and Phase 2 (employers more than 50 members) of the project is now under way. Due to the proximity of year end a decision has been made about which employers will realistically go live before year end. This has been narrowed to North Somerset, Strictly Education and Wiltshire CC. The three extracts will cover a total of 58 employers (4287 members). The aim will be for the remainder of employers to do an old style year end return and go live with IConnect between April and September 2019.

7.5 A review of the reporting of data from the online returns is currently under way.

8 TPR DATA IMPROVEMENT PLAN

8.1 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 31 December 2018 is calculated as 94.63%.

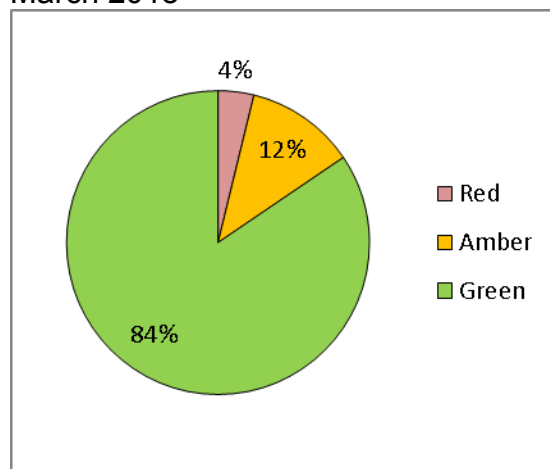
8.2 Although the overall data score has remained constant the split of queries for active members is now across an increased number of smaller employers who may only need one or two data queries to put them in the red category.

8.3 A summary of the RAG rating by employer is shown below. The RAG rating has been adjusted so that outstanding queries over 10% = Red, between 0.1% & 10% = Amber and 0% = Green.

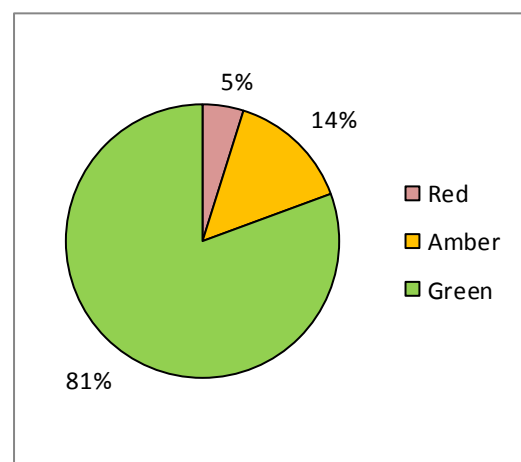
No of employers Mar 2018	No of employers June 2018	No of employers Sept 2018	No of employers Dec 2018	Queries	RAG rating
14	19	58	43	10% >	Red
43	57	89	72	0.1 to 10%	Amber
310	316	257	321	0%	Green

Equivalent % rating of whole Fund

March 2018

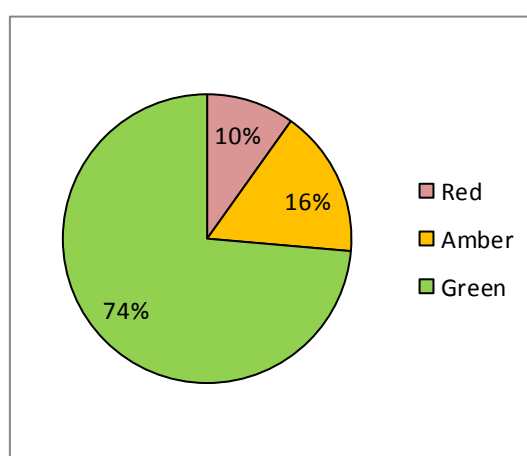
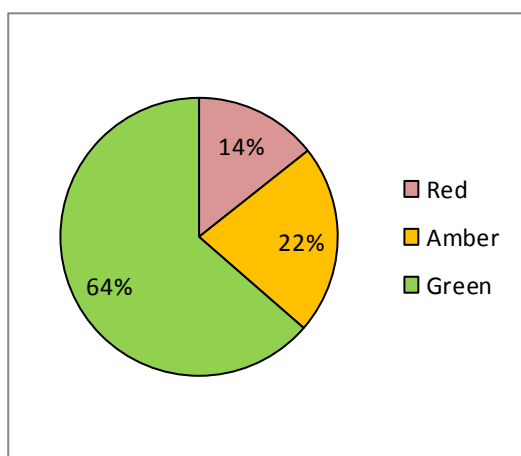


June 2018



September 2018

December 2018



Data for the Unitary Authorities is listed below.

Unitary authorities	Queries Mar 18	Queries Jun 18	Queries Sept 18	Queries Dec 18	Member ship	RAG	
BANES	38	187	194	136	3235	4.2%	Amber
Bristol City	64	199	159	198	8970	2.21%	Amber
North Somerset	0	240	76	49	2214	2.21%	Amber
South Gloucestershire	54	81	62	71	6375	1.11%	Amber

8.4 The Pension Committee has previously agreed the Fund's proposal to use a tracing agency to locate both missing and 'gone away' member addresses.

8.5 Results to date are shown in the tables below.

5,236 cases sent to Tracing Company

Tracing stage	Number of cases	%
Stage 1: Mortality screening	606	11.5
Stage 2: Autotrace	1,166	22.0
Stage 3: Manual Basic search	1,706	32.5
Total cases found	3,478	66.0
Total cases not found (Consider next stage)	1,758	34.0

8.6 Of the 3,478 cases found the first batch of trace letters were issued in June & July 2018. The second batch in December of 2018 and January 2019.

	30 Sept 18		31 Dec 18	
	Number of cases	%	Number of cases	%
New addresses updated	854	25.0	1,248	36.0
Letters returned - not at address or gone away	43	1.0	69	2.0
Member confirmed as deceased	122	3.5	160	4.5
Letters issued awaiting response	1,427	41.0	2,001	57.5
Letters still to be issued	1,032	29.5	0	0

8.7 All letters have now been issued. The next stages are to consider a follow up plan where no response has been received to our trace letter and decide which cases are taken forward to the manual forensic tracing level.

9 LATE PAYERS

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

9.2 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.

9.3 *Appendix 5* reports late payers in the period to 31st December 2018. 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.

10 CUSTOMER FEEDBACK

10.1 *Appendix 6* highlights the 53 responses to the online survey for retirees. In summary, 79% of respondents indicated that they were very satisfied (71%) or fairly satisfied (8%) with service they received from the Avon Pension Fund.

10.2 There were 48 results from the online survey, rating each page on the website (a 1 to 5 star rating) during the period. 87% of respondents gave the website a 4 or 5 star rating (85% giving it 5 stars).

10.3 Two employer forums were held on 23 January and 5 February. The 23 January session was aimed at academies, educational establishments, universities and colleges. There were 54 attendees to this event. The 5 February session was aimed at town and parish councils, unitary authorities. There were 26 attendees at this event. For both events the feedback was extremely positive. Annex 3 in the Appendix highlights the feedback data

11 YEAR END

11.1 The 2017/18 year-end exercise has now been completed.

11.2 A total of 22 employers have incurred penalty charges. Training for the fined employers took place on 18th January. All employers attended apart from one multi academy trust, who received fines for three of their schools. They are now engaging with us to resolve the outstanding data issues.

11.3 Year end 2018/19 is now under way. Employers have been split between those needing to provide an old style year end return and those on IConnect who will need to ensure their March extract is submitted by the end of April, to meet the deadline. All employers will also be asked to sign a year end declaration confirming the accuracy and quality of their data for the year.

12 IDR

12.1 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 IDR. The table at Appendix 7 shows the cases going through at the present time.

13 RISK REGISTER

13.1 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.

13.2 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

13.3 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

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

13.5 As previously noted, the risk from the transfer of skills/knowledge from the Fund to the Brunel Pensions Partnership remains high (Risk #28) and has now been further compounded following multiple staff changes to service management across the administration team. Actions to mitigate this are being put in place by officers

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

14 RISK MANAGEMENT

14.1 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.

15 EQUALITIES

15.1 No items in this report give rise to the need to have an equalities impact assessment

16 CONSULTATION

16.1 None appropriate

17 ISSUES TO CONSIDER IN REACHING THE DECISION(S)

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

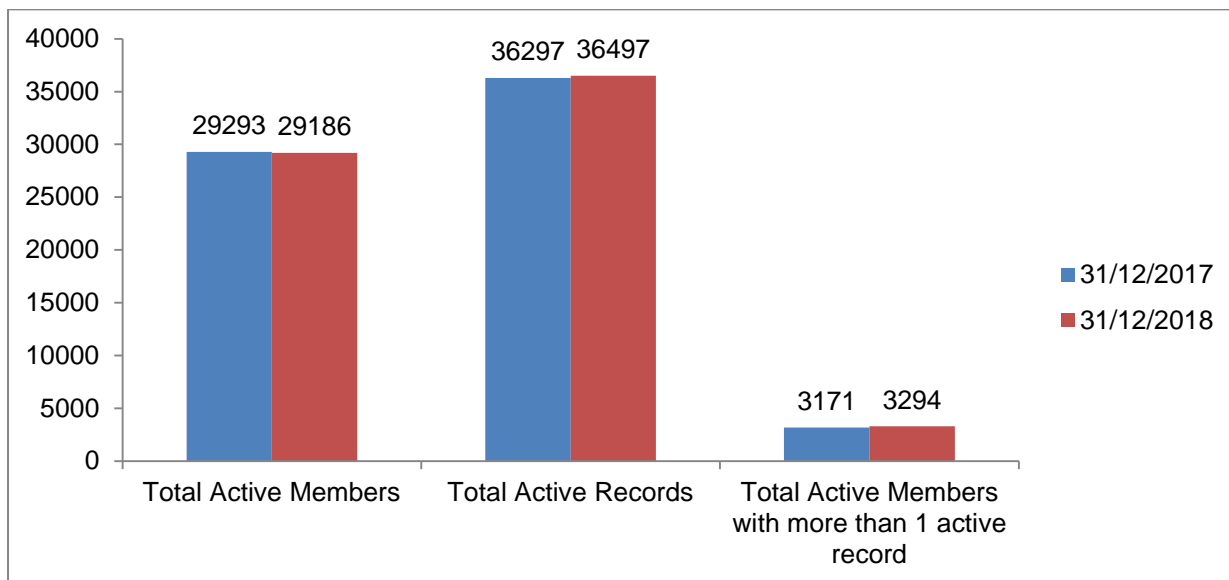
18 ADVICE SOUGHT

18.1 The Council's Monitoring Officer (Divisional Director – Legal & Democratic Services) and Section 151 Officer (Strategic Director of Resources) have had the opportunity to input to this report and have cleared it for publication.

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

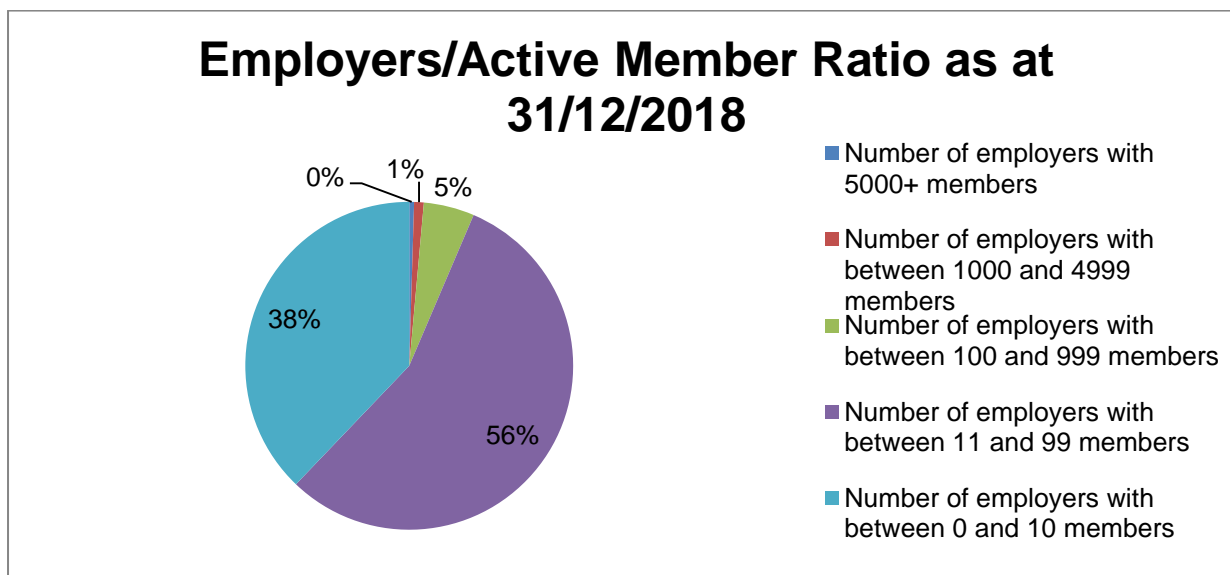
Annex 1

Active membership	31/12/2017	31/12/2018	+/-
Total Active Members	29293	29186	-107
Total Active Records	36297	36497	+200
Total Active Members with more than 1 active record	3171	3294	+123



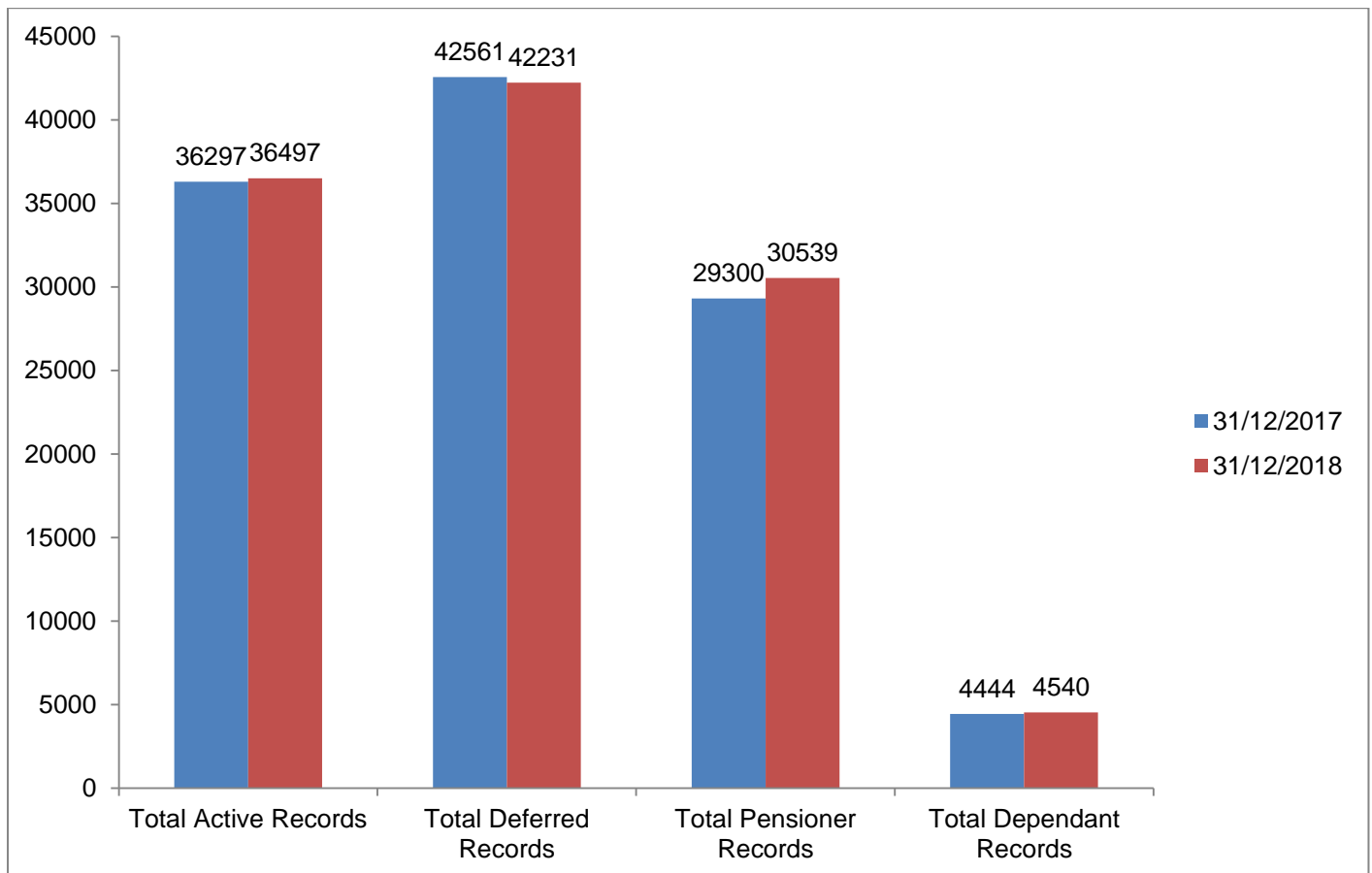
Annex 2

Employers/Active Members Ratio	31/12/2017	31/12/2018	+/-
Number of employers with 5000+ members	2	2	+0
Number of employers with between 1000 and 4999 members	5	4	-1
Number of employers with between 100 and 999 members	16	21	+5
Number of employers with between 11 and 99 members	190	234	+44
Number of employers with between 0 and 10 members	138	159	+21
Total	351	420	+69



Annex 3 – Total number of member records by type

	31/12/2017	31/12/2018	+/-
Total Active Records	36297	36497	+200
Total Deferred Records	42561	42231	-330
Total Pensioner Records	29300	30539	+1239
Total Dependant Records	4444	4540	+96



Annex 1

		Cases Last Quarter				
		Measured Against SLA				
		Total Processed	Total Processed in Target	Percentage Processed within Target	Total Processed within 5 days of Target	Percentage Processed within 5 days of Target
Retirement (from Active)	Quote - 5 days	213	145	68.08%	43	88.26%
	Payment - 5 days	233	180	77.25%	32	90.99%
Retirement (from Deferred)	Quote - 30 days	71	51	71.83%	9	84.51%
	Payment - 5 days	191	167	87.43%	11	93.19%
Deaths	Notification - 5 days	97	84	86.60%	8	94.85%
	Payment - 5 days	82	37	45.12%	18	67.07%
Refund of contributions	Quote - 10 days	311	267	85.85%	17	91.32%
	Payment - 10 days	290	263	90.69%	16	96.21%
Deferreds (early leavers)	20 days	693	326	47.04%	85	59.31%
Transfers In	Quote - 10 days	67	45	67.16%	10	82.09%
	Payment - 10 days	17	9	52.94%	3	70.59%
Transfers Out	Quote - 10 days	124	58	46.77%	21	63.71%
	Payment - 10 days	19	11	57.89%	4	78.95%
Estimates	10 days	288	161	55.90%	63	77.78%
		2696	1804	66.91%	340	79.53%

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 - 5 days	6	140	43	7	6	3	2	11
	Payment - 5 days	4	175	32	17	3	3	1	2
Retirement (from Deferred)	Quote - 30 days	98	60	1	1	0	4	1	5
	Payment - 5 days	-5	167	11	11	0	2	0	0
Deaths	Notification - 5 days	3	84	8	1	2	0	2	0
	Payment - 5 days	11	36	18	10	8	3	1	6
Refund of contributions	Quote - 10 days	8	218	46	17	5	0	2	23
	Payment - 10 days	5	230	31	16	9	0	1	3
Deferreds (early leavers)	20 days	29	63	137	74	47	85	55	232
Transfers In	Quote - 10 days	10	21	21	10	10	1	2	2
	Payment - 10 days	10	6	3	3	5	0	0	0
Transfers Out	Quote - 10 days	16	32	23	21	17	18	4	9
	Payment - 10 days	10	9	2	4	2	1	0	1
Estimates	10 days	12	82	69	63	25	19	15	15

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

SLA Standards for Processing Admin Tasks						
Work Type	Target Processing SLA	Q1 Jan 18 - Mar 18	Q2 Apr 18 - Jun 18	Q3 Jul 18 - Sept 18	Q4 Oct 18 - Dec 18	Trend
Retirement (from Active)	Quote - 5 days	91.42%	77.11%	74.05%	68.08%	
	Payment - 5 days	90.21%	80.10%	78.88%	77.25%	
Retirement (from Deferred)	Quote - 30 days	47.92%	55.77%	43.05%	71.83%	
	Payment - 5 days	91.26%	79.56%	78.57%	87.43%	
Deaths	Notification - 5 days	96.81%	89.47%	88.54%	86.60%	
	Payment - 5 days	82.22%	55.93%	58.73%	45.12%	
Refund of contributions	Quote - 10 days	14.77%	44.51%	59.51%	85.85%	
	Payment - 10 days	96.56%	89.02%	76.81%	90.69%	
Deferreds (early leavers)	Notification - 20 days	55.67%	88.80%	27.54%	47.04%	
Transfers In	Quote - 10 days	66.67%	62.75%	62.22%	67.16%	
	Payment - 10 days	34.29%	34.29%	35.71%	52.94%	
Transfers Out	Quote - 10 days	24.24%	30.92%	38.54%	46.77%	
	Payment - 10 days	56.52%	43.75%	60.00%	57.89%	
Estimates	Quote - 10 days	44.24%	75.00%	35.78%	55.90%	
Total Cases Processed		3435	3001	2443	2696	

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

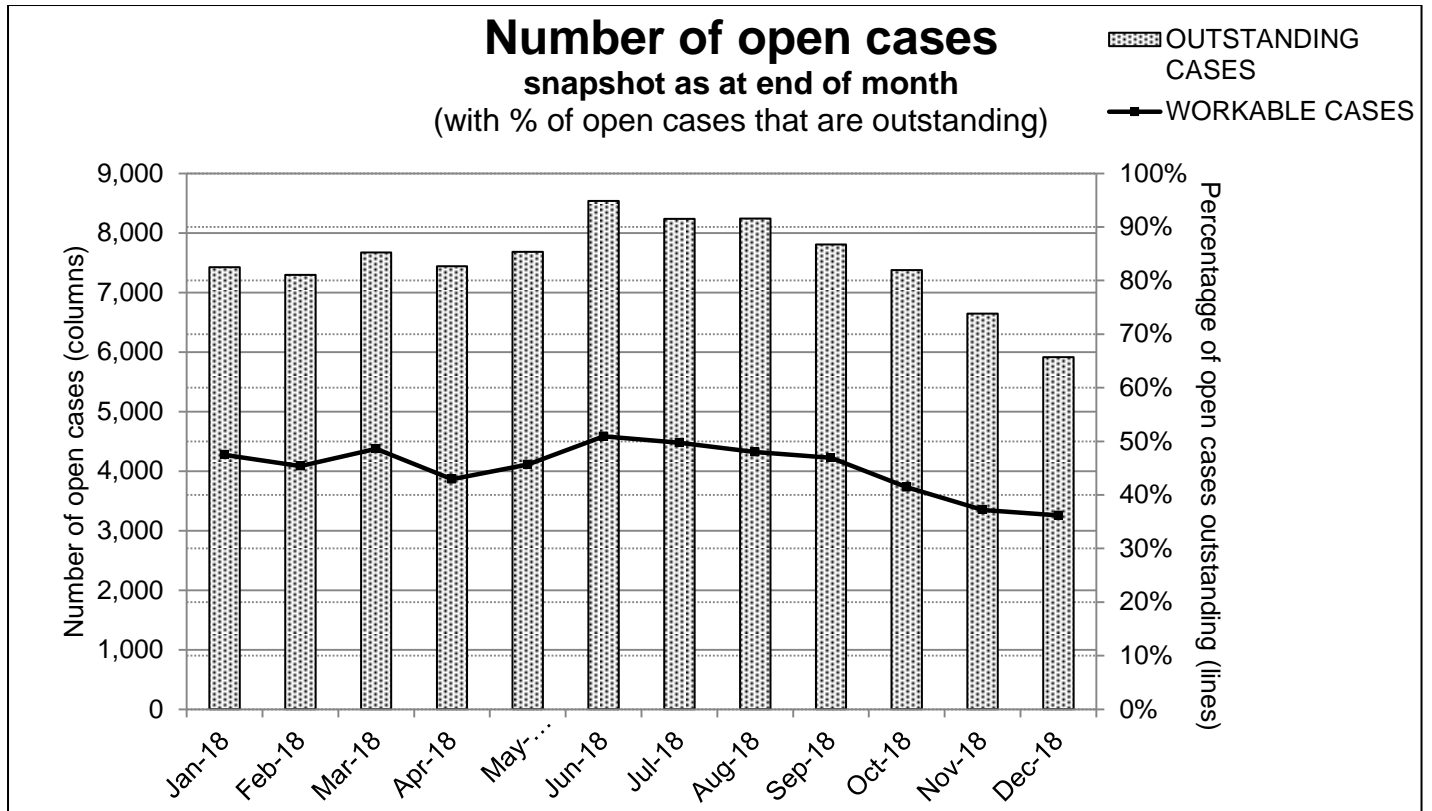
Annex 3

Statutory requirements	Timescale/deadline	3 months to 31/12/18	Notes
Year End data from employer	by 30 June	0	N/A this period
Issue ABS	by 31 August	0	N/A this period
Notify scheme changes	within 3 months	0	N/A this period
Issue Active member newsletter	2 issues per year	0	N/A this period
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

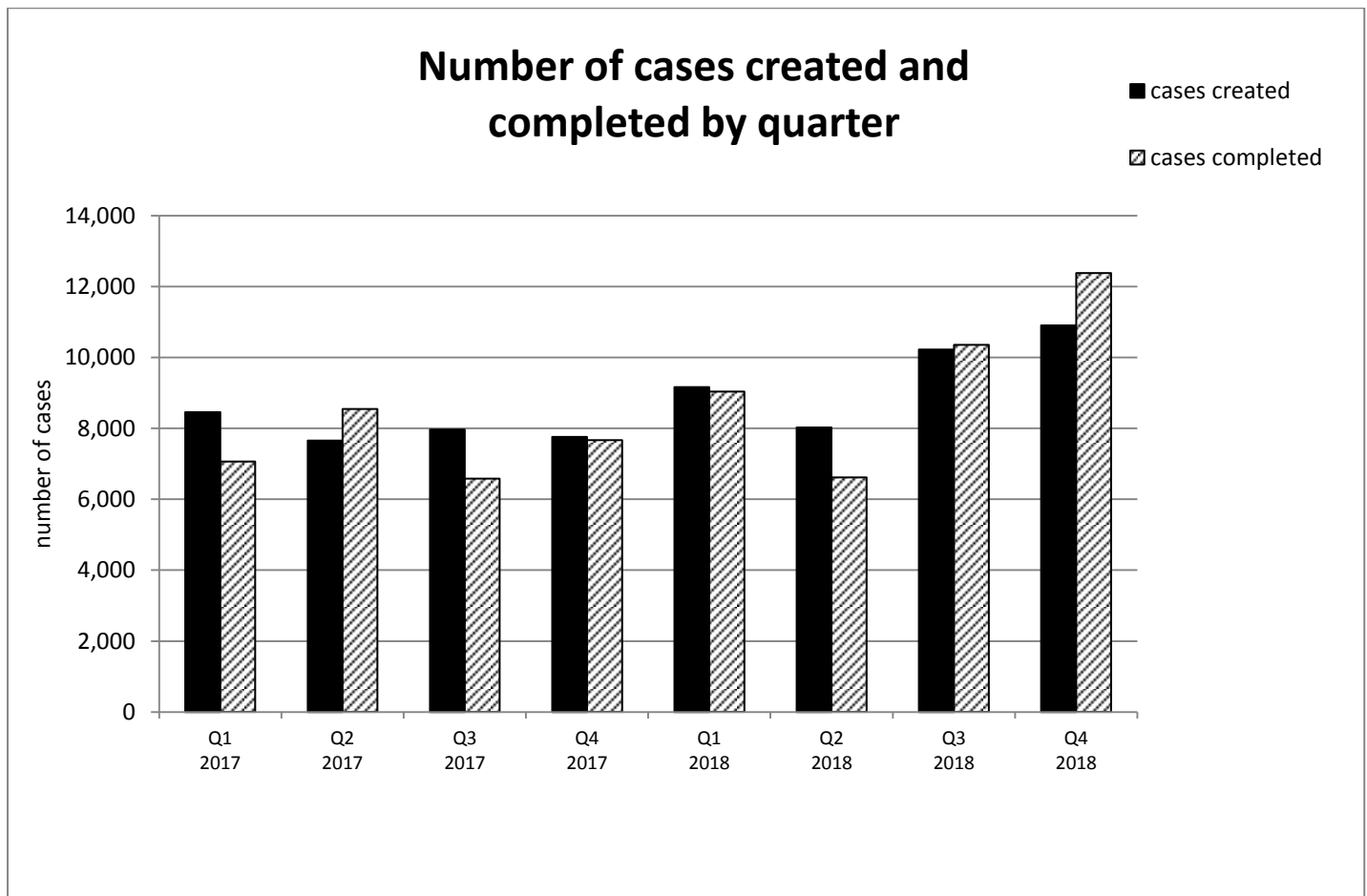
Annex 4

Page 20	Other performance standards	3 months to 31/12/18	2018/19 target	Notes
	Retirements survey - satisfaction %	79%	65%	
	% of employers signed up to submit data electronically (ESS/iConnect)	66.3%	70%	
	% of active membership covered by ESS/iConnect	96.6%	90%	
	% of all members with electronic access (MSS)	21.3%	No target set	
	% of active members with electronic access (MSS)	26.7%	No target set	

Annex 5



Annex 6



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	Requirement	Reporting Start Date	Reporting End Date	Other Information
Retirement (from Active)	5 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	5 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	20 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	10 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

Appendix 2b

APF Completed Cases - Performance against Statutory Legal Deadline

		Cases Last Quarter - Oct 18 - Dec 18			
		Measured Against Statutory Legal Requirement			
		Target	Total Processed	Total Processed in Target	Percentage Processed within Target
Retirement (from Active)	Notification of Benefits	46 days	96	86	89.58%
Retirement (from Deferred)	Notification of Benefits	23/46 days	74	73	98.65%
Deaths	Notification of Benefits	46 days	79	79	100.00%
Refund of contributions	Notification of Entitlement	46 days	311	311	100.00%
Deferreds (early leavers)	Notification of Entitlement	46 days	693	693	100.00%
Transfers In	Provision of Quotation	46 days	57	50	87.72%
Transfers Out	Notification of Trf Value	69 days	124	120	96.77%
	Payment of Trf Value	138 days	18	16	88.89%
Estimates	Provision of Quotation	46 days	231	218	94.37%

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.

Transfers Out (Payment) – The 2 cases that were late were down to a delay in the member providing all of the necessary discharge forms to allow the transfer to go ahead.

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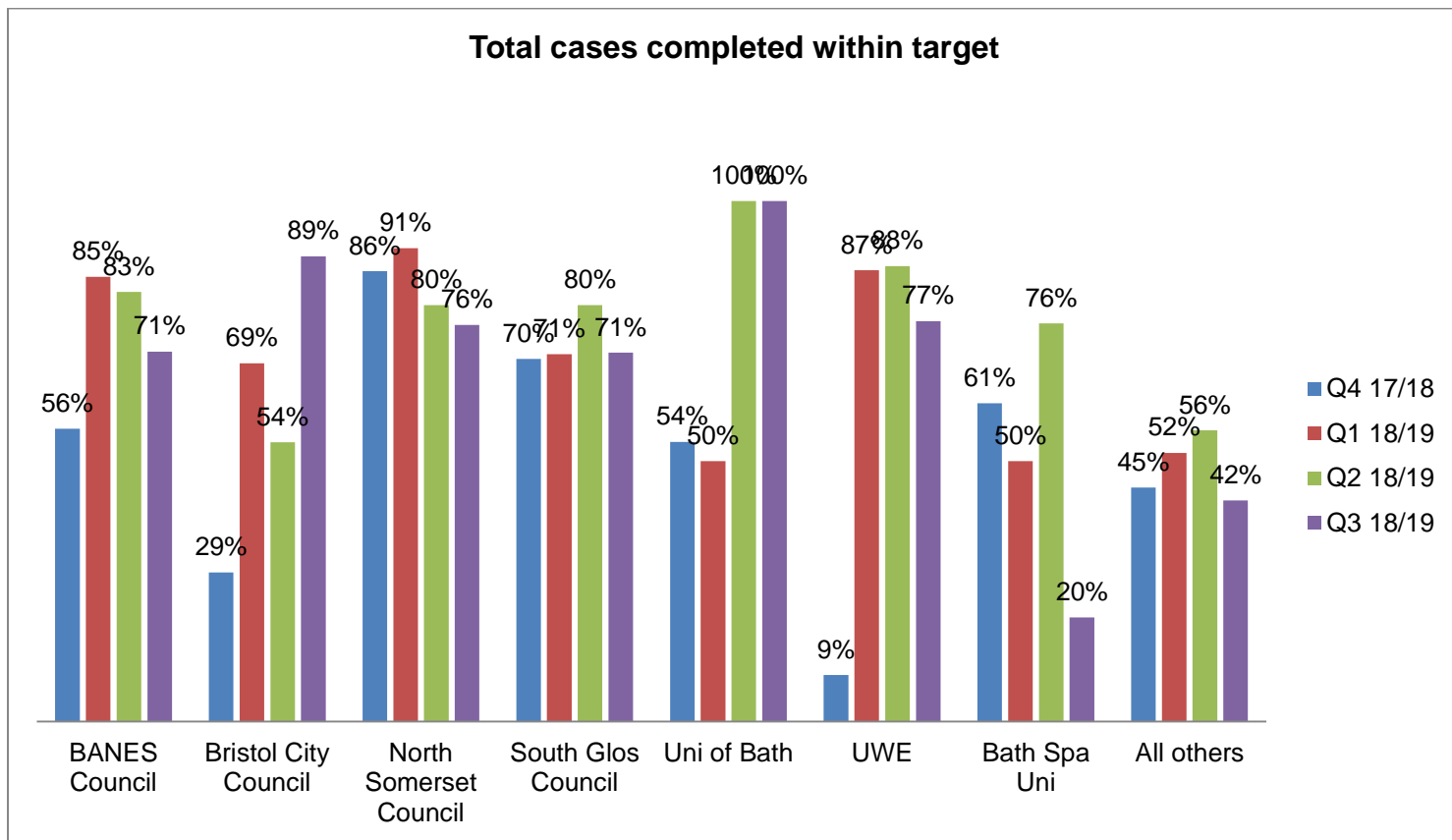
	Requirement	Reporting Start Date	Reporting End Date	Other Information
Retirement (from Active)	Notification of retirement benefits 1 month from the date of retirement if on or after Normal Pension Age or 2 months from the date of retirement if before Normal Pension Age	Retirement Date	Date Retirement 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 if 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

Completed leaver forms by employers for retirements within SLA targets.

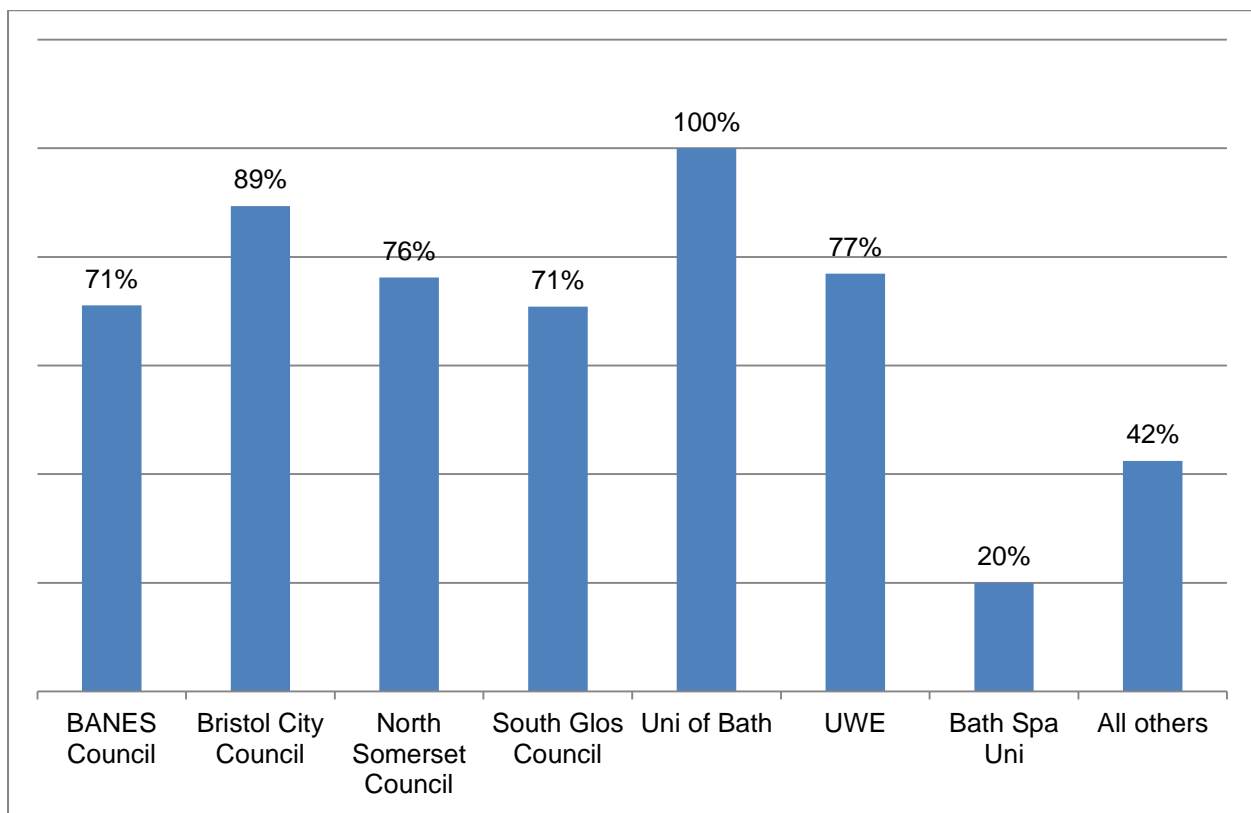
Annex 1 – Total cases - Percentage and number of cases completed within target

	Q4 17/18	Q1 18/19	Q2 18/19	Q3 18/19
BANES Council	56%	85%	83%	71%
Bristol City Council	29%	69%	54%	89%
North Somerset Council	86%	91%	80%	76%
South Glos Council	70%	71%	80%	71%
Uni of Bath	54%	50%	100%	100%
UWE	9%	87%	88%	77%
Bath Spa Uni	61%	50%	76%	20%
All others	45%	52%	56%	42%



Annex 2 – Breakdown by case type within target

Within target	Retirements		
	Cases	Within	%
BANES Council	38	27	71%
Bristol City Council	47	42	89%
North Somerset Council	21	16	76%
South Glos Council	24	17	71%
Uni of Bath	2	2	100%
UWE	13	10	77%
Bath Spa Uni	5	1	20%
All others	73	31	42%



Annex 1 – TPR Errors by Member Numbers

	September 2018				December 2018				Trend
	Member Records	TPR Errors	% Errors	Data Score	Member Records	TPR Errors	% Errors	Data Score	
ACTIVE	35781	539	1.51	98.49%	36651	408	1.11	98.89	▼
UNDECIDED	4545	650	14.30	85.70%	3964	627	15.82	84.18	▲
DEFERRED	43083	4224	9.8	90.2%	42268	4147	9.81	90.19	▲
PENSIONERS	30257	119	0.39	99.61%	30526	136	0.45	99.55	▲
DEPENDANTS	4654	79	1.7	98.3%	4692	71	1.51	98.49	▼
FROZEN	3674	1719	46.79	53.21%	3724	1240	33.3	66.7	▼
TOTALS	121994	7331	6.01%	93.99%	123479	6630	5.37%	94.63	▼

Annex 2 – Outstanding Queries by Type

	September 2018		December 2018		Trend
	TPR Errors	%	TPR Errors	%	
Age 75 exceeded LGPS eligibility issue	51	0.72%	54	0.75%	▲
CARE pay for 2014-2015 required	10	0.14%	10	0.14%	▼
CARE pay for 2015-2016 required	26	0.35%	23	0.32%	▼
CARE pay for 2016-2017 required	80	1.09%	73	1.01%	▼
CARE pay for 2017-2018 required	169	2.3%	133	1.83%	▼
Casual hours data required	36	0.49%	38	0.52%	▲
Correct FTE Pensionable Salary 16-17 req	0	0.00%	1	0.01%	▲
Historic refund case	834	11.35%	826	11.40%	▼
Leaver form required	510	6.94%	538	7.42%	▲
Missing data on leaver form - escalation	8	0.11%	6	0.08%	▼
Correct Forenames required	10	0.14%	10	0.14%	▼
Correct NINO required	154	2.09%	151	2.08%	▼
Correct address required	5415	73.91%	5356	73.90%	▼
Correct title required ie Miss or Mr	8	0.11%	8	0.11%	▼
Pay Ref required	9	0.12%	11	0.15%	▲
Date joined fund	4	0.05%	4	0.06%	▼
Data required from a previous employer	6	0.08%	6	0.08%	▼
Grand total	7330	100.00	7248	100.00	▼

Common Data

Scheme Specific Data

Annex 3 – Outstanding TPR by status

	TPR Errors Sept 2018	%	TPR Errors Dec 2018	%
1 ACTIVE	539	100.00%	432	100.00%
Age 75 exceeded LGPS eligibility issue	0	0.00%	0	0.00%
CARE pay for 2014-2015 required	10	1.86%	8	1.85%
CARE pay for 2015-2016 required	24	4.45%	20	4.63%
CARE pay for 2016-2017 required	74	13.73%	58	13.43%
CARE pay for 2017-2018 required	159	29.5%	111	25.69%
Casual hours data required	27	5.01%	25	5.79%
Correct address required	218	40.45%	186	43.06%
Correct NINO required	5	0.93%	7	1.62%
Correct title required ie Miss or Mr	0	0.00%	0	0.00%
Leaver form required	5	0.93%	0	0.00%
Pay Ref required	7	1.0%	10	2.31%
Correct hours format required	0	0.00%	0	0.00%
Correct FTE Pensionable Salary 16-17	0	0.00%	0	0.00%
Correct date of birth required	0	0.00%	0	0.00%
Correct Forenames required	0	0.00%	0	0.00%
Date joined fund required	4	0.74%	2	0.46%
Data Required from a previous employer	6	1.11%	5	1.16%
2 UNDECIDED	650	100.00%	710	100.00%
Age 75 exceeded LGPS eligibility issue	2	0.31%	1	0.14%
CARE pay for 2014-2015 required	0	0.00%	2	0.28%
CARE pay for 2015-2016 required	2	0.31%	3	0.42%
CARE pay for 2016-2017 required	2	0.31%	15	2.11%
CARE pay for 2017-2018 required	10	1.54%	22	3.10%
Casual hours data required	9	1.38%	13	1.83%
Correct address required	106	16.28%	104	14.65%
Leaver form required	505	77.57%	538	75.77%
Pay Ref required	2	0.31%	1	0.14%
Missing data on leaver form - escalation	8	1.23%	6	0.85%
Correct FTE Pensionable Salary 16-17	0	0.00%	1	0.14%
4 DEFERRED	4224	100.00%	4170	100.00%
Age 75 exceeded LGPS eligibility issue	7	0.17%	5	0.12%
Correct address required	4170	98.72%	4119	98.78%
Correct NINO required	47	1.11%	46	1.10%
5 PENSIONERS	119	100.00%	137	100.00%
Correct address required	118	99.16%	133	97.08%
Correct NINO required	1	0.84%	1	0.73%
Age 75 exceeded LGPS eligibility issue	0	0.00%	3	2.19%
6 DEPENDANTS	79	100.00%	75	100.00%

Correct address required	23	29.11%	24	32.00%
Correct title required ie Miss or Mr	7	8.86%	7	9.33%
Correct NINO required	49	62.03%	44	58.67%
9 FROZEN	1719	100.00%	1723	100.00%
Age 75 exceeded LGPS eligibility issue	42	2.44%	45	2.61%
Correct Forenames required	10	0.58%	10	0.58%
Correct title required ie Miss or Mr	1	0.06%	1	0.06%
Correct address required	780	45.38%	789	45.79%
Correct NINO required	52	3.03%	52	3.02%
Historic refund case	834	48.52%	826	47.94%
Grand Total	7330	100.00%	7248	100.00%

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APPENDIX

Late Payers to 31st December 2018

Employer	Payroll Month	Days late	Cumulative occasions	Amount £	Significance	Reason / Action
Learning Partnership West (227)	October	1	4	140.83	Value/days late not material	Disruption due to staff changes
Fit for Sport	October	5	1	236.44	Value/days late not material	The employer did not offer an explanation but subsequent payments have been on time.
Eurotaxi	October	20	5	368.20	Significant days late.	Eurotaxi left the Fund on 30th November. Any outstanding liabilities will be met by them or their guarantor.
Page 2 of 5 Anne Harris Academy	November	19	1	7,646.22	Significant days late.	The Academy had problems with their bank relating to the administrative changes following their transfer from one Multi Academy Trust to another.
KGB Cleaning	November	6	1	494.79	Value/days late not material	The employer had a problem with a bacs being rejected but not being identified. KGB have now created a system to identify bacs rejects more quickly in future
Edwards and Ward (872)	November	40	2	60.88	Significant days late.	The employer had a genuine query over whether a member was required to pay contributions in their particular circumstances.
Edwards and Ward (872)	December	9	3	33.63	Value/days late not material	see above note for November. November & December paid together
Future Stars	December	9	1	77.40	Value/days late not material	New employer paid arrears and mistakenly thought December was included. Paid on the day the error was

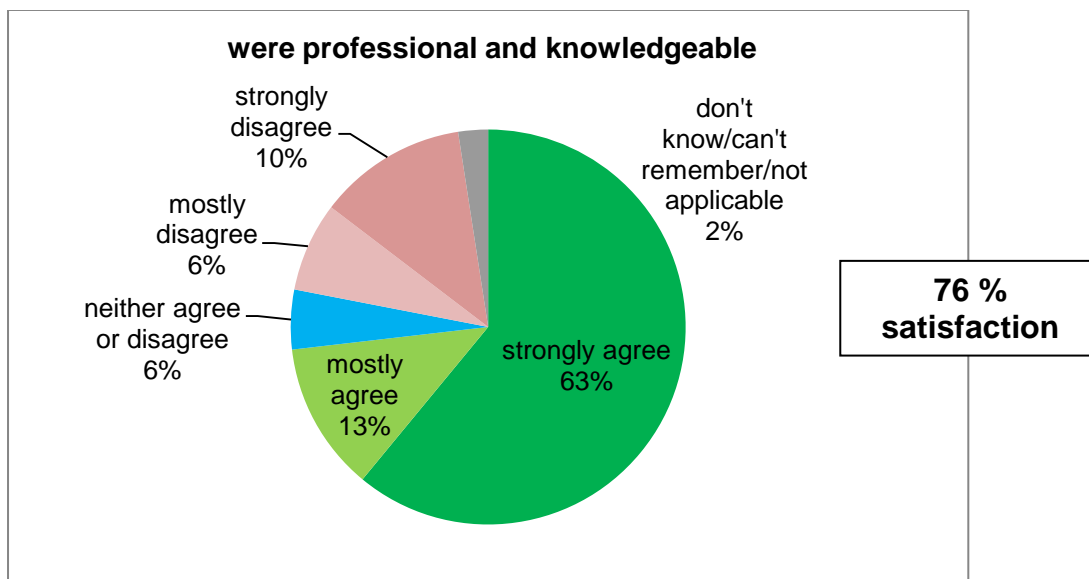
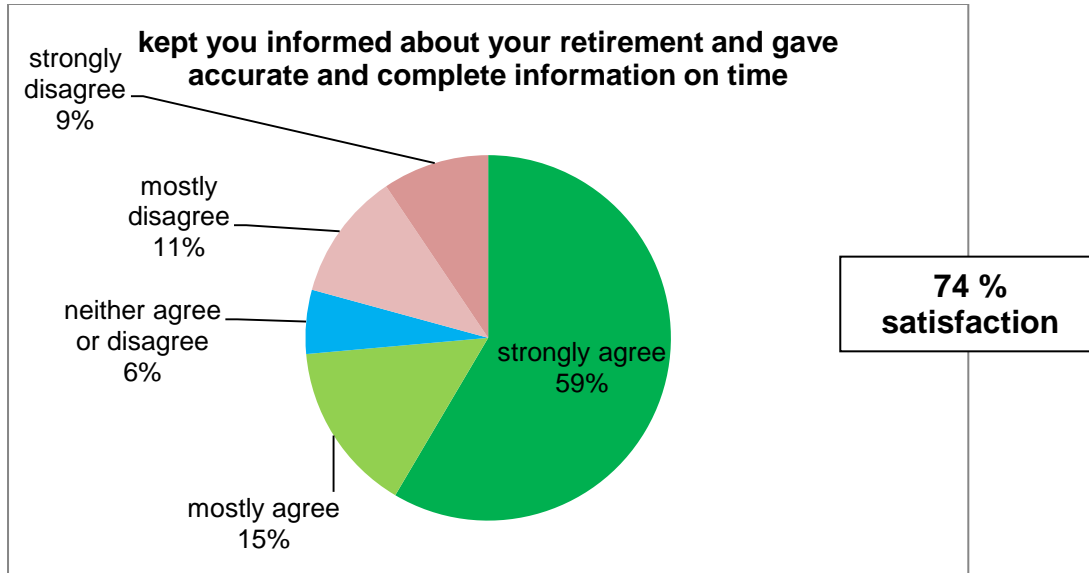
						recognised.
Learning Partnership West (227)	December	9	5	140.83	Value/days late not material	Queried whether member should be in the scheme. Query not resolved, but paid anyway.
				9,199.22	Over The 3 Months	
Total Contributions in Period (excluding deficit payments)				33,501,908	Late payments value as a % of total = 0.03%. Late Payments received from 7 out of 394 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

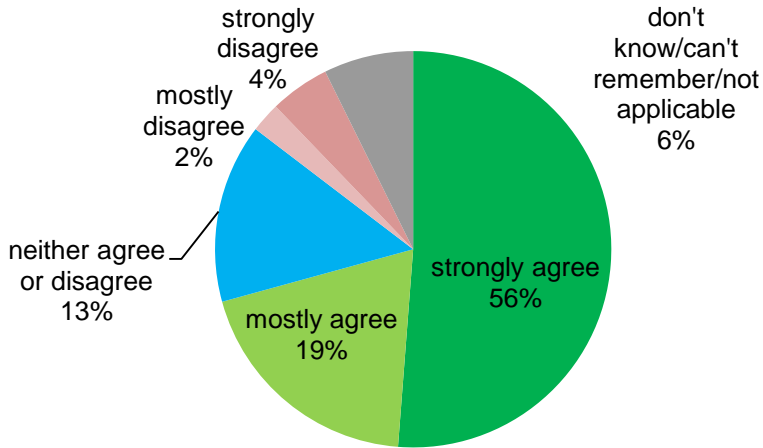
Retirement customer service questionnaire results to 31 December 2018

53 responses

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

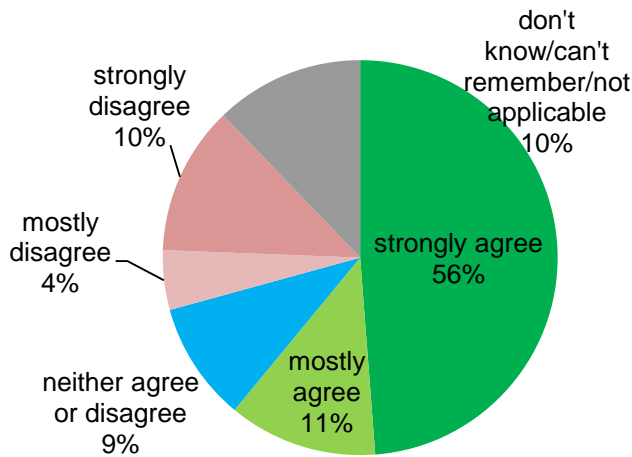


had a polite, friendly attitude, treating you with respect



**75 %
satisfaction**

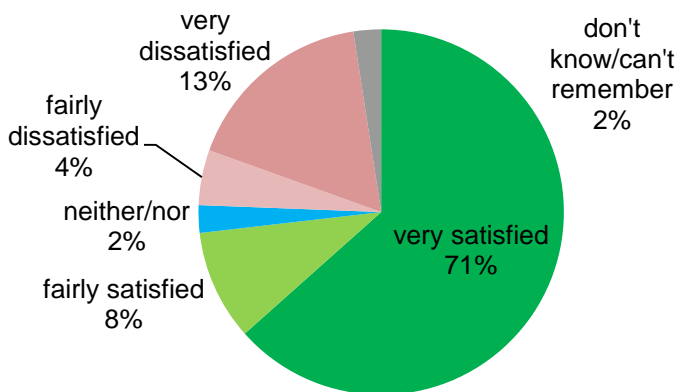
answered any questions or issues that you had



**67 %
satisfaction**

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

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 31 December 2018

Number of submissions in period	48	%
5 stars	41	85%
4 stars	1	2%
3 stars	0	0
2 stars	2	4%
1 star	4	8%
Comments:		
<ul style="list-style-type: none">• A comprehensive site with useful details and information, but not very intuitive to navigate• pretty easy to navigate.• would have been 5 star if you could complete forms online and submit• Very good – thanks• I want to reduce my payments but cannot find how to		

Annex 2

Employer feedback

Employer forums were held on 23 January and 5 February.

The 23 January session was aimed at academies, educational establishments, universities and colleges. There were 54 attendees to this event. The 5 February session was aimed at town and parish councils, unitary authorities. There were 26 attendees at this event.

Feedback from both forums is highlighted below.

Employers Forum 23 Jan 2019 - Feedback

1. How useful did you find the following parts of the forum?						
	Not at all useful	Not very useful	Useful	Very useful	Excellent	Response Total
Funding review results and planning for 2019 Valuation	9.1% (1)	0.0% (0)	0.0% (0)	81.8% (9)	9.1% (1)	11
Data preparation	0.0% (0)	0.0% (0)	18.2% (2)	72.7% (8)	9.1% (1)	11
Regulatory update	0.0% (0)	9.1% (1)	36.4% (4)	54.5% (6)	0.0% (0)	11
Pensions Administration Strategy	0.0% (0)	9.1% (1)	27.3% (3)	63.6% (7)	0.0% (0)	11
Service Level Agreements	0.0%	0.0%	18.2%	81.8%	0.0%	11

1. How useful did you find the following parts of the forum?

	Not at all useful	Not very useful	Useful	Very useful	Excellent	Response Total
	(0)	(0)	(2)	(9)	(0)	
					answered	11
					skipped	0


Matrix Charts



1.1. Funding review results and planning for 2019 Valuation						Response Percent	Response Total
1	Not at all useful					9.1%	1
2	Not very useful					0.0%	0
3	Useful					0.0%	0
4	Very useful					81.8%	9
5	Excellent					9.1%	1
Analysis	Mean: 3.82	Std. Deviation: 0.94	Satisfaction Rate: 70.45			answered	11
	Variance: 0.88	Std. Error: 0.28					


1.2. Data preparation						Response Percent	Response Total
1	Not at all useful					0.0%	0
2	Not very useful					0.0%	0
3	Useful					18.2%	2
4	Very useful					72.7%	8
5	Excellent					9.1%	1
Analysis	Mean: 3.91	Std. Deviation: 0.51	Satisfaction Rate: 72.73			answered	11
	Variance: 0.26	Std. Error: 0.16					

1.3. Regulatory update						Response Percent	Response Total
1	Not at all useful					0.0%	0
2	Not very useful					9.1%	1
3	Useful					36.4%	4
4	Very useful					54.5%	6
5	Excellent					0.0%	0
Analysis	Mean: 3.45	Std. Deviation: 0.66	Satisfaction Rate: 61.36			answered	11
	Variance: 0.43	Std. Error: 0.2					

1.4. Pensions Administration Strategy						Response Percent	Response Total
1	Not at all useful					0.0%	0
2	Not very useful					9.1%	1
3	Useful					27.3%	3



1.4. Pensions Administration Strategy						Response Percent	Response Total
4	Very useful					63.6%	7
5	Excellent					0.0%	0
Analysis	Mean:	3.55	Std. Deviation:	0.66	Satisfaction Rate:	63.64	answered
	Variance:	0.43	Std. Error:	0.2			

1.5. Service Level Agreements						Response Percent	Response Total
1	Not at all useful					0.0%	0
2	Not very useful					0.0%	0
3	Useful					18.2%	2
4	Very useful					81.8%	9
5	Excellent					0.0%	0
Analysis	Mean:	3.82	Std. Deviation:	0.39	Satisfaction Rate:	70.45	answered
	Variance:	0.15	Std. Error:	0.12			

2. Was the forum too long, too short or about right?							
						Response Percent	Response Total
1	Too long					0.00%	0
2	About right					100.00%	11
3	Too short					0.00%	0
Analysis	Mean:	2	Std. Deviation:	0	Satisfaction Rate:	50	answered
	Variance:	0	Std. Error:	0			skipped
							0

3. What did you think of the venue?				
	Poor	OK	Good	Response Total
Location / parking / travel	9.1% (1)	0.0% (0)	90.9% (10)	11
Facilities	0.0% (0)	27.3% (3)	72.7% (8)	11
Refreshments	18.2% (2)	54.5% (6)	27.3% (3)	11
			answered	11
			skipped	0

Matrix Charts

3.1. Location / parking / travel				Response Percent	Response Total
1	Poor			9.1%	1
2	OK			0.0%	0
3	Good			90.9%	10

3.1. Location / parking / travel						Response Percent	Response Total	
Analysis	Mean:	2.82	Std. Deviation:	0.57	Satisfaction Rate:	90.91	answered	11
	Variance:	0.33	Std. Error:	0.17				

3.2. Facilities						Response Percent	Response Total	
1	Poor					0.0%	0	
2	OK					27.3%	3	
3	Good					72.7%	8	
Analysis	Mean:	2.73	Std. Deviation:	0.45	Satisfaction Rate:	86.36	answered	11
	Variance:	0.2	Std. Error:	0.13				

3.3. Refreshments						Response Percent	Response Total	
1	Poor					18.2%	2	
2	OK					54.5%	6	
3	Good					27.3%	3	
Analysis	Mean:	2.09	Std. Deviation:	0.67	Satisfaction Rate:	54.55	answered	11
	Variance:	0.45	Std. Error:	0.2				

4. Are there any areas that you would like us to cover in future forums?				Response Percent	Response Total	
1	Open-Ended Question			100.00%	1	
	1	Nothing specific				
				answered	1	
				skipped	10	

5. Please let us know if you have any other comments about the event or the support we provide?				Response Percent	Response Total	
1	Open-Ended Question			100.00%	6	
	1	Unfortunately it was extremely difficult to hear the speakers, as there was a speaker system in the venue, could Microphones be used?				
	2	Really struggled to hear most speakers - needed a microphone. No biscuits!!.				
	3	The speakers could have done with a microphone, being sat at the back there were some parts I couldn't hear at all				
	4	it would be good to know in advance what is to be covered, an agenda, as a lot of the information was not relevant to me, and other members may have been more suited to the seminar.				
	5	The event would have benefited from a sound system. I was sat at the back and it was difficult to hear some of the talks.				
	6	Biscuits at the break!				
				answered	6	
				skipped	5	

Employers Forum 5 February 2019 - Feedback

1. How useful did you find the following parts of the forum?

	Not at all useful	Not very useful	Useful	Very useful	Excellent	Response Total
Preparation for 2019 Valuation	0.0% (0)	11.1% (1)	22.2% (2)	44.4% (4)	22.2% (2)	9
Data preparation	0.0% (0)	22.2% (2)	11.1% (1)	44.4% (4)	22.2% (2)	9
Regulatory update	0.0% (0)	0.0% (0)	44.4% (4)	22.2% (2)	33.3% (3)	9
Pensions Administration Strategy	0.0% (0)	0.0% (0)	50.0% (4)	25.0% (2)	25.0% (2)	8
Service Level Agreements	0.0% (0)	0.0% (0)	37.5% (3)	37.5% (3)	25.0% (2)	8
					answered	9
					skipped	0

Matrix Charts

1.1. Preparation for 2019 Valuation						Response Percent	Response Total
1	Not at all useful					0.0%	0
2	Not very useful					11.1%	1
3	Useful					22.2%	2
4	Very useful					44.4%	4
5	Excellent					22.2%	2
Analysis	Mean:	3.78	Std. Deviation:	0.92	Satisfaction Rate:	69.44	answered 9
	Variance:	0.84	Std. Error:	0.31			

1.2. Data preparation						Response Percent	Response Total
1	Not at all useful					0.0%	0
2	Not very useful					22.2%	2
3	Useful					11.1%	1
4	Very useful					44.4%	4
5	Excellent					22.2%	2
Analysis	Mean:	3.67	Std. Deviation:	1.05	Satisfaction Rate:	66.67	answered 9
	Variance:	1.11	Std. Error:	0.35			

1.3. Regulatory update						Response Percent	Response Total
1	Not at all useful					0.0%	0
2	Not very useful					0.0%	0
3	Useful					44.4%	4
4	Very useful					22.2%	2

1.3. Regulatory update						Response Percent	Response Total
5	Excellent					33.3%	3
Analysis	Mean:	3.89	Std. Deviation:	0.87	Satisfaction Rate:	72.22	answered
	Variance:	0.77	Std. Error:	0.29			

1.4. Pensions Administration Strategy						Response Percent	Response Total
1	Not at all useful					0.0%	0
2	Not very useful					0.0%	0
3	Useful					50.0%	4
4	Very useful					25.0%	2
5	Excellent					25.0%	2
Analysis	Mean:	3.75	Std. Deviation:	0.83	Satisfaction Rate:	68.75	answered
	Variance:	0.69	Std. Error:	0.29			

1.5. Service Level Agreements						Response Percent	Response Total
1	Not at all useful					0.0%	0
2	Not very useful					0.0%	0
3	Useful					37.5%	3
4	Very useful					37.5%	3
5	Excellent					25.0%	2
Analysis	Mean:	3.88	Std. Deviation:	0.78	Satisfaction Rate:	71.88	answered
	Variance:	0.61	Std. Error:	0.28			

2. Was the forum too long, too short or about right?							
						Response Percent	Response Total
1	Too long					11.11%	1
2	About right					88.89%	8
3	Too short					0.00%	0
Analysis	Mean:	1.89	Std. Deviation:	0.31	Satisfaction Rate:	44.44	answered
	Variance:	0.1	Std. Error:	0.1			9
							skipped
							0

3. What did you think of the venue?				
	Poor	OK	Good	Response Total
Location / parking / travel	0.0% (0)	22.2% (2)	77.8% (7)	9
Facilities	0.0% (0)	11.1% (1)	88.9% (8)	9
Refreshments	22.2% (2)	44.4% (4)	33.3% (3)	9

3. What did you think of the venue?

	Poor	OK	Good	Response Total
			answered	9
			skipped	0

Matrix Charts

3.1. Location / parking / travel						Response Percent	Response Total
1	Poor					0.0%	0
2	OK					22.2%	2
3	Good					77.8%	7
Analysis	Mean:	2.78	Std. Deviation:	0.42	Satisfaction Rate:	88.89	
	Variance:	0.17	Std. Error:	0.14			answered
							9

3.2. Facilities						Response Percent	Response Total
1	Poor					0.0%	0
2	OK					11.1%	1
3	Good					88.9%	8
Analysis	Mean:	2.89	Std. Deviation:	0.31	Satisfaction Rate:	94.44	
	Variance:	0.1	Std. Error:	0.1			answered
							9

3.3. Refreshments						Response Percent	Response Total
1	Poor					22.2%	2
2	OK					44.4%	4
3	Good					33.3%	3
Analysis	Mean:	2.11	Std. Deviation:	0.74	Satisfaction Rate:	55.56	
	Variance:	0.54	Std. Error:	0.25			answered
							9

4. Are there any areas that you would like us to cover in future forums?

		Response Percent	Response Total
1	Open-Ended Question	100.00%	3
	1 Perhaps a shorter session could be held for those parish councils who only have one or two employees		
	2 use of discretions		
	3 The discretionary policy too, annual allowance		
		answered	3
		skipped	6

5. Please let us know if you have any other comments about the event or the support we provide?

		Response Percent	Response Total
1	Open-Ended Question	100.00%	4
1	The Venue would have got good if someone had checked that the location could be found by sat navs.. would have been nice to have had biscuits especially for those of us who had to travel distance so missed lunch. clearer sign posts and possible a map link with the agenda could have helped.		
2	Morning session would be preferred		
3	Very professional and informative as always but could have done with biscuits to go with the coffee! :-)		
4	As a parish council with one employee (myself), I keep my records and data up to date and find the reminders to inform APF of changes unnecessary, although I appreciate that employers with multiple employees need to have this reminder. The information on updating our Discretionary Policy and Service Level Agreement was useful, but an email on this would have sufficed for me personally.		
		answered	4
		skipped	5

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	Transfer Procedures Pension Scam	19/05/2017	APF	18/07/2017	N/A	01/08/2017	NU	Council's Principal Solicitor and Monitoring Officer	01/02/2018	TPO provisional being reviewed
TPO						22/01/2019	UP	The Pensions Ombudsman	N/A	APF to re-instate pension & pay £500 compensation
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

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AVON PENSION FUND RISK REGISTER - TOP 10 RISKS

Owner(s): Liz Woodyard / Geoff Cleak

Date updated: 26/02/2019

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

#	DESCRIPTION	DATE ENTERED	RISK OWNER	CATEGORY	RISK SCORE										TOTAL	CURRENT OVERALL STATUS	PERIODS AGO			CURRENT STATUS OF ACTIONS	ACTIONS TO MANAGE RISK	
					Likelihood					Impact							1	2	3			
					1	2	3	4	5	1	2	3	4	5								
1	R28 The Fund is unable to recruit appropriately skilled administrative, technical or investment staff given the short supply of such staff regionally in the market. This could restrict the Fund's ability to develop and implement the service plan and administer the Fund. On the investment side this has been exacerbated by the creation of BPP Ltd. (Brunel) based in Bristol which will manage the fund's assets.	01-Jul-08	All Team Managers	Governance					5						5	25	HIGH	H	H	H	On target	Complete PDC process with all staff to identify training and professional qualification needs based on Service requirements. Officers are trained and updated in key areas. Attendance at relevant national courses and internal training with peers. Succession planning to build resilience and minimise risk of losing skilled/specialist staff. Re Brunel - significant impact with loss of 3 FTE staff. Plan to rebuild team reflecting transition of assets to BPP is being put in place. Will include buying in resource from advisors or BPP as appropriate and strengthening Governance and Risk Management within the fund. Investment work programme is continuously risk reviewed to ensure focus is on strategic and operational priorities. Implementation of skills and knowledge training plan following admin restructure (Jan 2017) and introduction of Apprentice programme from September 2018. The 2019/22 Service Plan provides for extra resource to support delivery of strategic training plan.
2	R42 Increase 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 clearly defines the investment principles and objectives and the strategy in place to deliver. The Fund is a participant in the Brunel Pension Partnership to meet the government broad agenda to reduce investment fees and increase efficiency. Brunel and the LGPS Cross Pool Collaboration Group actively engages with government on a wide range of issues related to the government's agenda.	
3	R25 Lack of knowledge and continuity within the Committee (risk arises as some members face re-election simultaneously. Until members are fully trained maybe 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 2 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 comply with MIFID2.	

4	R26	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						12	MEDIUM	M	M	M	On target	<p>A strategic review of the investment strategy is undertaken at least every 3 years. It determines the appropriate strategy to deliver the returns assumed by the actuarial valuation and takes into account the market outlook.</p> <p>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.</p> <p>The strategy is monitored quarterly and annually by Committee (between strategic reviews) when the investment performance is measured against the liabilities, the strategic benchmark and mandate performance targets. The Fund implements risk management strategies as appropriate to increase probability that funding plan will be achieved (currently LDI and Equity protection strategies).</p> <p>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.</p> <p>Significant due diligence is undertaken when appointing managers; process ensures there is not undue reliance on past performance.</p> <p>Specialist advice is commissioned covering both strategic issues, ongoing monitoring of strategy and managers and evaluating potential managers during procurement process.</p> <p>As the assets transition to Brunel, the responsibility for monitoring and selecting investment managers will transfer to Brunel. The Fund's responsibility will be to monitor Brunel's portfolios and Brunel's capability as the manager.</p>
5	R51	Risk of Fund retaining incorrect pensions liability - GMP Reconciliation Exercise. Following the abolishment of contracting out earnings effective from April 2016, requirement to undertake a reconciliation of GMP liability between Fund and HMRC. Completion date due end March 2019	10-Aug-15	Technical & Compliance Advisor	Admin Strategy							3						12	MEDIUM	M	M	M	On target	<p>There is a project plan in place linked to 3 year Service Plan which is periodically reviewed. Additional resource identified as 1.5 FTE to carry out reconciliation under management of Technical & Compliance Advisor. Exceptions reported to HMRC and progress/action reports provided periodically to Pensions Committee & LPB. Report on GMP project submitted to PC September 2018. Letter to be sent to SAB & LGA seeking guidance on rectification of overpayment cases awaiting responses - February 2019.</p>
6	R56	Significant increase in employers especially if all schools convert to academy status.		Pensions Manager	Admin Strategy							4						12	MEDIUM	M	M	M	On target	<p>Resources have been increased to support employer services within both actuarial and administration teams, reflecting the increase in new schedule bodies and admission bodies. Significant focus on developing more efficient automated processes. The administration of Academies within the LGPS is being reviewed by SAB</p>

7	R05	General Data Protection Regulation – Failure to secure and manage personal data held by the Pension Fund in an appropriate manner and in line with statutory responsibilities. Implications and impact of EU General Data Protection Regulations (GDPR) - ensure systems and processes 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 to share personal data with 3rd parties through controlled framework; compliant with B&NES DP policies. Awareness of potential risk in not doing so. GDPR privacy notices provided to all members. All staff undertaking GDPR online training programme, which is monitored and recorded. Members including pensioner members are informed regularly (via payslips & newsletters) that data is provided to third parties for the detection / prevention of fraud in accordance with National Fraud Initiative. (On-going) Project set up to ensure GDPR compliance to identify processes that need to be put in place - working with corporate Information Governance team.
8	R54	The Fund is a participating fund in the Brunel Pension Partnership for pooling its assets. The FCA- authorised company is now operational. The key risk is the transition of local fund assets to the Brunel portfolios. A significant delay in this could seriously impact the Fund's and pool's ability to deliver savings according to financial case. Focus in next 12-24 months is transition of assets, operational aspects relating to this and client monitoring and reporting.	01-Jul-16	Pensions Investments Manager	Governance						2						4	8	MEDIUM	M	M	M	On target	The Brunel governance structure is in place. Governance structure ensures Committee, Board and officers effectively manage the new relationship. Expert advice will be commissioned as required to assist the transition. Interim resources in place to support client side of the pool during the transition. Brunel developed a transition plan for 2018-20. Portfolios for quoted assets agreed in Jan 18; non- quoted asset portfolios agreed in April 18. Avon developed its own plan consistent with Brunel timetable to ensure any decisions/governance by Avon is identified and dealt with accordingly. Client Group will monitor plan with Brunel to ensure meets objectives, any changes are understood and agreed by the Shareholders and where necessary, issues are escalated to Brunel Oversight Board. Brunel Transition Plan revised in November 2018. Quarterly Committee agenda includes Brunel update report. Client side sub groups established to work closely with Brunel on portfolios & transition, financial aspects, RI and services delivered by Brunel.
9	R57	Pension Fund does not comply with the Transparency Code for full disclosure of Investment cost in the Annual Report of Accounts from 2018/19. The FCA is issuing a template to managers to provide the info to the Fund. Managers then have 12 months to comply therefore there is a risk that the Fund doesn't have full disclosure for 2018/19. Main risk is reputational if cited as non-compliant.	18-Jul-18	Investments Manager	Investment Strategy												4	8	MEDIUM	M	L		On target	The Fund has a project plan in place to collate as much info as possible in line with the Code. The Brunel client group and Brunel are working together to ensure funds in the pool understand the requirements and disclose in a consistent manner. The FCA reporting template has yet to be issued. As a result CIPFA have confirmed 2018/19 disclosure is on best endeavours basis as data is still incomplete.

10	R01	System Failure – Failure of the Fund to ensure it has adequate and robust systems to ensure pensions are administered and paid in accordance with statutory obligations.	12-Sep-13	Pensions Manager	Admin Strategy	2						3			6	LOW	L	L	L	On target	The Fund has policies in place which are periodically reviewed to ensure statutory obligations are met. Financial Systems team provides expert technical support to the Pensions service. Operational agreements in place with/for (i) Financial Systems (ii) SLA with Heywood (software provider) (iii) B&NES IT for corporate systems (iv) APF DR policy (v) B&NES BCP (vi) Daily system back-up. Arrangements with FS & IT to undertake replacement server – expected to complete during 2019/20.
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Bath & North East Somerset Council	
MEETING:	AVON PENSION FUND COMMITTEE
MEETING DATE:	22 MARCH 2019
TITLE:	PENSION FUND ADMINISTRATION (1) EXPENDITURE FOR YEAR TO 31 JANUARY 2019 (2) CASHFLOW FORECAST
WARD:	ALL
AN OPEN PUBLIC ITEM	
List of attachments to this report:	
Appendix 1	Summary Financial Accounts: Year to 31 January 2019
Appendix 1A	Summary Budget Variances: Year to 31 January 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 10 months to 31 January 2019. This information is set out in Appendices 1 and 1A.

1.2 This report also contains the Cash Flow forecast for the year to 31 March 2019. This information is set out in Appendix 2

2 RECOMMENDATION

That the Committee notes:

2.1 The administration and management expenditure incurred for 10 months to 31 January 2019.

2.2 The Cash Flow Forecast at 31 January 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 10 months to 31 January 2019 are contained in **Appendix 1**.
- 4.2 The forecast for the year to 31 March 2019 is for expenditure to be £111,202 below budget.

Within the directly controlled Administration budget expenditure is forecast to be £191,202 under budget. The forecast reduction in directly controlled expenditure is mainly related to salaries, in particular delays in filling vacant posts. The IT Strategy is also under spent by £71,202, due to the product offer from the supplier regarding Employer Self Service being revised. This budget had previously been brought forward from 17/18.

- 4.2 In that part of the budget that is not directly controlled, there is a forecast overspend of £80,000. Custody fees are forecast to be overspent by £50,000. This relates to invoices paid in the current year for services provided in 17/18 (in 17/18 there was an under spend of £28,000). Invoicing was delayed due to the change in custodian in December 2017. The 2018/19 custody fees are in line with the budget. Brunel Management Fees are charged a quarter in advance – the current budget forecast is an over spend of £45,000 due to extra costs approved by Shareholders during the year. Compliance costs are predicted to be overspent by £30,000, mainly due to higher costs of the interim valuation, specifically around data quality. There is a forecast underspend on investment advice of £40,000 as fewer projects undertaken than envisaged at beginning of the year.
- 4.3 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. Net cash outflows 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 2018 - 2021 Service Plan included a cash flow forecast showing a gross in-flow of c£178.3m and a gross out-flow of c£177.9m giving a net inflow in 2018/19 of just under £0.4m. The forecast gross inflow included £26m divestments and investment income.

The actual cash flow to 31 January was an inflow of c£0.6m against a budgeted outflow of c£12.4m for the same period. The difference was mainly due to the drawing down of £35m divestments and investment income cash in a single transfer,

rather than taking it in smaller transfers throughout the year as was the previous practise.

The forecast outturn for the year to 31 March 2019 is currently a cash inflow of c£6.1m more than predicted in the Service Plan. Despite higher than predicted payments of Lump Sum benefits, these are more than offset by higher receipts of future service contributions and the advanced drawing down of investment income as explained above. The net cash inflow for the year will reduce the size of the required draw down of divestment and investment income cash in 2019/20.

6 EQUALITIES

6.1 No items in this Report give rise to the need to have an equalities impact assessment.

7 CONSULTATION

7.1 None appropriate.

8 ISSUES TO CONSIDER IN REACHING THE DECISION

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

9 ADVICE SOUGHT

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	Martin Phillips Finance & Systems Manager (Pensions)) Tel: 01225 395259.
Background papers	Various Accounting Records
Please contact the report author if you need to access this report in an alternative format	

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AVON PENSION FUND
SUMMARY FINANCIAL ACCOUNT : YEAR ENDING 31 MARCH 2019

	10 MONTHS TO 31st JANUARY 2019			FULL YEAR 2018/19		
	BUDGET £	ACTUAL £	VARIANCE £	BUDGET £	FORECAST £	VARIANCE £
Administration						
Investment Expenses	17,813	10,275	(7,537)	21,375	21,375	0
Administration Costs	61,993	64,979	2,986	74,392	74,392	0
Communication Costs	60,516	55,692	(4,823)	72,619	72,619	0
Payroll Communication Costs	70,976	79,471	8,495	85,171	85,171	0
Information Systems	206,171	225,573	19,402	247,405	247,405	0
Salaries	1,708,164	1,608,941	(99,223)	2,049,797	1,929,797	(120,000)
Central Allocated Costs	447,556	269,325	(178,231)	537,067	537,067	0
IT Strategy	60,168	0	(60,168)	72,202	1,000	(71,202)
Miscellaneous Recoveries/Income	(184,035)	(144,134)	39,901	(220,842)	(220,842)	0
Total Administration	2,449,322	2,170,122	(279,199)	2,939,186	2,747,984	(191,202)
Governance & Compliance						
Investment Governance & Member Training	319,483	255,855	(63,628)	383,380	343,380	(40,000)
Members' Allowances	31,883	(10,491)	(42,375)	38,260	38,260	0
Independent Members' Costs	23,333	21,433	(1,900)	28,000	28,000	0
Compliance Costs	473,588	522,382	48,794	568,305	598,305	30,000
Brunel Expenses	20,833	15,958	(4,876)	25,000	25,000	0
Compliance Costs recharged	(271,667)	(208,140)	63,526	(326,000)	(326,000)	0
Total Governance & Compliance	597,454	596,996	(458)	716,945	706,945	(10,000)
Pensions Board	16,667	10,441	(6,225)	20,000	15,000	(5,000)
Global Custodian Fees	137,500	210,317	72,817	165,000	215,000	50,000
Brunel Management Fees	658,333	834,931	176,597	790,000	835,000	45,000
Investment Fees	20,174,230	14,502,461	(5,671,769)	24,209,076	24,968,408	759,332
Total Investment Fees	20,970,063	15,547,708	(5,422,355)	25,164,076	26,018,408	95,000
NET TOTAL COSTS	24,033,506	18,325,268	(5,708,238)	28,840,207	29,488,337	(111,202)

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APPENDIX 1A

Summary of main budget variances: Year to 22 March 2019

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

Expenditure Heading	Variance £*	Most Significant Reasons for Variance
Salaries	(120,000)	Reduced salaries expenditure due to:- - Delays in filling vacant posts against budget in both Investments and Benefits teams
IT Strategy	(71,202)	The budget includes underspends brought forward from previous years as the product offer from the supplier for Employer Self Service is being revised.
Administration	(191,202)	
Investment Governance & Member Training	(40,000)	Investment advice on projects lower as some projects not undertaken in year.
Compliance costs	30,000	Actuarial costs relating to interim valuation and admissions / exits higher than budgeted
Pensions Board	(5,000)	Board members have not taken up the level of training that was assumed to be required when the budget was set
Global Custodian Fees	50,000	Relates to invoices paid in current year for services provided in 17/18 (in 17/18 there was an under spend of £28,000)
Brunel Management fees	45,000	Charged a quarter in advance. The extra costs for 2018/19 were approved by the Shareholders (including appointment of private market administrator)
Expenditure Outside Direct Control	80,000	
Total	<u>(111,202)</u>	

*() variance represents an under-spend, or recovery of income over budget
+ve variance represents an over-spend, or recovery of income below budget

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AVON PENSION FUND

Cash Flow Forecast

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	TEN MONTHS TO 31 JANUARY 2019			FULL YEAR 2018/19		
	Forecast Per Service Plan	Actual	Variance	Forecast Per Service Plan	Out-turn Forecast	Variance
	£'000	£'000	£'000	£'000	£'000	£'000
Outflows						
Benefits						
		Pensions				
	(117,549)	(116,927)	622	(141,059)	(140,312)	747
	(22,122)	(27,164)	(5,042)	(26,546)	(32,596)	(6,050)
		Lump sums				
Total Benefits Outflows	(139,671)	(144,090)	(4,419)	(167,605)	(172,908)	(5,303)
Inflows						
Deficit recovery	12,627	14,253	1,626	16,836	16,140	(696)
Future service Contributions	101,613	105,541	3,928	135,484	140,722	5,237
Total Contributions	114,240	119,794	5,554	152,320	156,862	4,541
Net Cash Flow (Benefits and Contributions)	(25,431)	(24,297)	1,134	(15,285)	(16,047)	(762)
Divestments & Investment income received as cash	21,667	35,295	13,628	26,000	35,000	9,000
Net Transfers In & Out (budgetted as zero)	0	(1,074)	(1,074)	0	(1,288)	(1,288)
Administration costs	(8,605)	(9,282)	(677)	(10,326)	(11,139)	(813)
Net Cash In-Flow (Out-Flow)	(12,369)	642	13,012	389	6,526	6,137

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Bath & North East Somerset Council

MEETING:	AVON PENSION FUND COMMITTEE
MEETING DATE:	22 March 2019
TITLE:	WORKPLANS
WARD:	ALL
AN OPEN PUBLIC ITEM	
<p>List of attachments to this report:</p> <p>Appendix 1 – Investments Workplan to March 2020</p> <p>Appendix 2 – Administration Workplan to March 2020</p> <p>Appendix 3 – Committee Work plan to March 2020</p> <p>Appendix 4 – Investments Panel Work plan to March 2020</p> <p>Appendix 5 – Training Programme 2018-20</p>	

1 THE ISSUE

- 1.1 Attached to this report are updated workplans 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. In addition there is a Committee workplan which sets out provisional agendas for the Committee's forthcoming meetings.
- 1.2 The workplan for the Investment Panel is also included for the Committee to review and amend as appropriate. The May 2019 Panel meeting has been cancelled due to elections. The September 2019 Panel meetings will be extended if needed to accommodate extra papers.
- 1.3 The provisional training programme for 2019-21 is included as Appendix 5. It has been updated following the self-assessment exercise.
- 1.4 The workplans are consistent with the 2018-21 Service Plan but also include a number of items of lesser significance which are not in the Service Plan.
- 1.5 The workplans are updated quarterly.
- 1.6 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 workplans and training programme for the relevant periods be noted.

3 FINANCIAL IMPLICATIONS

3.1 There are no financial considerations to consider.

4 THE REPORT

4.1 The purpose of the workplans is to enable members to have a better appreciation of their future workload and the associated timetable. In effect they represent an on-going review of the Service Plan while including a little more detail. The plans are however subject to change to reflect either a change in priorities or opportunities / issues arising from the markets.

4.2 In 2019 the Triennial Valuation and a Strategic Investment Review will be undertaken and require a number of workshops to support the decision making. These will be updated following approval of the Strategic Review plan if required.

4.3 The workplans and training plan will be updated with projects arising when these are agreed.

4.4 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.

4.5 Please note that 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.

5 RISK MANAGEMENT

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

6 EQUALITIES

6.1 An Equalities Impact Assessment has not been completed as the report is for information only.

7 CONSULTATION

7.1 N/a

8 ISSUES TO CONSIDER IN REACHING THE DECISION

8.1 N/a

9 ADVICE SOUGHT

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	Liz Woodyard, Investments Manager; 01225 395306 Geoff Cleak, Pensions Manager, 01225 395277
Background papers	None
Please contact the report author if you need to access this report in an alternative format	

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. <ul style="list-style-type: none"> • Investment strategy for CB funded bodies • Strategic Investment review after 2019 Valuation <ul style="list-style-type: none"> ○ Review options for de-risking ahead of 2019 Valuation ○ Review asset allocations 	In progress Start 1Q19
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 2019/20 2020
2019 Valuation	Prepare following interim valuation Consider options for further de-risking of investment and funding strategies ahead of valuation Revise and agree Funding Strategy Statement	On-going June 2019 draft Sept 2019 approve
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 &	Annual review of external providers internal control	Annually

SAS70 reports	reports	
Investment Forum	To discuss funding and investment strategies and issues	4Q19
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

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 Q1 2019/20
i-Connect software – to update member data on ALTAIR pension database automatically monthly	All Unitary Authorities Live (BCC, B&NES, S.Glos – all live) <ul style="list-style-type: none"> North Somerset – In Progress (expected to go live by end March 19) All Other Employers (see strategic projects below; identified in 2018/21 Service Plan)	March 2019 September 2019
I-Connect Roll Out	Key projects identified in 2018/21 Service Plan To improve efficiency and performance Roll out of monthly returns across all employers (75% of active membership covered as at 31 January)	Ongoing
Address Tracing	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)	Completed Completed Completed Commencing Q2 2019/20
Member Aggregation	Aggregation/link option - Appx 3,869 cases (85% cleared at January 2019) Develop new process & clear outstanding backlog	In Progress
Reply Due		On hold due to resource move
2014 Scheme – refund option	Develop & Implement new process to manage increase in workload – impacting from April 2019	Commencing Q1 2019/20
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	In Progress Due completion March 2020
Historic Status 9 Cases (Old member leaver cases with no pension	Identify cases and contact former members (tracing agent support) concerning pension refund payment.	Ongoing Completion due 19/20

entitlement. Previously untraced)		
TPR Requirements	<p>Data Quality Management Control – ensure processes and reporting in place to reflect TPR compliance.</p> <p>Undertake review of overall data accuracy – incorporating new TPR Data Score requirements for Common and Scheme Specific data.</p> <p>Sept 2018 - Further guidance on scheme specific data measurements awaited from SAB/TPR/LGA</p>	<p>Completed</p> <p>On Hold Pending LGA Guidance</p>
Guaranteed Minimum Pension (GMP) Data Reconciliation Exercise Following cessation of Contracting out section April 2016	<p>Carry out full reconciliation with HMRC records to mitigate risk from holding incorrect GMP liability.</p> <p>Final stage – determine pension rectification actions</p>	<p>Ongoing</p> <p>Due Completion 18/19</p> <p>Due Q4 2019/20</p>
2017/18 Year End Process	<p>Ensure complete data receipt from employers and carry out reconciliation process. Issue member ABS prior to 01/09/2018</p> <p>(1) Issue employer data match file</p> <p>(2) Deadline for data receipt (30/4/18)</p> <p>(3) Deadline for reconciliation (end June 18)</p> <p>(4) ABS production timetable (July/August)</p> <p>(5) Member AA Notifications (by 6 Oct 18)</p>	<p>Completed Jan 18</p> <p>Completed</p> <p>Completed</p> <p>Completed</p> <p>Completed</p>
Move to Electronic Delivery of generic information to members	<p>Continue to move to electronic delivery to all members (other than those who choose to remain with paper).</p> <p>Campaign to increase the sign up of members to Member Self Service (<i>My pension online</i>)</p>	<p>Ongoing</p> <p>Ongoing</p>
Review Pension Admin Strategy	Review & update current PAS (2015) for approval by Pensions Committee	Report at March Committee
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 June 2019 Committee

Committee Work plan to March 2020

JUNE 2019
PB minutes
Roles & Responsibilities of the Committee – reference only
Pension Fund Administration – Performance Indicators for Year and Risk Register
Budget & Cashflow Monitoring 2018/19 – outcome
Annual Review of Investment Strategy & Performance
Report on Investment Panel Activity
Noting of draft Accounts 2018/19
Approval of Draft FSS for consultation
Update on Legislation
Update on Brunel Pension Partnership
Approval of Committee's Annual Report to council
Workplans
Planned Workshops: Pre meeting workshop: Mercer session on FSS and valuations; PB to be invited (will have valuation updated for financial markets only)

SEPTEMBER 2019
PB minutes
Review of Investment Performance
Pension Fund Administration –Performance Indicators and Risk Register
Budget & Cash flow Monitoring
Approval of FSS (post Consultation)
Report on Investment Panel Activity
Annual Review of Risk Management Strategies
Annual Responsible Investing Report
Update on Brunel Pension Partnership
Noting of Final Accounts 2018/19
Update on Legislation
Pension Board Annual Report
Work plans
Planned Workshops: September - Investment Strategy review workshop 1

DECEMBER 2019
PB minutes
Strategic Investment Review for approval
Draft ISS for consultation with PB
Review of Investment Performance for Quarter
Pension Fund Administration –Performance Indicators for Quarter and Risk Register
Budget & Cashflow Monitoring
Report on Investment Panel Activity
Update on Brunel Pension Partnership
Update on Legislation
Workplans
Planned Workshops: October /November - Investment Strategy review workshops 2&3

MARCH 2020
PB minutes
2019 Actuarial Valuation outcome report & Covenant review
Revised ISS post review and 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
Audit Plan
Review of AVC arrangements
Report on Investment Panel Activity
Update on Brunel Pension Partnership
Update on Legislation
Workplans
Planned Special meeting: Strategic Investment Review – Revised Strategy

INVESTMENT PANEL WORKPLAN

Panel meeting	Proposed agenda
May 2019	<ul style="list-style-type: none"> • Cancelled due to elections
September 2019 (extended meeting)	<ul style="list-style-type: none"> • Review performance • Transition of assets - plan update • Introduce Brunel Client reports for assets managed by Brunel • Consider options for Equity protection and LDI strategies given 2019 valuation market levels • Implementation considerations from strategic review
November 2019	<ul style="list-style-type: none"> • Review performance • Transition of assets - plan update • Agree future strategy for equity protection and LDI post strategic review workshops • Implementation considerations from strategic review
February 2020	<ul style="list-style-type: none"> • Review performance • Transition of assets - plan update • Implementation considerations from strategic review • Agree Private Market commitments to Brunel portfolios (by 31 March 2020)

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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 2019 Committee meeting Induction training
2	Overview of Fund Strategies	Scheme outline and structure Administration Strategy Communications Strategy Risk Register	Committee	Committee papers
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 Process for appointing managers Monitoring managers and performance measurement Fees Strategic Review Brunel: <ul style="list-style-type: none"> Asset transition plan Monitoring of performance and service delivery 	Committee Workshops Committee	Quarterly monitoring report 3&4Q19, 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 Investment Strategy for Corporate Bond bodies	Investment Panel Investment Panel & Committee Investment Panel	Panel reports Annually Part of LDI monitoring

7	Responsible Investment Policy	Policy principles Implementation	Committee	Annual RI report
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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