

Democratic Services

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Date: 18 February 2016

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To: All Members of the Pension Board

Howard Pearce

Gaynor Fisher

Steve Harman

Tom Renhard

David Yorath

Chief Executive and other appropriate officers

Press and Public

Dear Member

Pension Board: Thursday, 25th February, 2016

You are invited to attend a meeting of the **Pension Board**, to be held on **Thursday, 25th February, 2016 at 10.30 am** in the **Kaposvar Room - Guildhall, Bath.**

The agenda is set out overleaf.

Yours sincerely

Sean O'Neill
for Chief Executive

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This Agenda and all accompanying reports are printed on recycled paper

NOTES:

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

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

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

Appendices to reports are available for inspection as follows:-

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

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

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

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

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

Pension Board - Thursday, 25th February, 2016
at 10.30 am in the Kaposvar Room - Guildhall, Bath

A G E N D A

1. EMERGENCY EVACUATION PROCEDURE
2. APOLOGIES FOR ABSENCE
3. DECLARATIONS OF INTEREST
4. TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR
5. ITEMS FROM THE PUBLIC
6. ITEMS FROM MEMBERS
7. MINUTES: 5 NOVEMBER 2015 (Pages 7 - 16)
8. CHAIRMAN'S UPDATE
The Chairman will give a verbal update.
9. MINUTES OF AVON PENSION FUND COMMITTEE 11TH DECEMBER 2015 AND 3RD FEBRUARY 2016 (Pages 17 - 38)
10. MINUTES OF AVON PENSION FUND COMMITTEE INVESTMENT PANEL 18TH NOVEMBER 2015 (Pages 39 - 44)
11. LOCAL GOVERNMENT PENSION FUND UPDATES AND DEVELOPMENTS (Pages 45 - 48)
12. BENCHMARKING UPDATE (Pages 49 - 80)
13. COMPLIANCE REPORT (Pages 81 - 106)
14. RISK REGISTER AND INTERNAL AUDIT UPDATE (Pages 107 - 136)

15. BREACHES PROCEDURE (Pages 137 - 148)
16. PENSION BOARD BUDGET (Pages 149 - 152)
17. TRAINING UPDATE (Pages 153 - 168)
18. WORKPLAN UPDATE (Pages 169 - 176)
19. CHAIRMAN'S REVIEW OF MEETING

The Chairman will give a verbal review of the meeting.

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

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BATH AND NORTH EAST SOMERSET

PENSION BOARD

Thursday, 5th November, 2015

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

Also in attendance: Andrew Pate (Strategic Director, Resources), Tony Bartlett (Head of Business, Finance and Pensions), Jeff Wring (Head of Audit West) and Andy Cox (Audit Manager)

16 EMERGENCY EVACUATION PROCEDURE

The Democratic Services Officer read out the procedure.

17 APOLOGIES FOR ABSENCE

There were none.

18 DECLARATIONS OF INTEREST

There were none.

19 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

The Chair thanked officers for the excellent training session on LGPS benefits administration that had taken place before the meeting. Members had noted the many changes taking effect on 1st April 2016 that would impact on pension funds. These included:

- negative CPI
- the State Second Pension
- National Insurance changes
- tax changes

The Head of Business, Finance and Pensions invited Members to let officers know if they felt a need for more information on specific issues. This could be provided via a phone call or a training session, as appropriate. Members said that they would be helped by more information on the valuation process and by looking at key comparative data for other LGPS funds. The Head of Business, Finance and Pensions said that comparative information would need to put in context by taking into account demographic and longevity data for each area.

RESOLVED it was agreed that the 2016 valuation and comparative benchmarking of the fund should be part of future training and future pension board work respectively.

20 ITEMS FROM THE PUBLIC

There were none.

21 ITEMS FROM MEMBERS

A Member questioned the appropriateness of some of the paperwork on the agenda. He said that as he understood it, the role of the Board was to focus on governance, compliance and risk. He therefore wondered why, for example, it was necessary for the Avon Pension Fund's latest financial statements and that had already been approved by the Pension Fund Committee, to be copied with the agenda. The agenda papers of the Committee were already easily accessible to Members, and he wondered what the Board was supposed to do with this agenda item and how it could add value. Another Member said that information presented to the Board needed to be contextualised.

The Chair said that the Board had only just been established and was still in the process of establishing a mode of operation, it had to keep its statutory duties in clear view at all times. These were to secure compliance with the LGPS regulations and the requirements of the Pensions Regulator and ensure efficient and effective governance and administration of the scheme. To do that it was vital that Members should read and understand the papers that had gone to the Pensions Committee in order to perform their role, but the Board would not necessarily need to receive exactly the same papers. The Board should be examining the basis of how decisions were taken by the Pensions Committee and their implementation.

The Member who had raised this issue suggested that the Board should be examining whether the Committee was doing what it was supposed to be doing, or whether there were any gaps. The Chair agreed and, said that in future the Board should assure itself, for example, whether the Report and Accounts of the Avon Pension Fund had been prepared in accordance with LGPS regulations and CIPFA LGPS accounting guidance.

The Head of Business, Finance and Pensions said the Fund's annual report contained important information about governance, and drew attention to the section on fund governance beginning on page 134 of the agenda. This should be useful background information for Members and it was important that Members were aware that it existed.

RESOLVED that future Board agendas will enable Members to raise issues on the content and format of meeting papers.

22 MINUTES OF PREVIOUS MEETING

The minutes of the meeting of 30 July 2015 were approved subject to the following amendment:

page 4, item 14, last paragraph: "monitor compliance" should be "monitor and secure compliance"

The Chair requested an update on the progress of appointing the two additional Members of the Board (Minute 8). The Head of Audit West reported that a potential candidate for the additional employer representative had been identified, and that the recruitment process for the remaining employee representative would close in the

first week of December. He confirmed that the Board should be up to full strength by the time of the next meeting.

The Chair invited Members to give feedback on their experience of the fund training (Minute 13) so far and members indicated it was useful.

23 AVON PENSION FUND COMMITTEE MINUTES

The Board considered the Minutes of the Avon Pension Fund Committee meeting of 25th September 2015.

A Member asked about Agenda Item 29 and the Committee's unwillingness to approve a collective investment vehicle in principle. The Head of Business, Finance and Pensions said this arose from a lack of clear guidance from the Government. There had been speeches and references in the Budget, but nothing definite. However, the Committee had understood that the Government intended to compel funds to adopt collective investment procedures if they did not do so voluntarily. Under these circumstances the Committee had not rejected the principle, but had adopted a cautious approach and had authorised continuing work with the other Funds on proposals for a collective investment vehicle.

A Member noted the information in agenda item 27 to overpayments of contributions by Bristol City Council and asked what arrangements had been put in place to prevent a recurrence. The Head of Business, Finance and Pensions said he did not know off hand whether the money had been repaid; it was up to Bristol City Council to decide whether they wanted a repayment, or for the fund to treat the overpayment as a prepayment of contributions. The issue arose because before the last valuation calculating employer contributions had been simple: they were always 6% of pay. After the valuation employers had to contribute a lump sum towards deficit reduction, and there was no longer a simple method of calculating contributions. The Chair said that the overpayment was a systemic failure by Bristol City Council and, to some extent, the Fund's processes. Whilst it occurred before the establishment of the Pension Board it would provide a good example to think about in terms of the Breaches Policy and future reporting to the Pensions Regulator.

No issues were raised on the minutes of the Investment Panel meeting of 11th September.

RESOLVED to note the minutes of the most recent meetings of the Avon Pension Fund Committee and Investment Panel.

24 LGPS DEVELOPMENTS AND UPDATES

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

He said that the Government was encouraging LGPS funds to merge or pool their assets in order to reduce fees. In his budget speech the Chancellor indicated the direction of travel that he wanted, and set out some suggested criteria for the size of funds. The Chancellor wanted there to be six very large pooled funds. If funds did not pool investments voluntarily, there would be backstop legislation to force them to do so. The London Pensions Fund had established a partnership with the Lancashire

County Fund. Several LGPS funds in the South West, including the Avon Fund, had established a joint project to examine options for pooled investment. Options were being subjected to cost-benefit analysis. A pooled fund would not be created overnight; there were, for example, issues relating the pooling of liquid and illiquid funds. The Funds also had different strategies and funding levels. A Government statement is expected in November setting out criteria and a timetable, to which Funds will have to respond. Any proposed pooling arrangements would have to be approved by the individual governing bodies of each Fund.

A Member asked whether only investments would be merged or whether administration would be merged as well. The Head of Business, Finance and Pensions replied that it seemed likely that when a substantial portion of investments had been merged, there would be questions raised about merging administration. The Government had in fact looked at the possibility of merging all Funds into one in 2008. His expectation was that pooling investments would be a sufficient challenge for the next four–five years and that Government would not wish to change too much all at once.

The Chair reminded the Board that it should keep its terms of reference constantly in mind. There were no LGPS or TPR compliance issues involved in the pooling of Funds, because currently there were no specific regulations or legislation about it, but the Board did have interest in it because of its duty to ensure effective and efficient governance. The Board would be assisted in this by comparing how other funds were implementing pooling arrangements. He suggested that one positive action the Board could take would be to ask “what would governance look like in the future?” if there was a full pooling of assets.

The Head of Business, Finance and Pensions said that a move towards greater integration between Funds would raise governance issues about the role of the Council, the Committee and officers in relation to delegations.

A Member suggested that it was possible that participation in pooling arrangements might increase investment risks for the Avon Fund.

The Head of Business, Finance and Pensions commented on a table he had distributed, which summarised other changes affecting the LGPS. This is attached as Appendix 1. The Chair said that the presentation of this information in tabular form was extremely helpful and that he would welcome the presentation of appropriate information in this format at future meetings.

RESOLVED to note the report and latest developments and that Members should receive training about governance so that they had a clear understanding of the roles of the Council, the Committee, the Panel and the Board.

25 TRAINING PLAN UPDATE

The Head of Audit West introduced the report. He drew attention to Appendix 1, which tabulated the knowledge and skills responsibilities under the Pensions Regulator’s Code of Practice no 14. He said that training comprised several aspects. There was formal training provided by Pensions officers to Members, the second session of which had taken place immediately before today’s meeting. Secondly,

there was the possibility of joint events involving members of the Pension Boards of other Funds, but he suggested these would be more effective if these took place later after the initial period of getting the Boards up and running. Thirdly there was Members' individual learning; he drew attention to the competency self-assessment matrix in Appendix 2.

Members gave updates on their attendance at LGE Pensions Fundamental Course training events. No Member had yet completed the tPR e-learning trustee toolkit. The Chair said it would be good if they could do so by 31st March, so that it could be reported in the Board's first Annual Report.

Members discussed the self-assessment matrix. The Head of Audit West suggested that Members did not complete and return it until they had finished the Pensions Fundamental Course. He would then discuss with the Chair how Members' training records could be update.

RESOLVED to note the proposals to develop a training plan and for members to complete the tPR e-training by 31st March.

26 CONFLICTS OF INTEREST POLICY

The Chair said that he had requested that this item be put on the agenda because the Pensions Regulator's supervision of Local Pensions Boards would include checking whether they had a conflicts of interest policy and whether declarations of interest had been made as required.

The Head of Audit West presented the report. He said that further work had been done since the last meeting on whether the Board should have its own code of conduct and conflict of interest policy distinct from that of the Council. It was now proposed that it should, and the draft policy was given in Appendix 1 to the report. In response to a question from a Member, he said that the policy, if agreed, would come into effect from the end of the year.

RESOLVED to agree the policy at Appendix 1.

27 REGULATORY BREACHES POLICY

The Head of Audit West presented the report. He explained that there was a legal requirement on Local Pension Board Members (as well as Pension Fund Committee Members, officers, employers and advisers) to report material breaches of relevant laws and regulations to the Pensions Regulator. The Pensions Regulator Code of Practice no 14 advised that pension funds should have a procedure in place to identify and assess breaches.

The Head of Business, Finance and Pensions commented on the draft policy and clarified its context. He drew attention to the fact that the Board was being invited to recommend the policy to the Committee for adoption.

Members and officers discussed the draft policy. It was felt that before the policy could be recommended it needed further work on a number of aspects, including the

level of detail, the definition of materiality and the specific duties of Members of the Pension Board.

The Chair noted that other Pension Funds designate the Monitoring Officer rather than the Section 151 Officer as the responsible officer for recording and reporting breaches. The Strategic Director of Resources responded that in the case of the Avon Pension Fund the independent Section 151 Officer has responsibility for the day-to-day supervision of the Fund, which would be of great assistance to him in discharging the role of responsible officer for recording and reporting breaches.

RESOLVED that the policy should be revised and come to the Board's next meeting.

28 ANNUAL REPORT AND FINANCIAL STATEMENTS

The Chair said that as agreed in previous discussion the Board should seek to review the Fund's Annual Report and Accounts earlier in future years.

The Head of Audit West presented the report.

The Head of Finance, Business and Pensions commented on the External Audit Governance and Annual Report.

The Head of Audit West and the Audit Manager commented on the Internal Audit Report.

There was a discussion between Members and officers.

The Chair reiterated that the focus of the Board was on compliance with regulations and requirements. How would the Board get assurance that accounts had been prepared in accordance with regulations and CIPFA guidance? The Head of Business, Finance and Pensions responded that there were statutory requirements for reporting and rules about the reporting of assets and liabilities; breaches would be picked up by the external auditors.

The Strategic Director of Resources pointed out that there was now a separate external audit report for the Avon Pension Fund, and that following a recommendation from the external auditor the Committee had decided that the Fund would separate its bank account and other financial arrangements from the Council's. This was a good instance of the Fund improving its governance following advice, and established a good starting point for the work of the Board.

A member asked about the Governance Compliant statement in respect of the Committee composition. The Head of Business, Finance and Pensions referred to the changes in the composition of the Committee over the past ten years, including the appointment of Independent Members, who came from other areas and were entirely independent of the Fund. He thought the Committee now had a very broad representation of the Fund's members in the public sector. In the past few years, however, public sector functions had increasingly been outsourced to the private sector, as for example in the case of academies. Looking forward, there would an increasing number of members in organisations performing outsourced functions and some form of democratic means of representing them would have to be developed.

The Chair indicated the Pension Board would review the Fund's governance arrangements in due course.

A Member asked how the Investment Panel monitored transaction costs. The Head of Business, Finance and Pensions that responded that changes to CIPFA rules had revealed that many internal fees had not been disclosed in previous accounting statements. He said that there was difficulty in measuring transaction costs in pooled funds because the costs were shared; investment managers would have to do more analysis to ensure that they were fully measured, so it was not clear that there would be cost savings from the pooling of funds.

The Chair asked for the Board to be advised on the separation of the BANES and Avon fund accounting, and for clarification that the fund's next accounts would be prepared and audited against the CIPFA LGPS accounting disclosure checklist.

Responding to comments from Members, the Strategic Director of Resources said that it was not clear at present whether the audit programme of the Fund properly reflected the statutory role of the Board. This would only become clear over time.

RESOLVED to note the report and issues raised with regard to the future work plan of the Board.

29 ADMINISTRATION STRATEGY

The Head of Business, Finance and Pensions presented the report. He said that the strategy had been introduced in the context of the increasing complexity of regulations and the number of employers in the Fund. The Fund now had the power to charge employers for additional costs they imposed by poor administration or breach of regulations. The Administration Strategy was underpinned by an IT Strategy aimed at providing efficient and integrated digital services to employers and members. Responding to a question from a Member, he said that the Fund's officers offered employers staff training and encouraged Pensions staff to progress in their professional development. The Strategic Director referred to the section on Training and Development (agenda page 224) and suggested that this demonstrated a very proactive approach to training.

A Member commented that the Administration Strategy was a very comprehensive document.

The Chair said that the Board should receive a progress report on the Administration Strategy annually, including an indication of areas where there were problems, and information about the costs and benefits of the strategy.

RESOLVED to note the report and the issues raised with regard to the Board's future workplan.

30 AVON PENSION FUND WORK PLANS

The Head of Audit West presented the report. He said that this item had been included to provide to show the Board what the Fund was doing in order to provide a context.

RESOLVED to note the workplans and issues raised for the future work of the Board.

31 PENSION BOARD WORK PLAN

The Head of Audit West presented the report. He said that the draft plan in Appendix 1 was an attempt to set out the work of the Board for the next six months to one year.

The Chair said that it was important that the Board did not attempt to duplicate the work of the Committee. The Board should focus on the areas where it would add value. He hoped the Committee would provide feedback about whether the Board was adding value. The workplan would be a rolling programme, so should appear on each agenda.

RESOLVED to note the report and the work plan outlined in Appendix A.

32 DATE OF NEXT MEETING

25th February 2016.

The meeting ended at 4.28 pm

Chair(person)

Date Confirmed and Signed

Prepared by Democratic Services

List of recent Consultations / Surveys and Issues expected to affect Scheme Administration

Body Involved	Subject	Description	Relevant Date	APF response	Follow up
H M Treasury	Consultation on a Public Sector Exit Payment Cap	<ul style="list-style-type: none"> cap the total cost of all forms of exit payments available to individuals leaving employment to £95,000. apply the cap to all types of arrangement for determining exit payments. 	27/08/2015	Yes	HM Treasury Response to consultation issued 16/09/2015 Basically as per consultation
H M Treasury	Strengthening the incentive to save: a consultation on pensions tax relief	To get views on how pension savings should be treated for tax relief	30/9/2015	Yes	No response expected before next budget
HM Treasury	March and Summer Budget Changes to HMRC Allowances	Introduction of restricted annual allowance for members earning over £150,000 and Lifetime allowance reduction to £1m		N/A	Subject to Finance Bill currently being processed through Parliament
The Pensions Regulator	Public service governance and administration survey 2015	To inform TPR where Administering authorities were with implementing Code of Practice 14	07/09/2015	Yes	N/A
Office of National Statistics	Occupation pension Scheme Survey	Analyse the extent to which employees in UK are covered by occupational pension schemes	30/10/2015	Yes	N/A
DCLG	Consultation on Best Value and staff transfer direction Order	<p>The government published guidance for Fair Deal on outsourcing from public Sector schemes excluding local government in Oct 2013</p> <p>DCLG are to set out how this will affect Best Value employers</p>	awaited		Minister is currently being briefed on this matter and consultation is expected shortly
Scheme Advisory Board	LGPS Fund benchmarking exercise 2015	a national exercise to benchmark the performance of all LGPS funds in England and Wales during late 2015 prior to a mandatory exercise linked to 2016 triennial valuations.	31/10/2015	Yes	Findings to be considered during Dec 2015 to submit recommendations to DCLG for 2016 Valuation process

List of recent Consultations / Surveys and Issues expected to affect Scheme Administration

Scheme Board sub committee	Review of ill Health retirement IDRP	Views requested from Scheme Employers	12/10/2015		Recommendations to be submitted to Scheme Advisory Board
LGA Pensions	The Markets in Financial Instruments Directive (MiFID II)	its impact on LGPS investments	03/01/2017	Yes	Report will be send to committee and all fund managers contacted

AVON PENSION FUND COMMITTEE

Minutes of the Meeting held

Friday, 11th December, 2015, 2.00 pm

Bath and North East Somerset Councillors: David Veale (Chair), Christopher Pearce (Vice-Chair), Paul Myers, Cherry Beath and Shaun McGall

Co-opted Voting Members: Councillor Steve Pearce (Bristol City Council), Councillor Mary Blatchford (North Somerset Council), Councillor Mike Drew (South Gloucestershire Council), William Liew (HFE Employers), Richard Orton (Trade Unions), Ann Berresford (Independent Member) and Shirley Marsh (Independent Member)

Co-opted Non-voting Members:

Advisors: Tony Earnshaw (Independent Advisor) and Steve Turner (Mercer)

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

38 EMERGENCY EVACUATION PROCEDURE

The Democratic Services Officer read out the procedure.

39 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Apologies were received from Cheryl Kirby, Steve Paines and Wendy Weston.

40 DECLARATIONS OF INTEREST

There were none.

41 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

There was none.

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

There were none.

43 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

There were none.

44 MINUTES: 25 SEPTEMBER 2015

A Member drew attention to a formatting problem at the bottom of page 4 of the minutes resulting in 'RESOLVED' and the list of items resolved being split between pages.

The minutes were otherwise approved as a correct record and signed by the Chair.

45 LGPS POOLING OF INVESTMENTS - UPDATE

The Investment Manager presented the report.

Pooling of Investments

She drew attention to the DCLG's criteria and guidance document, which was attached as Appendix 4 to the report (agenda page 71). The key criteria were listed in paragraph 4.4 of the covering report. She drew attention to the criteria that pooling proposals must demonstrate reduced costs with no deterioration in investment performance, and that pools should improve the capacity to invest in infrastructure.

There were very tight deadlines for the next stages of the process as detailed in paragraph 4.4(b) of the covering report. An outline proposal has to be submitted by 19 February next year and a detailed proposal by 15 July 2016. The Government will examine whether initial pooling proposals are likely to meet their objectives and, if necessary, will have "conversations" with funds.

The SW group of funds is the most advanced on progress to pooling. They had commenced a joint project in August 2015 following the Chancellor's announcement in July. The SW group is looking for additional partners, including funds outside the Southwest, and has changed its name to Project Brunel. Oxfordshire Pension Fund had recently decided to join the group. It is expected that the £25bn pooled investment target will be achieved.

She suggested that it was important that the Government had set a baseline for cost savings and that this recognised that significant savings had already been achieved through framework agreements and changes to procurement, for example.

A meeting had been arranged in January 2016 for the Chairs and Vice-Chairs and Section 151 Officers of all the funds at which the business case would be discussed. All the relevant Councils/funds would have to decide on whether to accept the pooling proposal in principle by 5 February. This would leave two weeks for any remaining details to be settled before the 19 February deadline. Because of this timescale it was proposed that the power to approve any proposals or expenditure relating to the project be delegated to a working party, with an opportunity for all Members to comment.

The Committee then debated a number of issues including:

- the appropriateness or not of a geographical grouping
- ability to invest in local infrastructure
- the apparent lack of joined-up thinking in Government that could lead to projected costs savings from pooling being negated by MIFID II.

The Head of Business, Finance and Pensions responded that there was a history of co-operation between the funds in the Southwest, which made it easy for them to work together on pooling. Elsewhere large funds were establishing joint arrangements with smaller funds in other areas, like the London fund working with the Lancashire fund. In many cases geographical factors were not the main drivers. The Investment Manager added that shared values were important, and this would be made clear to potential new partners.

A Member said that having recently attended a recent LAPFF meeting, he was aware that civil servants recognised the difficulties in the way of co-operation because of differences between funds. He was not convinced that the Government would be able to comply with its own timetable.

A Member said that the Avon Fund was efficiently administered by its local officers and she was concerned that administration might be centralised.

The Head of Business, Finance and Pensions said that as the pooling model developed, there would have to be compromises because of the differences between funds. They had different investment managers and different governance arrangements, for example. The work would really begin after the detailed proposal is submitted next July. There would be a long transition period. However, the Fund's investment strategy would continue to be driven by the Committee in the interests of its members.

A Member said that she would regret any loss of local control over the Fund and that she would not wish to see investments being made to the detriment of the Fund's members. The Head of Business, Finance and Pensions responded that strategy and policy would remain with the Committee. For operational reasons powers would have to be delegated to managing the pool, but there would be a recall process if the Committee felt that the pool was not working effectively.

The following points were raised by members:

- the savings accruing to the Avon Pension Fund, the largest in the pool, would be less than those of the other funds. A request was made to officers to produce an assessment of the savings that could be expected for the Avon Fund
- votes on pool investment decisions should be weighted in accordance with the number of members in each fund, so that smaller funds did not have undue influence

The Investment Manager responded to these points. She agreed that further work needed to be done on potential savings; this was difficult because investment costs changed over time as the strategy evolves. However, it would be reasonable to assume the larger funds would save less as they may already benefit from lower fee rates; the project had been set up on the basis of equality across funds, hence one vote for each fund in a pool; equally the fund would not want to be disadvantaged by a large fund joining a pool and acquiring a dominant influence over the pooling decisions.

There was then a debate about the circulation of information outside the meeting agenda, investing in infrastructure, delegation to a working party and proposed governance for the pooled body.

Members were not supportive of a working party, so the Investments Manager replied that officers would be happy to arrange a special meeting, but it could only take place after the report was ready and long enough before the deadline for submission to Government for any details to be finalised. Information had been circulated outside the meeting agenda as not all documents were available at the time the Committee papers were published. The document had been sent to Members so that they would have the information before the meeting. Things were happening fast and the pace of developments did not always fit well with the Committee's meeting schedule and regular processes.

The Head of Business, Finance and Pensions explained that the detailed proposal to be submitted in July would have to be approved by the full council of each administering authority and by the Environment Agency. The submission in February would simply state that the pool would have a governance structure which could take one of various forms. Defining the structure would be part of the follow-on work, in which the Committee would be fully involved. The time frame was so tight that it was important that officers continued to work on the draft proposals. It was not certain that all the other funds in the Southwest would ultimately support pooling arrangements, though at present they seemed to be so inclined. A special Committee meeting would be arranged if Members wished to have one.

A Member objected to the Government doing things before legislation had been passed giving them the power to do them. When a Bill was eventually introduced, it might be amended in its passage through Parliament, and there might be conflict between new regulations and existing legal rules about the fiduciary duties of trustees, particularly in relation to infrastructure investment. How will it be decided whether such investment is in the interest of the members of the Fund? He felt that the Government knew in broad outline what it wished to achieve, but lacked a clear sense of the powers it had, or would need to have, to achieve it. What the Government wanted to do might not be in the interest of the members of the Fund. Another Member asked how a Government minister would be qualified to take decisions about which infrastructure projects to invest in.

The Head of Business, Finance said that in the draft Regulations the Treasury was given powers to intervene if funds did not co-operate; it was better for funds to submit their own proposals that they believe will be in the best interests of their members voluntarily rather than have something imposed on them by government.

A Member said that she was concerned about whether the Fund was actually empowered to do things in response to a Government initiative. As she saw it, the role of the Committee was to ensure that the assets of the Fund were managed effectively, and Members believed they were doing that. However, because of this Government initiative the Committee had agreed to spend £25,000 of members' money on a project on pooling, without knowing the amount, or the Fund's share, of any costs savings that were likely to be achieved. She wanted assurance that the Committee was legally empowered to do this; perhaps the Council should be paying for this work. The Head of Business, Finance and Pensions replied that he had consulted a Council lawyer and had been advised that the Council had delegated to the Committee the power to appoint investment managers. The Committee had

delegated that power to another body, though it was not entirely clear that it had the power to sub-delegate powers delegated to it by the Council. That is why any new arrangements would have to be approved by the Council. In response to a question from a Member, he explained that the proposal put to Council would be in the form of a recommendation from the Committee.

A Member said that she feared that responsibilities were being blurred, so it would be hard to identify who was to blame if anything went wrong. The Head of Business, Finance and Pensions said that the new governance structure was emerging very slowly; the Southwest group had simply got on with work on this project on the basis that if they did not, something was likely to be imposed by Government. The Investment Manager said that what ultimately determined the Fund's performance were the Funding Strategy and the Investment Strategy, which would remain the responsibility of the Committee; she recalled that a Government document had stated that asset allocation would remain the responsibility of local funds.

A Member said that it was important that the Committee should meet in the Spring, at a stage when it could still influence outcomes, rather than being presented with a fait accompli in the Summer.

The Head of Business, Finance and Pensions said that the Chair, the section 151 Officer and he would be attending a Project Brunel meeting in January at which they would report the Committee's views and concerns.

The Chair assured the Committee that the officers and he recognised the seriousness of this issue. The Government was setting a challenging timetable, just as they were in relation to local devolution. He was confident that officers would continue to act in the interest of the Fund.

Consultation on LGPS investment Regulations

The Investment Manager reported that on 25 November DCLG had launched a consultation on revoking and replacing the current LGPS Regulations. New Regulations were required to facilitate the pooling of assets. Responses were required by 19 February 2016, the same date as the deadline for initial pooling proposals. The Regulations were based on a prudential framework. The requirement for a Statement of Investment Principles would be replaced by a requirement for a Statement of Investment Strategy, which would have to include the fund's approach to pooling assets. There would no longer be a requirement for short-term performance monitoring; the focus would be on the longer term. There will be powers allowing the Secretary of State to intervene. The consultation document would be circulated to Members by email, and they were invited to let the Investment Manager have their comments.

RESOLVED:

1. To note the information in the report.
2. That an emergency meeting of the Committee will be held in early February at which a report and recommendations on pooling proposals will be presented.

46 MIFID II - IMPLICATIONS FOR LGPS FUNDS

The Investment Manager presented the report.

She said that the Markets in Financial Instruments Directive (MIFID II) is an EU Directive, which was due to come into force from 1 January 2017. This directive classifies LGPS funds as retail not professional clients. An announcement that its implementation would be delayed until 2018 is anticipated. This would allow further time for its impact to be assessed. Investment managers would have to monitor compliance and would need to set up complex systems to do this. There was a risk was that some managers might not want to manage retail funds. In addition, MIFID II might make pooling of assets and investment in infrastructure more difficult for LGPS funds.

A Member asked whether it was possible to make a representation asking for LGPS schemes to be exempted from this Directive, which did not apply to private pension schemes. She also noted the statement in the report that LGPS funds were not separate entities from the local authorities and that this may be reviewed. The Investment Manager replied that there was discussions about the possibility of separating LGPS funds from their administering authorities, and that the implications of this Directive might feed into that. The LGPS Scheme Advisory Board was supposed to be doing work on this, but it was on hold because of delays in appointments to the Board. The LGA was in discussions about an exemption for LGPS funds with the FCA (responsible for MIFID II in UK).

A Member asked whether any work was being done in relation to the Avon Fund opting for professional status. The Investment Manager said this was not possible until the Government clarified the criteria. The fund was in discussions with managers. Most of the Fund's managers probably would regard us as a professional investor, but evidence of that would have to be presented. It was hoped that discussions between Government and the LGA would result in a relatively straightforward process for LGPS funds to opt for professional status.

RESOLVED to note the potential impact of MIFID II on the Fund and the actions being taken to manage the risk to the Fund's investment portfolio.

47 INTERIM VALUATION AND 2016 VALUATION PROCESS

The Investment Manager presented the report, which summarised the information given to the Committee at the workshop in October. She reminded Members that there had been a great deal of discussion at the workshop about the appropriate discount rate to use in the next valuation. The actuary was concerned that if gilt yields were again used to calculate this, too much prudence would be built into the funding strategy, resulting in higher than necessary contributions from employers. However, whatever the base used to calculate the discount rate, the same level of prudence would be sought as at the last valuation. Because this would be the first experience of a valuation for many Members of the Committee, it was proposed that there should be a workshop in March to explain the principles of the Funding Strategy Statement (FSS). A draft FSS would be put before the Committee at the June meeting and would then be sent to employers for consultation. The final FSS would be approved by the Committee at the September meeting.

In reply to a question from a Member, the Investment Management clarified that calculation of the discount rate by the real expected asset return above the CPI baseline assumption was the current recommendation from the actuary, and might change in accordance with the circumstances prevailing at the time of the valuation.

RESOLVED to note the information set out in the report including the timetable for the 2016 valuation.

48 REPORT ON INVESTMENT PANEL ACTIVITY

The Assistant Investments Manager presented the report.

Liability Management

He reminded Members that the aim was to put a framework in place to manage the mismatch between the changes in the value of assets and liabilities over time, thus allowing the Fund to minimise funding level volatility and stabilise employer contribution rates more effectively. In June the Committee had requested the Panel reviewed the range of investment options available to more effectively manage liability risks, how they could be implemented and the cost. The Panel had taken two decisions as noted at 4.2 a) and 4.2 b). The interim step recommended in 4.2 a) would be beneficial irrespective of whether the full proposal was eventually implemented, and would not reduce the expected return on assets.

Rebalancing policy

The policy of the Fund is to rebalance the portfolio back to the target allocations after market movements cause allocations to vary by a certain amount. Rebalancing is important because it ensures that the Fund is invested in accordance with strategic asset allocations. It can also add value over time as it forces selling of relatively expensive assets and the purchasing of relatively cheaper assets. The Committee was invited to agree the recommended changes to the rebalancing policy as set out in 4.3 a) of the report.

A Member expressed concern about the potential for overtrading. He was unable to find information in the papers about how often illiquid assets would be rebalanced. The Investments Manager referred to line 7 of the table on page 171 of the agenda. Mr Turner said that he did not think overtrading would take place; he considered that the proposed new policy would establish a much clearer framework for decision making. The Member requested that the Investment Panel should monitor trading frequency. Mr Turner suggested that the main issue would be ensuring that the Fund was close to the target allocation of some asset classes, which depended on the draw-down period and whether the manager had called on all the capital that the Fund had committed. The Fund might also find that it was below a target allocation, because the value of other assets had risen, in which case it would be a question of catching up, rather than rebalancing back.

The Investments Manager said that it was proposed that a workshop on the funding strategy should be combined with a workshop on the concept of liability-driven investment (LDI), after which Mercer would draft a framework to be considered by the Panel before it came to Committee. The LDI strategy should be considered as part of the valuation debate.

RESOLVED:

1. To agree the recommendation to increase the benchmark allocation and allocation range to index-linked gilts as at paragraph 4.2 a) of the report, to better match liabilities.
2. To note the decision by the Panel to prepare a framework to more effectively use the investment assets to match the liabilities, as set out in paragraph 4.2 b) of the report.

49 INVESTMENT PERFORMANCE AND STRATEGY MONITORING REPORT

The Assistant Investments Manager presented the report. Over the quarter the funding level had decreased by 4%, because the value of the assets had fallen and a fall in the discount rate had increased the liabilities. Over the year since September 2014 the funding level had fallen from 83% to 72%, primarily because of the fall in gilt yields increasing the value of the liabilities. These figures were based on the 2013 valuation level, so are different to those given in the interim valuation report. The asset portfolio had underperformed the returns required by the Funding Strategy over the year, but returns were in line with the Strategy over three years. He invited the Committee to approve the revised Statement of Investment Principles (Appendix 4 of the report). The minor changes in the revised Statement reflected changes in the hedge funds and currency hedging mandates agreed by the Committee.

Mr Turner commented on the Mercer investment report. He said that market conditions had been difficult, with a general flight from risky assets, such as equities, into more secure assets, such as gilts. This had caused the “double-whammy” of a fall in the value of assets and an increase in the value of the liabilities. It was likely that US interest rates would rise next week, the first increase in ten years. This would be the opposite of what most countries were doing. It was not clear how markets would respond to the rise. It might make it difficult for the Fund’s managers to continue to generate the level of outperformance they had achieved over the last 4-5 years. He drew attention to the table of manager performance on agenda page 219. The relative performance of Jupiter appeared good, but the asset class in which they invested had fallen further than some others. Pyrford and Standard Life, despite their negative returns in the quarter, were playing the role they were expected to in the strategy. Mercer would introduce changes to this table to give a more informative picture of performance.

In response to a question from a Member he said that in the buoyant equity markets of the past few years it had been relatively easy to generate good returns. In the future, managers like Pyrford, who had an unconstrained approach, would be increasingly useful in navigating market volatility.

The Independent Investment Adviser suggested that the performance table was misleading because Pyrford and Standard Life had relatively high cash-based benchmarks. Mr Turner agreed this was the case.

A Member referred to the Government's wish that funds should focus on returns in the long term rather than the short time, and suggested that a lack of monitoring in the short term might result in an unpleasant surprise in the long term. Mr Turner said he agreed, but he thought the Government was trying to lessen the burden on administering authorities by reducing the amount of detail they had to consider. The Investment Manager said that the Government was worried that a focus on the short term resulted in funds changing managers too frequently, resulting in higher costs. Officers would continue to monitor managers quarterly in order to identify whether there was a trend of poor performance.

A Member expressed concern about the use of bank accounts by terrorist organisations. These accounts might be with a bank in which the Fund was invested, giving rise to a reputational and investment risk to the Fund. He wanted assurance that any banks in which the Fund had an investment were trying to prevent such use. The US Treasury had a project on terrorist funding and on recruitment by terrorist organisation, which would be reviewing internet and phone companies; there might be reputational and investment risk to Fund here as well. The Head of Business, Finance and Pensions replied that this was a real risk. He thought that the most the Fund could do was to ask its investment managers how they addressed this risk when considering investments. The Member responded that if the companies managing internet infrastructure did not know who was using it, then they were not in control of their business, which raised questions about whether it was appropriate to invest in them. He acknowledged this was a difficult issue for an individual fund, but felt it should be a concern for the wider investment community.

RESOLVED:

1. To note the information set out in the report.
2. To note the LAPFF Quarterly Engagement Report.
3. To agree the minor updates to the Statement of Investment Principles (SIP) as explained in section 7 of the report and to approve the revised SIP in Appendix 4.

50 BUDGET AND CASHFLOW MONITORING REPORT

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

He said that the finance and administration reports had now been separated to permit a clearer focus on each aspect.

Directly-controlled administration budget expenditure was forecast to be £50,000 below budget. This resulted from the delay in appointing staff to assist in the GMP data reconciliation project, the delay in appointing a Custody & Finance Officer and savings on communication costs. In the part of the budget not directly controlled, expenditure was forecast to be under budget by £793,000, because investment manager fees were below the level assumed when the budget was prepared. The forecast net outflow of cash was £16m, compared with £24m forecast in the Service Plan 2015/16. The reasons for this were set out in paragraph 5.2 of the report.

A Member asked whether the termination deficit payment referred to in 5.2 was actually a cash inflow rather than an employer's secure bond. The Investment Manager confirmed that it was.

RESOLVED to note:

1. The administration and management expenditure incurred for 7 months to 31 October 2015.
2. The cash flow forecast to 31 March 2016.

51 PENSION FUND ADMINISTRATION - PERFORMANCE INDICATORS AND RISK REGISTER

The Pensions Benefit Manager presented the report.

He said this was the first combined administration performance and Data Improvement Plan report (the latter being introduced as a requirement following the introduction of The Pension Regulator Code of Practice 14).

Performance

There were no significant issues to report. The Balanced Scorecard showed that the key performance indicators were all within or near target. However, there was a slight underperformance on the processing of early leaver cases, mainly due to the increased workload in this area following the year-ending data cleansing exercise. There had been a further increase overall in work cases during the reporting period, attributable mainly to data reconciliation and a build-up of aggregation cases.

The Avon Pension Fund also administers the Firefighters Pension Schemes on behalf of Avon Fire and Rescue Service. Recent developments relating to the Fire scheme had significantly impacted on workload:

- the scheme had become a CARE-based scheme in April 2015; much staff time was dedicated to implementing the new scheme and providing training events
- Retained firefighters had been granted access to the scheme on an historic basis. The Fund provided training to Fire Authority HR and Finance staff and detailed calculations on admission of qualified members
- The Ombudsman had made a decision in the case of Milne v. GAD in favour of Milne. As a result additional payments would have to be made to certain Firefighter scheme leavers whose pensions had commenced between December 2001 and August 2006. Payments in these cases would total about £2.2m and would be made within the next two months. All payments will be funded by Fire Authority
- DCLG had also advised that firefighters who had joined the old Firefighters Pension Scheme before the age of 20 and had 30 years of service would be allowed to take a contributions holiday from the age of 48 up to the age of 50. Further details on this are awaited from DCLG

There was a requirement to issue an Annual Benefit Statement to all members by 31st August. Only 105 statements were not issued by this deadline, and this was because nine employers failed to provide any year-end information at all. Penalties charges would be imposed on employers who failed to meet the advertised criteria for correct and timely supply of data at year end. It was vital now the LGPS scheme was no longer a final salary scheme that current data was held for each member. He drew attention to the table of TPR Improvement Plan Data in Appendix 8 on agenda page 277; there was an increase in the number of leavers being identified. Additional efforts would be made to engage with and train employers. Officers would visit employers, because in general those employers attracting penalty charges were not interested in attending training workshops or conferences. Continuing refinement of the performance reports would allow problem employers to be targeted.

A Member asked whether it was possible to estimate the additional costs being imposed by new Government requirements. The Head of Business, Finance and Pensions replied that it was difficult to estimate the costs, but officers were spending much more time on compliance and employer engagement. There were 220 employers in the scheme, which would rise to over 400 as schools became Academies. Not all employers could be expected to understand their duties in relation to pensions. There was no doubt that the Fund's costs would increase. How much they would increase would depend on how effective the Fund's IT systems and the policing of the governance arrangements within employers were.

A Member asked about the accuracy of data in relation to the CARE scheme, for example about hours worked. The Pensions Benefit Manager replied that work would have to begin in the near future to identify gaps in data held. There would need to be reconciliation between contributions received and the CARE data collected from employers. Employers did not really understand their obligations, despite the large amount of information circulated and training offered. There were issues relating to unpaid sickness entitlement, APC's and AVCs that they did not have to deal with before.

A Member said she was encouraged by the level of data completeness and accuracy reported for the Fund, particularly in the light of a survey published that day, which had revealed a shocking picture for pension funds in general. It was obvious that The Pensions Regulator would need to address this, so the regulatory burden would not get lighter.

RESOLVED to note:

1. The Summary Performance Report to 30 September 2015.
2. Performance Indicators and Customer Satisfaction feedback for 3 months to 30 September 2015.
3. Progress on the Data Improvement Plan.
4. The Risk Register.

52 INTERNAL DISPUTES RESOLUTION PROCEDURE

The Pensions Benefit Manager presented the report. He said that the revised procedure reflected the new LGPS regulations and took into account guidance received from The Pensions Regulator as set out in its Code of Practice 14. He invited the Committee to approve the revised procedure.

A Member said that she thought two months before a response was sent was too long. She also thought it was not clear who was involved at Stage 2. The Pensions Benefit Manager replied that most cases would be dealt with by the employer, which is Stage 1. At Stage 2 cases are dealt with by the Fund. The attached appendix to the report outlines the responsibility at each stage of the process.

RESOLVED to approve the Internal Disputes Resolution Procedure as outlined in the report.

53 WORKPLANS

The Investments Manager presented the report. She reminded that Members' attendance at training events was reported in the Annual Report and Accounts and in the Annual Report to Council. Members had been invited to undergo training to meet the requirements of the CIPFA Knowledge and Skills Toolkit within their first year on the Committee.

RESOLVED to note the workplans and training programme for the relevant periods.

The meeting ended at 4.08 pm

Chair(person)

Date Confirmed and Signed

Prepared by Democratic Services

AVON PENSION FUND COMMITTEE

Minutes of the Meeting held

Wednesday, 3rd February, 2016, 3.00 pm

Bath and North East Somerset Councillors: David Veale (Chair), Christopher Pearce (Vice-Chair), Paul Myers, Cherry Beath and Shaun McGall

Co-opted Voting Members: Councillor Steve Pearce (Bristol City Council), Councillor Mary Blatchford (North Somerset Council), Councillor Mike Drew (South Gloucestershire Council), Richard Orton (Trade Unions), Ann Berresford (Independent Member) and Shirley Marsh (Independent Member)

Co-opted Non-voting Members: Steve Paines (Trade Unions)

Advisors: Tony Earnshaw (Independent Advisor)

Also in attendance: Tony Bartlett (Head of Business, Finance and Pensions) and Matt Betts (Assistant Investments Manager)

54 EMERGENCY EVACUATION PROCEDURE

The Democratic Services Officer read out the procedure.

55 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Apologies were received from William Liew, Cheryl Kirby and Wendy Weston.

56 DECLARATIONS OF INTEREST

There were none.

57 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

There was none.

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

There were none.

59 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

There were none.

60 MINUTES: 11TH DECEMBER 2015

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

A Member requested an update on Minute 46 (MFID II – Implications for LGPS Funds). The Assistant Investments Manager replied that the criteria by which the Fund would be classified either as a professional or a retail investor were still not known. It was also unclear when the Regulations would come into effect; there was still talk about them being delayed for at least a year. The Head of Business, Finance and Pensions said that impression given at an LGA meeting in January was that the Treasury was unconcerned about the proposal, and would not take any steps to counter it.

61 EXCLUSION OF THE PUBLIC

The Committee having been satisfied that the public interest would be better served by not disclosing relevant information and in accordance with the provisions of Section 100(A)(4) of the Local Government Act 1972, **RESOLVED** that the public should be excluded from the meeting for agenda items 8 and 9 and the reporting of these items be prevented under Section 100A(5A), because of the likely disclosure of exempt information as defined in paragraph 1 and 2 of Part 1 of Schedule 12A of the Act, as amended.

62 LGPS POOLING OF INVESTMENTS - PROPOSAL

The Head of Business, Finance and Pensions introduced this item.

After discussion, it was **RESOLVED** to agree the recommendations with one amendment.

63 DRAFT INVESTMENT REGULATIONS - CONSULTATION

The Assistant Investments Manager introduced this item.

After discussion it was **RESOLVED** to delegate approval of the final response to the consultation to the Chair.

The meeting ended at 5.18 pm

Chair(person)

Date Confirmed and Signed

Prepared by Democratic Services

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

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AVON PENSION FUND COMMITTEE - INVESTMENT PANEL

Minutes of the Meeting held

Wednesday, 18th November, 2015, 9.30 am

Members: Councillor Christopher Pearce (Chair), Councillor David Veale, Councillor Cherry Beath, Ann Berresford, Councillor Mary Blatchford and Shirley Marsh

Advisors: Tony Earnshaw (Independent Advisor), Steve Turner (Mercer) and James Giles (Mercer)

Also in attendance: Tony Bartlett (Head of Business, Finance and Pensions), Liz Woodyard (Investments Manager), Matt Betts (Assistant Investments Manager) and Matthew Clapton (Investments Officer)

12 EMERGENCY EVACUATION PROCEDURE

The Democratic Services Officer read out the procedure.

13 DECLARATIONS OF INTEREST

There were none.

14 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

There were none.

15 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

There was none.

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

There were none.

17 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

There were none.

18 MINUTES: 11 SEPTEMBER 2015

The public and exempt minutes of the meeting of 11 September 2015 were approved as a correct record and signed by the Chair.

19 MANAGING LIABILITIES - ADDITIONAL ANALYSIS

The Investments Manager introduced this item. She reminded members that at the previous meeting they had examined the concept of better matching the Fund's asset base to its liabilities and thereby reducing volatility in the funding position. They had considered the use of index-linked gilts to help with the management of inflation

risks throughout the portfolio. At the end of the discussion the Panel had asked for further work to be done, in particular on how the framework would impact on the Fund's portfolios in terms of cash flow. Mercer's had accordingly prepared another presentation, which had been circulated with the agenda. She said that if the decision was taken to adopt the proposal in principle, the implementation would be spread over a period of years and would be taken into account in the next valuation.

Mr Turner and Mr Giles commented on the Mercer document *Risk management framework – further training and scenario analysis*, which had been circulated with the agenda.

Mr Turner said the aim was to address the volatility in and growth of the deficit with a long-term plan to manage risk in an effective way. He reminded Members that since the last valuation the funding level had been as high as 87%, but had now come down to about 75%. Liabilities had increased. At the previous meeting the Panel had decided to implement the first step, which was to switch the Fund's current holdings in fixed interest and overseas and overseas government bonds into index-linked gilts (to hedge 12% of the Fund). Mercer was in addition proposing that leveraging should be used to allow the Fund to match 36% of funded liabilities. The presentation gave details of the hedging instruments that could be employed. These were divided into physical instruments (fixed-interest gilts, corporate bonds, and index-linked gilts) and synthetic/derivative instruments (interest rate swaps, inflation swaps and gilt repos).

The report by Mercer was debated with significant discussion around the concept of leverage, the risks arising from leverage and how they would be managed including credit and counterparty risk and how the cash flows would be effectively hedged.

Responding to comments from the Independent Investment Adviser and from Members about the timing of investments, Mr Turner said timing was important, but there would never be a magic bullet to cope with short-term market changes; what was important was having a long-term plan to increase the level of protection. He did not think that interest rates would rise significantly in the near future. However, the deficit had risen, which would affect the valuation this year, and as the scheme is still open the liabilities will continue to grow.

The Chair asked Mr Turner about the supply of instruments to hedge the liabilities as supply might dry up as an increasing number of pension schemes invested in them, with the implication that the Fund should invest in them as soon as possible. Mr Turner thought that an increase in demand of a magnitude that would exhaust the supply was unrealistic, but a large volume of transactions would keep yields down. The Investments Manager said this needed to be put in context, by, for example, comparison with how gilt yields had behaved over the past 10-20 years. Gilt yields are lower than they would be, because of pressure from pension funds to hedge their liabilities. But there were other factors, such as expectations for interest rates and inflation and the Government's stated intention to have a budget surplus rather than a deficit, which made it difficult to predict the trend in gilt yields. Mr Turner said that there was reason not to delay hedging, and the Fund should be considering a three-year programme to increase its investment in hedging instruments.

Representatives from Insight Asset Management gave a presentation on how an investment manager would implement such a strategy and how they would manage the risks and cashflows.

Responding to a question from a Member, the Investments Manager said that hedging of liabilities could be done within a pooling arrangement of LGPS funds, or could be kept independent of the pooling arrangements.

Members had further questions about the complexity of the concept, the mechanics of implementation and the difficulty of assessing the risks involved. One said LGPS funds are reluctant to get involved in such investments, because their complexity is challenging. Mr Turner replied that LGPS funds now regularly invested in asset classes that had once seemed too complex.

A Member asked how many LGPS funds were currently using this kind of hedging strategy. Mr Turner said that there were about ten.

The Head of Business, Finance and Pensions referred to the court ruling some years ago that it was unlawful for local authorities to invest in interest rate swaps, which was made after some local authority treasury departments had been using them for about seven years. Local authorities were therefore still cautious about this type of instrument. A Member asked whether it was now lawful for LGPS funds to invest in them. The Investments Manager replied said the investment regulations were going to be reviewed, and when updated should allow funds to adopt an investment framework that would allow this. However, funds were currently able to invest via pooled funds. It would take a long time to develop a liability hedging framework, which was why work on it had begun now.

RESOLVED:

1. That, in principle, the Fund should put a framework in place to more effectively use the investment assets to match the liabilities.
2. To prepare a framework to be considered by the Panel for recommendation to the Committee. The proposal will bring together the work done to date and the proposed framework, including a 3 year plan to increase the level of matching and a longer term plan to reach a target level of matching when affordable.

After the discussion was concluded, the Head of Business, Finance and Pensions said that it was likely that Members still had questions about these issues. He suggested that it would be unproductive if at the next meeting there was a rerun of today's discussions, so he invited Members to email any questions or concerns to the Investments Manager. Officers would then prepare a response identifying the benefits that could be achieved from this proposal.

The Chair said that a great deal of information had been presented to Members, and that it was important not to let the details obscure the fundamental issues. He said that a future report should focus on the basic principles and on how and when the proposal might be implemented. The Investments Manager suggested that the framework and the timescale of implementation could not be discussed until the basis for the next valuation was known.

20 REBALANCING POLICY

The Assistant Investments Manager presented the report. He said that there were target allocations for the different asset classes in the Fund, which were permitted to

drift within defined ranges. Rebalancing was important to ensure that the Fund's assets remain invested in line with the target investment strategy. It also forced the selling of relatively expensive assets and the purchase of relatively cheap assets, tending to add value over time.

The Fund's current rebalancing policy was given in Appendix 1. For liquid assets the present policy allowed rebalancing between growth and stabilising assets when the balance deviated by +/-2%, and automatic rebalancing took place when the deviation was +/- 5%. Mercer had reviewed the policy, and were proposing narrower ranges and a more robust decision-making framework to reflect their views on the market outlook for different asset classes. The table on agenda page 163 showed the proposed rebalancing ranges. Two rebalancing ranges were set for each asset class in addition to the neutral range, according to whether the assets were deemed unattractive or attractive. Mercer's dashboard on page 127 summarised their view of the attractiveness of different asset classes. .

The proposed delegations for the operation of the policy were set out in subparagraphs 4, 5 and 6 of paragraph 6.1 of the report.

The Investments Manager explained that rebalancing was used for cash management.

A Member commented that the 'attractive' range proposed for emerging markets of 9-15% appeared high and out of line with the +/-1% 'neutral' range. She suggested that it might be the right time to increase the benchmark allocation of 10% for emerging markets, where good growth was to be expected in the longer term. Mr Turner said that benchmark for equities overall was 50%, of which emerging markets accounts for about one fifth of this and was a significant allocation.

RESOLVED to recommend to the Committee:

1. the revised rebalancing policy set out in Appendix 3 Section 1.
2. the implementation of the policy to be delegated to officers in consultation with the investment consultants where appropriate, as set out in Appendix 3 Section 2.

21 REVIEW OF INVESTMENT PERFORMANCE

The Assistant Investments Manager introduced this item and summarised the key performance information. He reported that Schroders were still rated amber on the RAG monitoring report, but their relative one-year performance had improved significantly. The mandates with Signet and Gottex had been terminated, so they no longer appeared in the RAG report.

Mr Turner commented on the Mercer investment performance report.

A Member said that she would like to know the ESG ratings of the Fund's investment managers. Mr Turner said this information could be provided.

RESOLVED to note the report.

The meeting ended at 12.23 pm

Chair(person)

Date Confirmed and Signed

Prepared by Democratic Services

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Bath & North East Somerset Council		
MEETING:	LOCAL PENSION BOARD - AVON PENSION FUND	
MEETING DATE:	25 th February 2016	AGENDA ITEM NUMBER
TITLE:	LGPS Update – Latest Developments	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendix 1 – Summary of Consultations & Surveys		

1 THE ISSUE

- 1.1 This report summarises key developments within the Local Government Pension Fund sector, the most significant of these is the proposal for pooling of investments

2 RECOMMENDATION

That the Board

- 2.1 Notes the report and latest developments and considers the issues in light of their own work plan.

3 FINANCIAL IMPLICATIONS

- 3.1 There are no direct implications related to the Pension Board in connection with this report.
- 3.2 With regard to the Pension Fund there will be costs associated with setting up a pooled arrangement. These are a matter for the Pension Fund and will be costed once there is a decision as to the pooling arrangements to be established.

4 REPORT

- 4.1 In November the Board was updated on key national developments regarding the future of Local Government Pension Funds and full detail on the proposed pooling arrangements. The implications in this area are highly significant and could lead to major changes to future governance structures with regard to Local Government Pension Funds.

- 4.2 The Head of Pensions will verbally update the Board on the latest position with regard to these significant changes and also refer to the key developments and consultations outlined at Appendix 1.

5 RISK MANAGEMENT

- 5.1 A proportionate risk assessment has been undertaken and no significant issues to report, as this is an information report.

6 EQUALITIES

- 6.1 An equalities impact assessment is not necessary.

7 CONSULTATION

- 7.1 Report has been subject to consultation with the S151 Officer.

Contact person	Tony Bartlett, Head of Business Finance & Pensions 01225 477302 Liz Woodyard, Investments Manager 01225 395306 Jeff Wring, Head of Audit West 01225 477323
Background papers	
Please contact the report author if you need to access this report in an alternative format	

App1 - List of recent Consultations / Surveys and Issues expected to affect Scheme Administration - FEB 2016

Body Involved	Subject	Description	Relevant Date	APF response	Follow up
H M Treasury	Consultation on a Public Sector Exit Payment Cap	<ul style="list-style-type: none"> To cap the total cost of all forms of exit payments available to individuals leaving employment to £95,000. apply the cap to all types of arrangement for determining exit payments. <p>Expected implementation: Autumn 2016</p>	27/08/2015	Yes	<p>HM Treasury Response to consultation issued 16/09/2015</p> <p>Part of Enterprise Bill now going through Parliament</p>
H M Treasury	Consultation: Public Sector exit payment recovery regulations:	Draft regulations for the recovery of exit payments for employees earning over £85,000 who are re-employed	25/01/2016	Yes	Expected to be operative from 01/04/2016
H M Treasury	Strengthening the incentive to save: a consultation on pensions tax relief	To get views on how pension savings should be treated for tax relief	30/09/2015	Yes	Further considerations expected in March budget
H M Treasury	March and Summer Budgets 2015 Changes to HMRC Allowances	Introduction of restricted annual allowance for members earning over £150,000 and Lifetime allowance reduction to £1m	06/04/2016	N/A	Implementation from 2016/17 tax year
The Pensions Regulator	Public service governance and administration survey 2015	To inform TPR where Administering authorities were with implementing Code of Practice 14	07/09/2015	Yes	Further survey to follow Valuation exercise
DCLG	Amendment regulations	Changing anomalies from scheme Changing the way service is aggregated between LGPS Employers	As specified in regs	When regulations issued	Awaiting DCLG to issue draft regs soon
	Consultation on Best Value and staff transfer direction Order	<p>The government published guidance for Fair Deal on outsourcing from public Sector schemes excluding local government in Oct 2013</p> <p>DCLG are to set out how this will affect Best Value employers</p>	Awaited as part of amendment regulations		<p>“all the issues have now been resolved and awaited for permission to get the Minister’s agreement to start the consultation”</p> <p>[DCLG at 16 2 2016]</p>

App1 - List of recent Consultations / Surveys and Issues expected to affect Scheme Administration - FEB 2016

Scheme Advisory Board	LGPS Fund benchmarking exercise 2015	a national exercise the performance of all LGPS funds in England and Wales during late 2015 mandatory exercise linked to 2016 triennial valuations.	31/10/2015	Yes	Findings to be considered during Dec 2015 to submit recommendations to DCLG for 2016 Valuation process
Scheme Board sub committee	Review of ill Health retirement IDRPs	Views requested from Scheme Employers Recommendations to be submitted to Scheme Advisory Board	12/10/2015	N/A	On hold until review of ill health process for all public sector schemes
LGA Pensions	The Markets in Financial Instruments Directive (MiFID II)	its impact on LGPS investments	03/01/2017	Yes	Report will be send to committee and all fund managers contacted
Page 48 DCLG	Consultation on proposals to revoke and replace the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009	1. A package of reforms that propose to remove some of the existing prescribed means of securing a diversified investment strategy and instead place the onus on authorities to determine the balance of their investments and take account of risk. 2. The introduction of safeguards to ensure that the more flexible legislation proposed is used appropriately and that the guidance on pooling assets is adhered to. This includes a suggested power to allow the Secretary of State to intervene in the investment function of an administering authority when necessary.	19/02/2016	Yes Having been presented to Committee & sent by 15/02/2016	DCLG to review responses and issue regulations
DCLG	Local Government Pension Scheme: Investment Reform Criteria and Guidance	Guidance on Pooling investments	Initial Proposals by 19/02/2016 More detailed by 15/07/2016	Yes after Initial discussions with other LGPS funds in South West	DCLG can impose on authorities if process not sufficiently adopted Discussions still ongoing

Bath & North East Somerset Council		
MEETING:	LOCAL PENSION BOARD	
MEETING DATE:	25 February 2016	AGENDA ITEM NUMBER
TITLE:	Pension Fund Benchmarking	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
CIPFA – PENSIONS ADMINISTRATION BENCHMARKING		

1 THE ISSUE

- 1.1 The purpose of this item is to report to the Pension Board the results of the CIPFA Benchmarking club survey 2015.

2 RECOMMENDATION

- 2.1 That the Pension Board is asked to note the report.

3.0 CIPFA BENCHMARKING CLUB REPORT 2014 - Introduction

3.1 Each year, the Avon Pension Fund (APF) participates in the CIPFA Benchmarking Club exercise for Pension Administration. Following completion of an in-depth questionnaire on its administration processes, it receives a report detailing performance and costs comparisons against the other members of the Benchmarking Club.

3.2 For 2014/15 the Benchmarking Club comprised of 44 authorities (out of a total of 89) compared with 49 taking part in the exercise in 2013/14. The survey is reflective of pension administration only. It must be assumed that all administration authorities will have different structures. The Avon Pension Fund has an overall single team structure incorporating administration (including pensions payroll) accounting and investments. Where necessary data provided has been allocated separately to accurately reflect true administration costs.

4.0 Administration Costs

4.1 The APF cost per member remains competitive at £16.55 against the average fund (£19.17). In 2014/15 the Funds costs decreased by 10.4% by comparison to the previous year £18.27 reflecting both a higher than normal level of staff turnover during the reporting period in addition to three separate undertakings of staff secondment outside of the Fund. The APF continues to have higher costs than average in areas where resources and investment have been prioritised. Particular factors to note are:

- (i) Communication costs £2.21 remain higher than the club average (£0.78) as the Fund continues to develop and implement its communication objectives in accordance with the service plan and published Pensions Administration Strategy promoting greater use of electronic delivery of communication material and data access.
- (ii) Staff costs remain competitive demonstrating that the Fund benefits from economies of scale as membership growth has exceed capacity growth – the benefits administration team handle c.19 % more scheme members per staff member than the comparator group average.

5.0 Membership

5.1 The membership profile demonstrates that APF is broadly in line with the benchmarking group average with pensioner/dependant representing 26.6% (avge 27.8%) deferred members 35% (35.5%) deferred 37% (31.1%). The higher than average number of deferred members together with lower average unprocessed leavers 0.4% (2.1%) reflects the ongoing member data cleansing process set up as part of the annual year end exercise. Additionally, the number of frozen refunds 1.6% reflects the current 3 year project to clear historic refund cases.

5.2 The Funds' portfolio has continued to grow in excess of the comparator funds with the increase in numbers of Academies and Admitted bodies.

6.0 Administration

6.1 APF has the highest recorded proportion of joiners and leavers measured in the group. The two significant figures are reflected in the increase in numbers of new starters automatically enrolled into the scheme and the higher than average number of member deferred leavers as a result of APF's ongoing data cleansing process and the number of members opting out following auto enrolment.

7 EQUALITIES

7.1 An equalities impact assessment is not necessary as the report is primarily for information only.

8 CONSULTATION

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

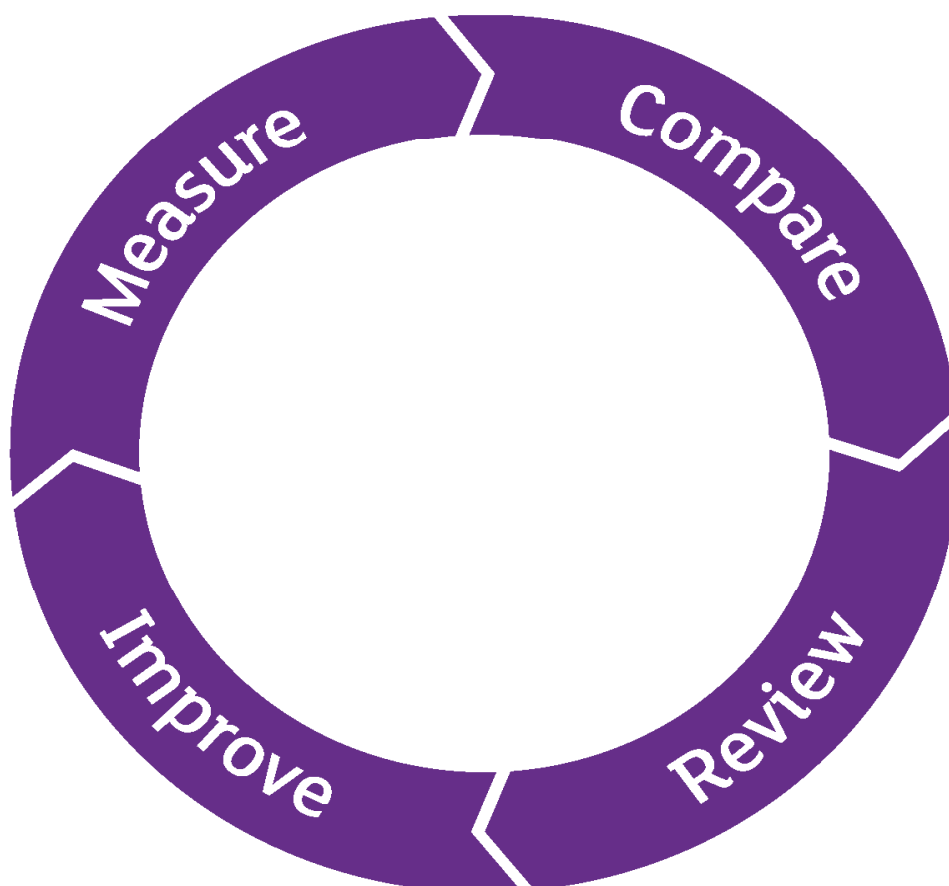
Contact person	Geoff Cleak – Acting Pensions Manager (Tel: 01225 395277)
Background papers	<i>CIPFA REPORT</i>
Please contact the report author if you need to access this report in an alternative format	

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Information Services

pensions administration benchmarking club

2015 - Bath Final Report



PREFACE

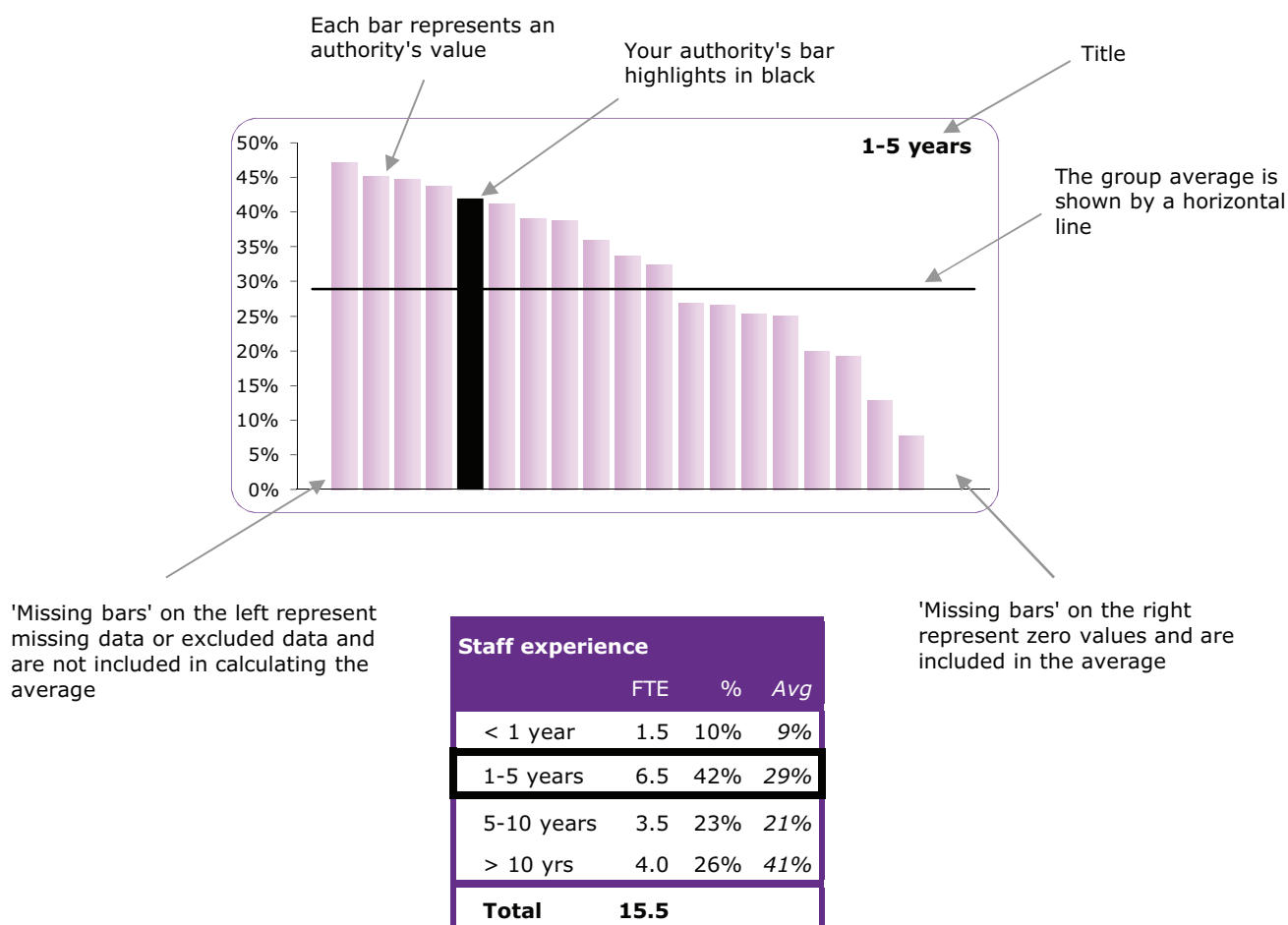
This report compares your data with the group of authorities specified on the title page.

Throughout the report your figures are shown in tables and in graphical form. If you are not familiar with our reports we hope this page will help you to better understand the way we present this data.

Averages: Almost all of our tables and charts compare your figure with a group average. The average is the unweighted mean value for the group. This average value ignores missing data, or data that we have excluded and for this reason sets of averages sometimes do not reconcile precisely.

Charts: We display a large amount of data on charts as this allows us to show the data for the entire group efficiently and gives far more information than a simple average (i.e. range of data, individual authority values etc.). Below we have annotated an example chart to help explain what they are showing.

Bar Charts: These are our standard method of displaying a full set of data



INTRODUCTION

This report compares your performance with the group of authorities specified on the title page. It is divided into the following sections.

	Page
1 Summary 2015	4
2 Cost Measures	5
3 Workload Measures	11
4 Staff Related Measures	20
5 Industry Standard Performance Indicators	24
6 Comparison by method of service delivery } <i>final reports</i>	25
7 Timeseries } <i>final reports only</i>	26

Section 1 - Summary 2015

This page provides a brief summary of the most salient aspects of the report.

Section 2 - Cost Measures

This section concentrates on cost/member ratios starting with total cost/member which is then broken down by staff costs, payroll costs, direct costs, overheads and income. Further analysis of direct costs and overheads is also provided in this section.

Section 3 - Workload Measures

The first measure of workload is the number of members in the scheme, which is shown along with a breakdown by class of membership. This is followed by an analysis of the number and type of LGPS employers.

Other workload measures include:

- Joiners and leavers with a full analysis of the various types of retirements
- Number of quotations provided and actual events processed
- AVCs, ARCs and Added years
- Appeals

Section 4 - Staff Related Measures

The measures included here are an analysis of staff numbers by pay band, sickness absence, pensions work experience, staff qualifications and staff turnover.

Section 5 - Industry Standard Performance Indicators

In this section we show how authorities perform against each of the LGPC performance indicators.

Section 6 - Comparison by Method of Service Delivery (final report only)

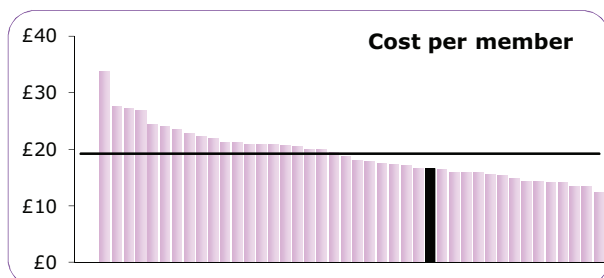
This shows members' costs and averages compared for in-house and externally managed pension schemes.

Section 7 -Timeseries (final report only)

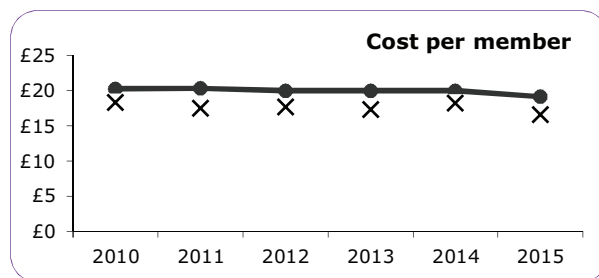
This shows the individual members' performance over time compared to the club average for cost per member, which is analysed over staff cost and other costs.

SECTION 1 - SUMMARY 2014/15

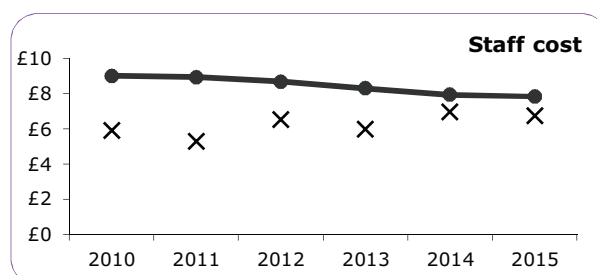
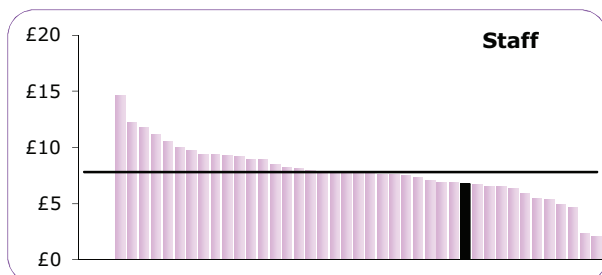
NET COST / MEMBER 2014/15



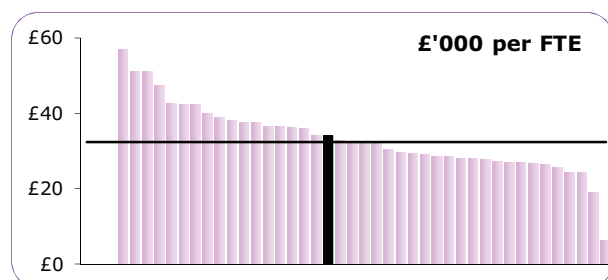
● Club average
X Bath



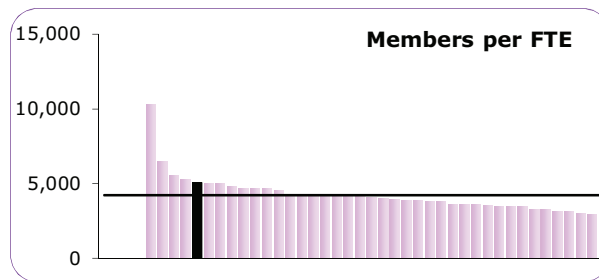
STAFF COST / MEMBER 2014/15



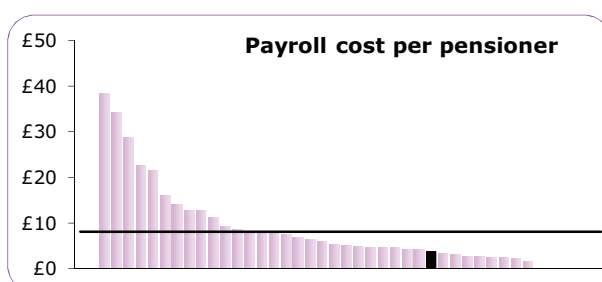
COST £'000 / FTE



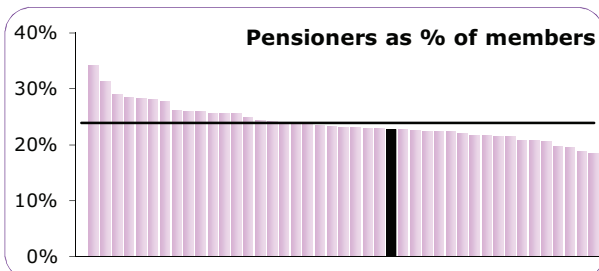
MEMBERS LGPS / ADMIN FTE



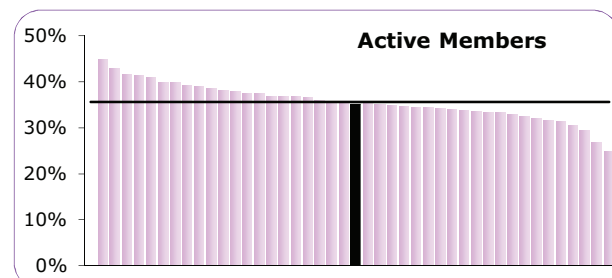
PAYROLL COST / PENSIONER



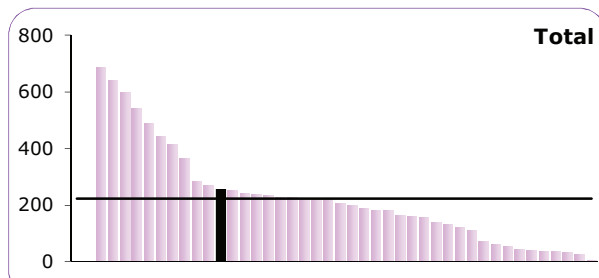
PENSIONERS AS A % MEMBERS



ACTIVES AS A % MEMBERS



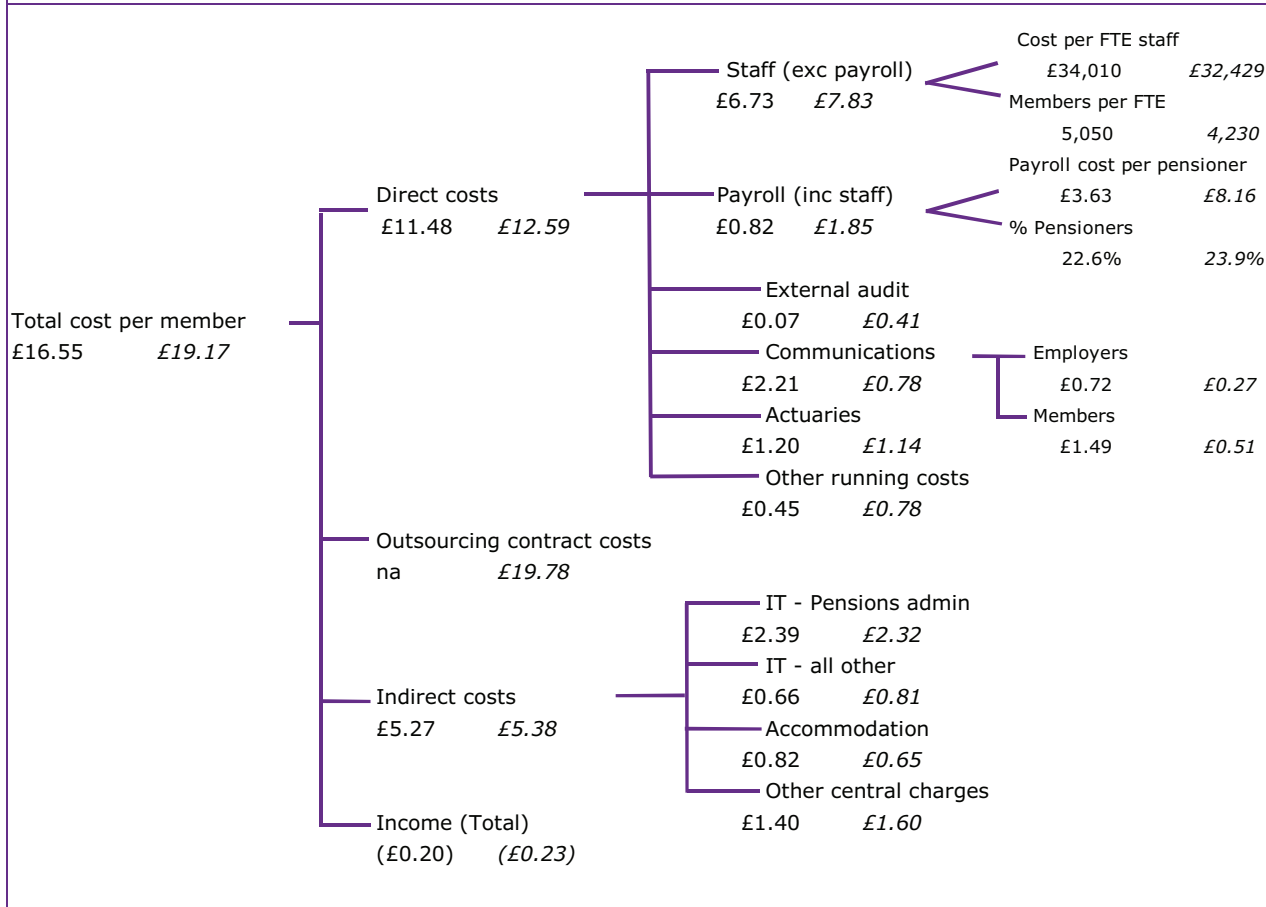
NUMBER OF LGPS EMPLOYERS



SECTION 2 - COST MEASURES

COST/MEMBER TREE 2014/15

This tree diagram analyses the cost per member. For each benchmark two figures are given the first being the authority's cost and the second (in *italics*) is the group average.



FTE staff	
Pension Section total	38.4
less	
IT staff	2.0
Payroll staff	3.0
Communications staff	2.0
Employing authority work	-
Work for other schemes	1.5
Other work	9.2
Admin of LGPS	20.7

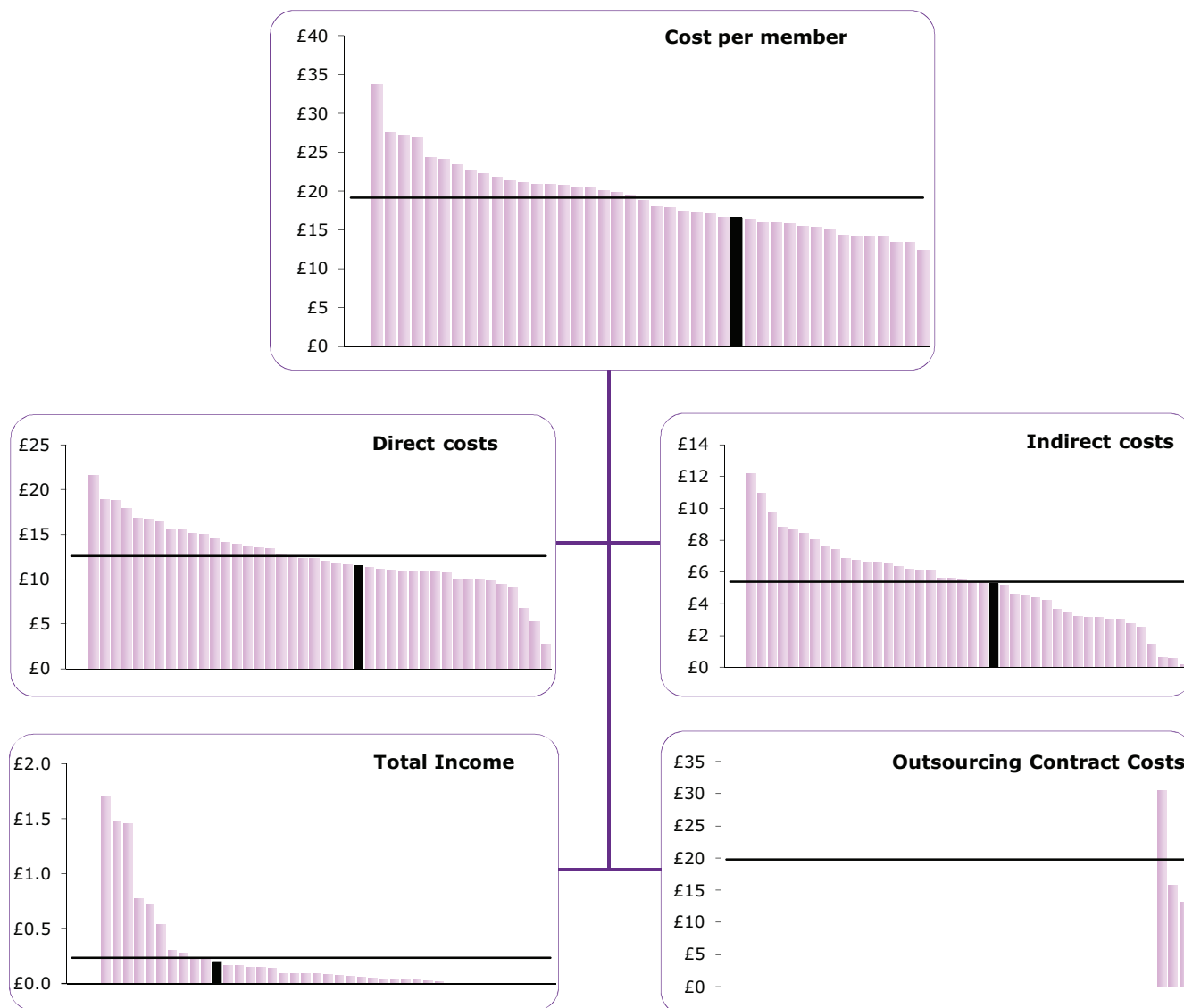
Net Costs £'000	
	£'000
Pension Section total	19,909
less	
Work for other schemes	-
Employing authority work	-
Other work	18,179
Admin of LGPS	1,730

Admin of LGPS costs	£'000	£ per member	Avg
Staff - administration	704	6.73	7.83
Staff - payroll	44	0.42	0.36
Payroll	42	0.40	1.49
Communications (Total)	231	2.21	0.78
Actuaries	125	1.20	1.14
External audit	7	0.07	0.41
Other running costs	47	0.45	0.78
Total Direct Costs	1,200	11.48	12.59
Outsourcing costs	-	na	19.78
IT - Pensions admin	250	2.39	2.32
IT - All other	69	0.66	0.81
Accommodation	86	0.82	0.65
Other central charges	146	1.40	1.60
Total Indirect Costs	551	5.27	5.38
Gross Cost	1,751	16.75	19.39
Income - Members	(11)	(0.11)	(0.06)
Income - Employers	(10)	(0.10)	(0.11)
Income - Other	-	-	(0.06)
Total Income	(21)	(0.20)	(0.23)
Net Cost	1,730	16.55	19.17

Total Scheme Membership 104,532

*Outsourcing Contract Costs average only includes those members who have outsourcing costs.

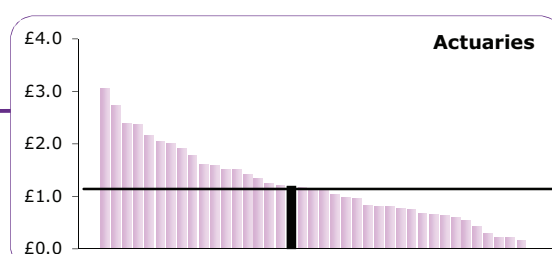
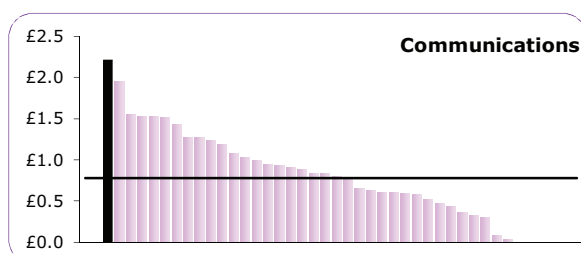
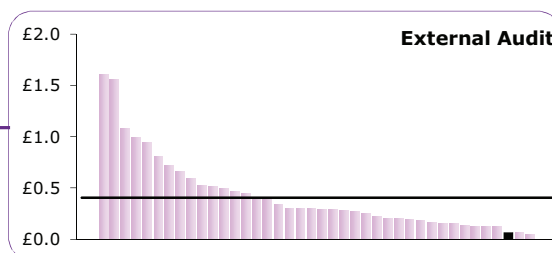
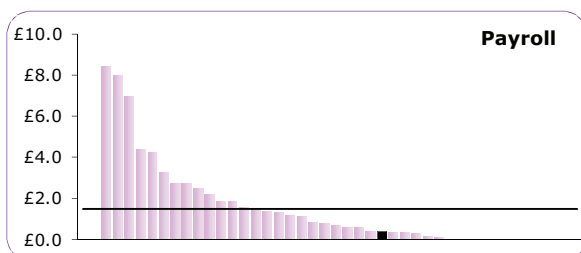
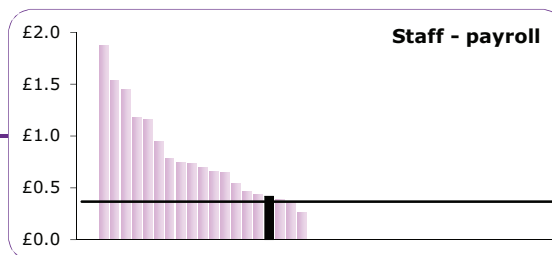
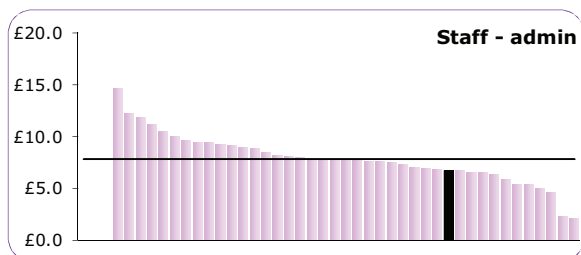
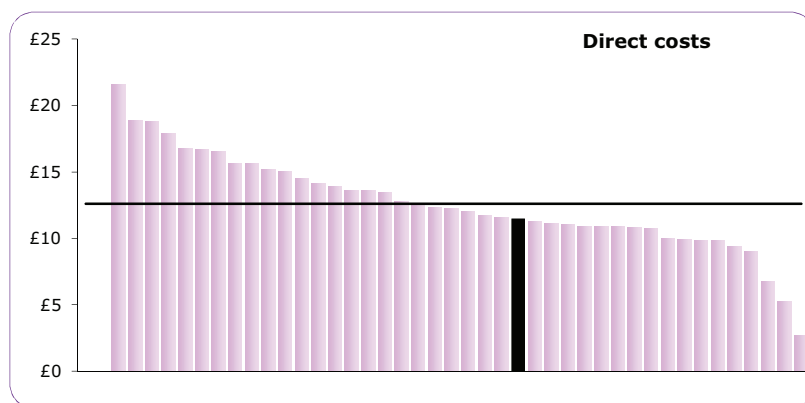
COST PER MEMBER 2014-15



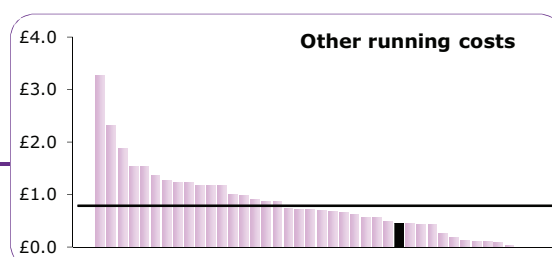
Admin of LGPS costs		£ per member	Avg
	£'000		
Total Direct Costs	1,200	11.48	12.59
Outsourcing costs	-	na	19.78
Total Indirect Costs	551	5.27	5.38
Total Income	(21)	(0.20)	(0.23)
Net Cost	1,730	16.55	19.17

Total Scheme Membership 104,532

COSTS PER MEMBER - Direct costs 2014/15

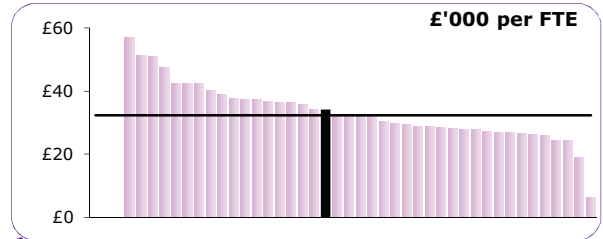
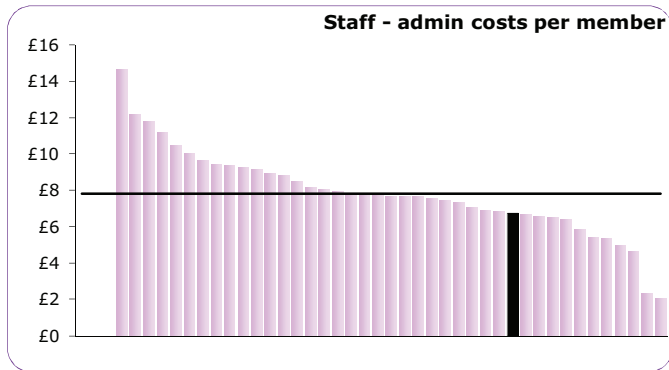


Direct costs	£'000	£ per member	Avg
Staff - admin	704	6.73	7.83
Staff - payroll	44	0.42	0.36
Payroll	42	0.40	1.49
External audit	7	0.07	0.41
Communications	231	2.21	0.78
Actuaries	125	1.20	1.14
Other running costs	47	0.45	0.78
Total	1,200	11.48	12.59

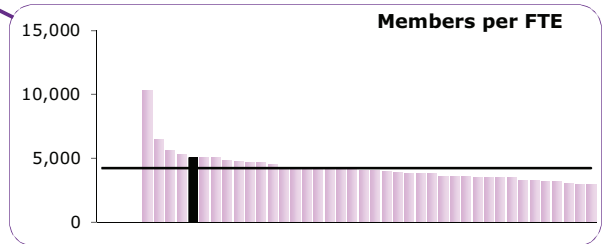


DIRECT COSTS PER MEMBER - Staff and Payroll costs 2014/15

	£'000	£ per member	Avg
Staff - admin	704	6.73	7.83

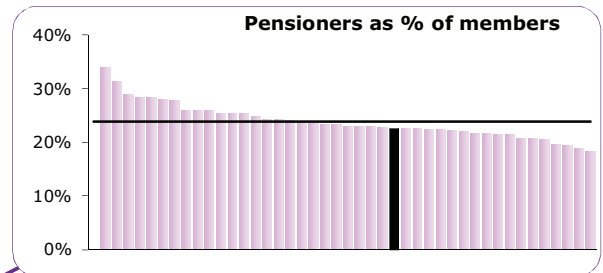
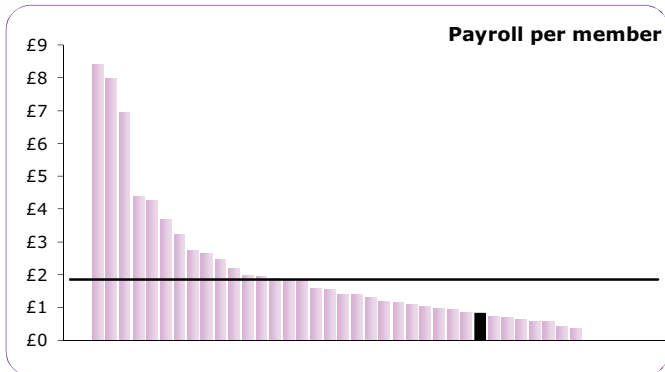


Bath 34.0 Avg 32.4

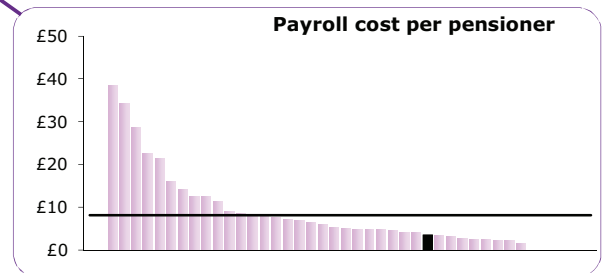


Bath 5,050 Avg 4,230

	£'000	£ per member	Avg
Payroll (combined)	86	0.82	1.85

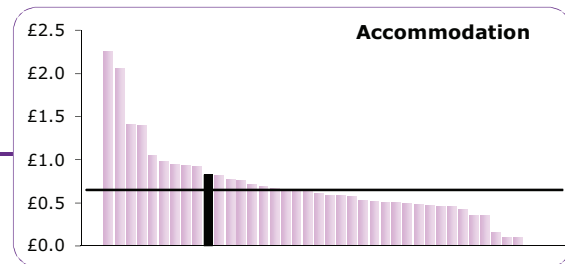
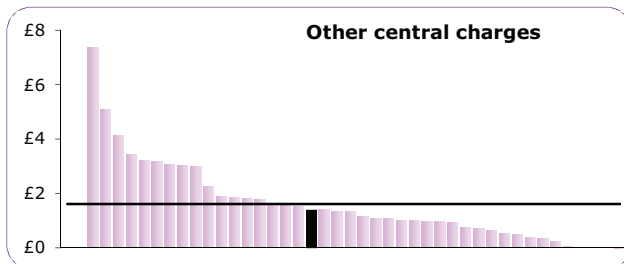
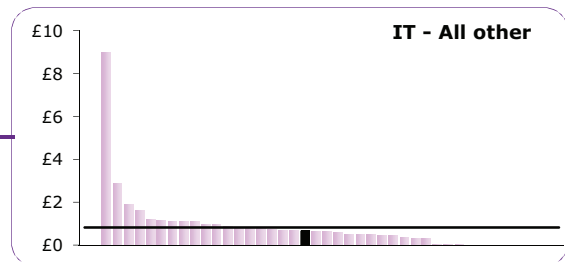
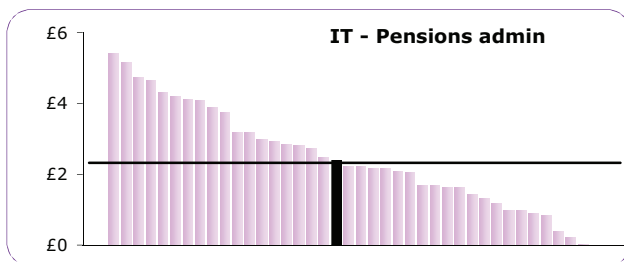
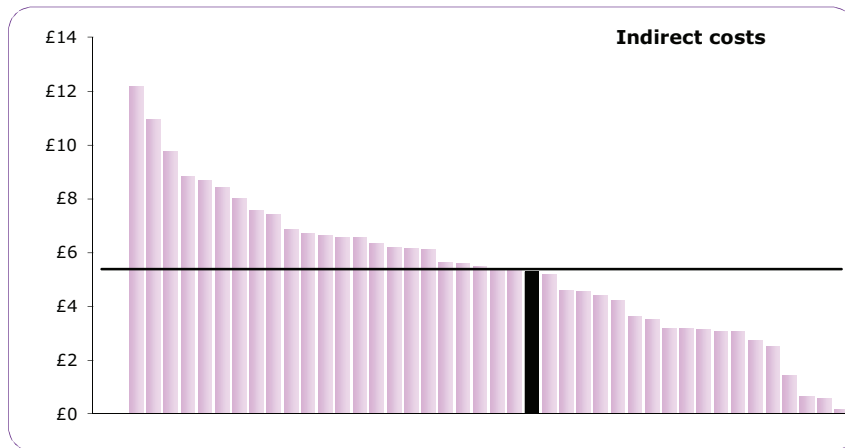


Bath 23% Avg 24%



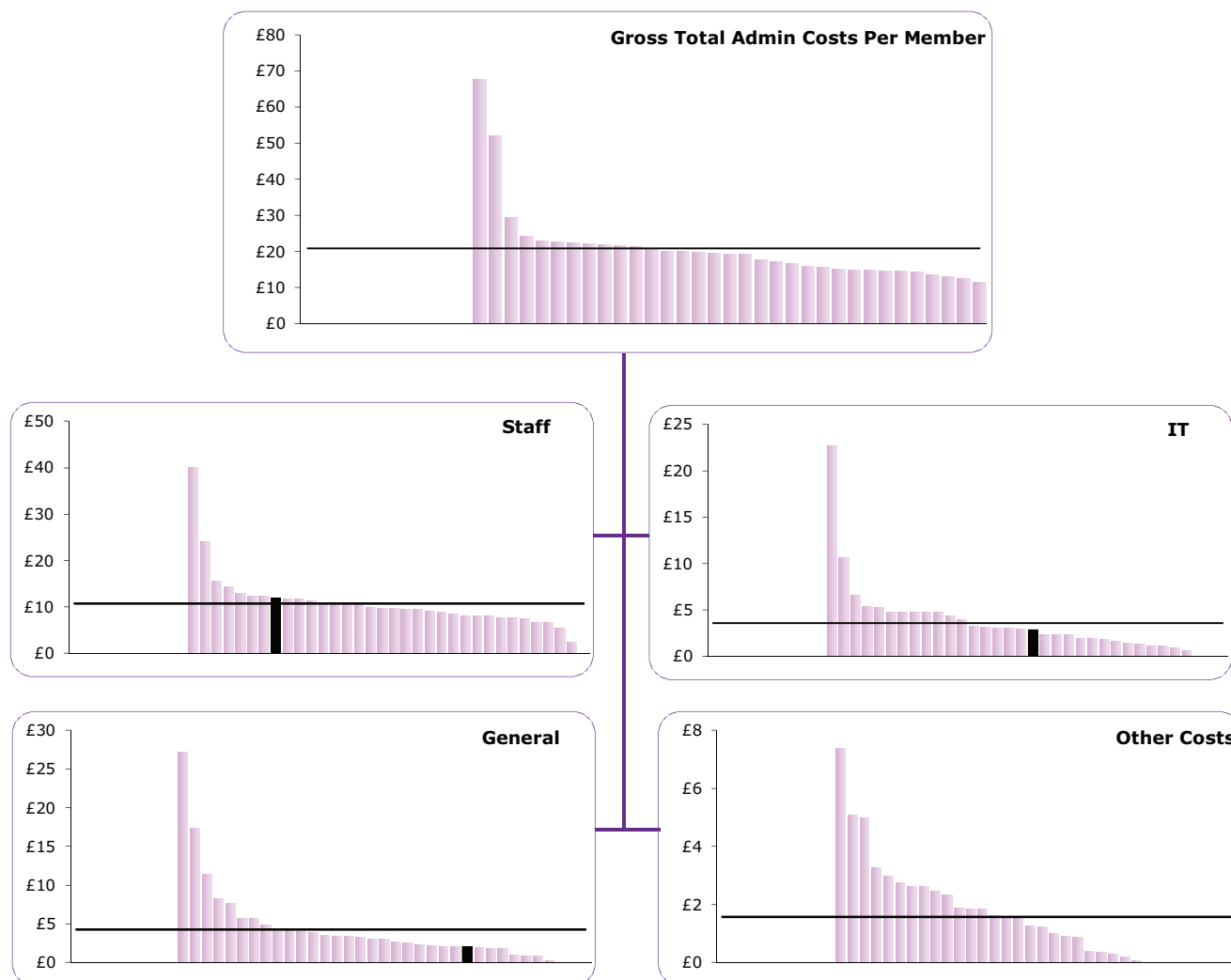
Bath 3.6 Avg 8.2

COSTS PER MEMBER - Indirect costs 2014/15



Indirect costs	£'000	£ per member	Avg
IT - Pensions admin	250	2.39	2.32
IT - All other	69	0.66	0.81
Accommodation	86	0.82	0.65
Other central charges	146	1.40	1.60
Total	551	5.27	5.38

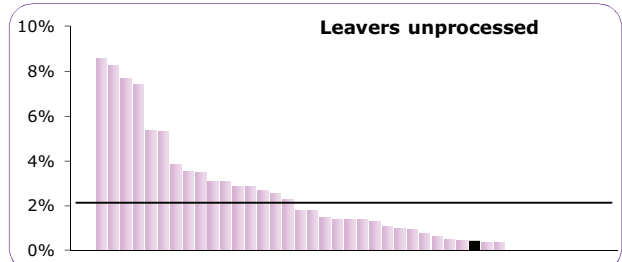
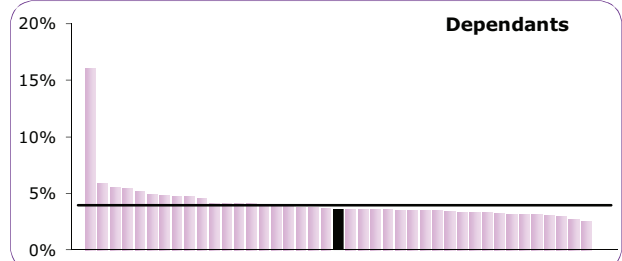
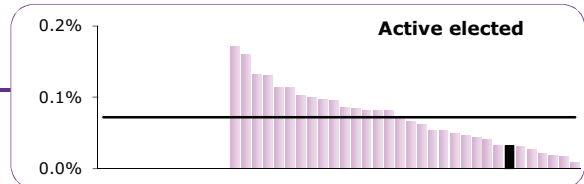
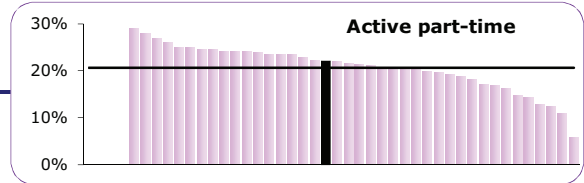
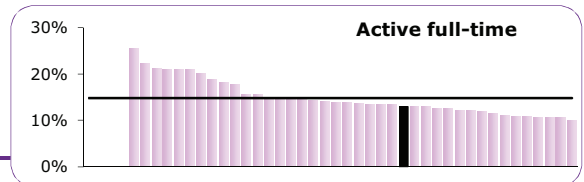
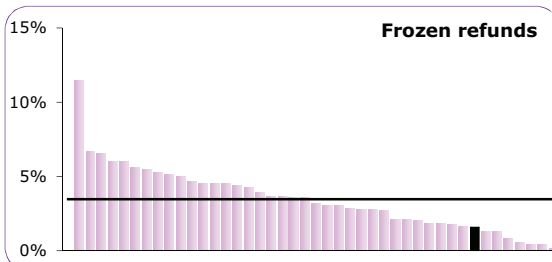
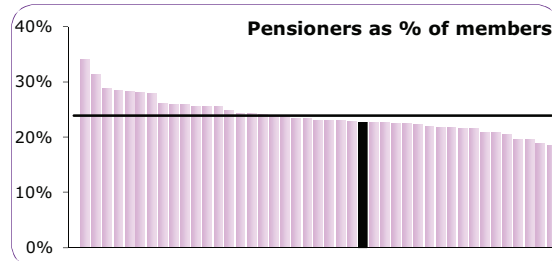
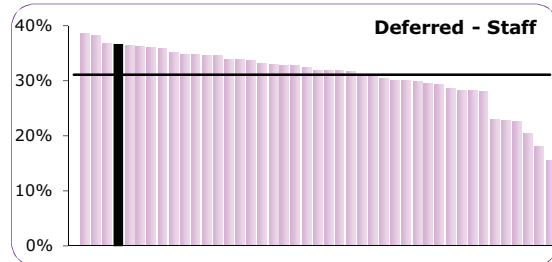
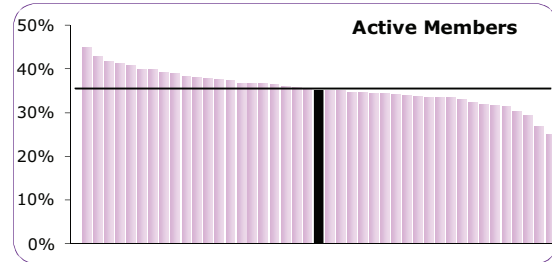
COSTS PER MEMBER - LGPS Administration Expenses Analysis 2014/15



LGPS Administration Expenses		£ per member	Avg
	£'000		
Staff Costs	1,259	12.04	10.71
IT Costs	302	2.89	3.59
General Costs	212	2.03	4.25
Other Costs	17,598	>max	1.57
Gross LGPS Admin Exp.	19,371	>max	20.84
Gross LGPS Income	245	2.34	0.44
Net LGPS Admin Exp.	19,126	182.97	23.87

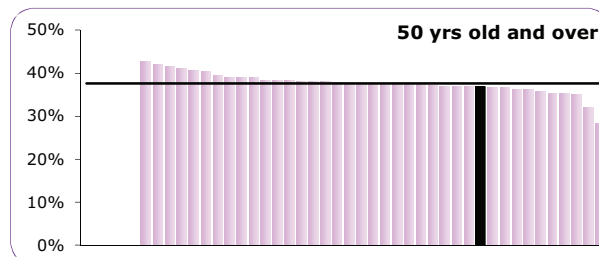
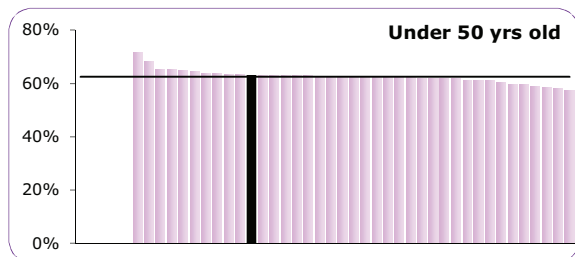
SECTION 3 - WORKLOAD MEASURES

COMPOSITION OF MEMBERS AS AT 31/3/2015



Composition of members				
	No.	%	Avg	Avg %
Active:				
- full-time	13,530	13%	15,569	14.8%
- part-time	23,107	22%	17,862	20.7%
- no. of elected Members	34	0.03%	52	0.07%
- sub-total	36,671	35%	33,067	35.5%
Deferred:				
- Staff	38,267	37%	27,618	31.1%
- Elected Members	81	0.1%	21	0.0%
Pensioners	23,660	23%	22,128	23.9%
Dependants	3,751	3.6%	3,629	3.9%
Frozen refunds	1,673	1.6%	2,848	3.4%
Leavers unprocessed	429	0.4%	1,805	2.1%
Total	104,532		91,115	

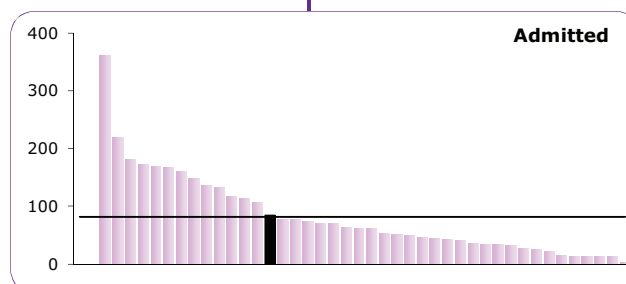
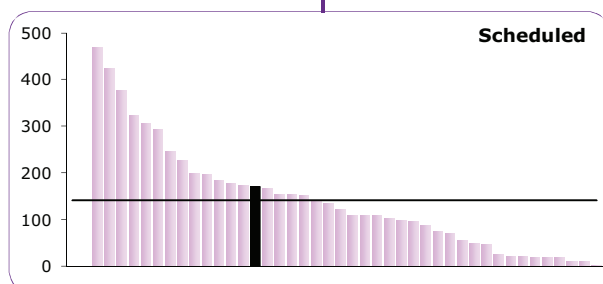
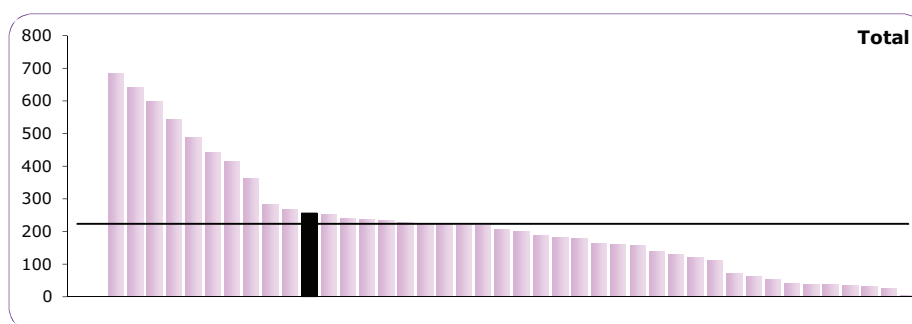
COMPOSITION OF MEMBERS AS AT 31/03/2015



Composition of active members

	No.	%	Avg
Under 50 yrs old	23,147	63%	62%
50 yrs old and over	13,524	37%	38%

NUMBER OF LGPS EMPLOYERS AS AT 31/03/2015



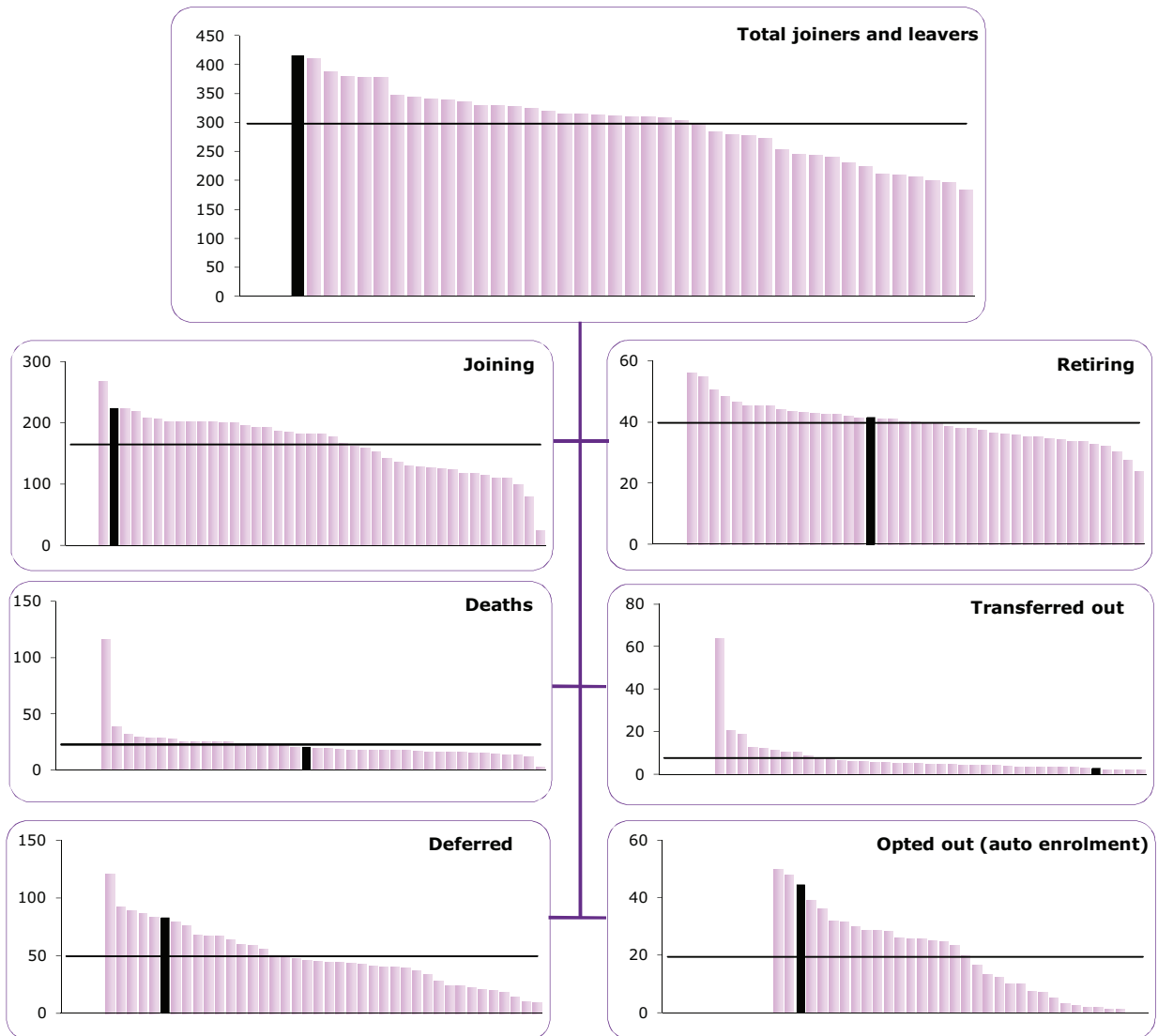
LGPS employers (31/3/15)

	No.	Avg	of which:	No.	%	Avg
Scheduled	171	141	Local Authorities	4	2%	9%
Admitted	85	82	Transferee	41	48%	46%
Total	256	223				

Employer changes 2014/15

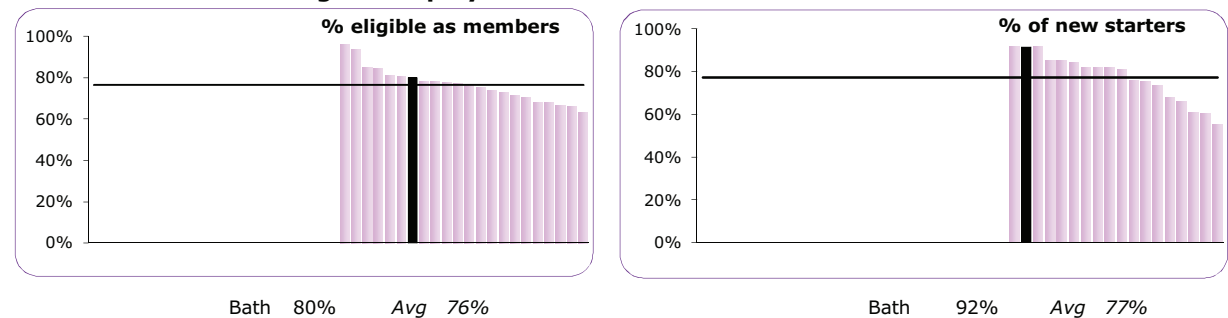
	Applied		Admitted		Leaving	
	No.	Avg	No.	Avg	No.	Avg
Scheduled	18	17	16	20	-	3
Admitted	6	9	3	9	8	4

JOINERS & LEAVERS (per '000 active members)

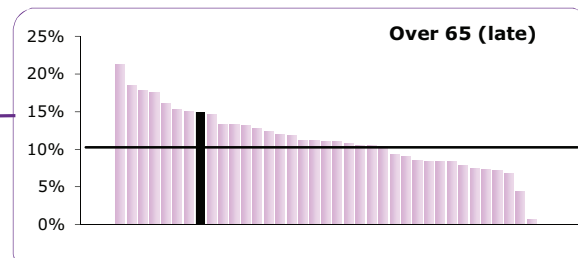
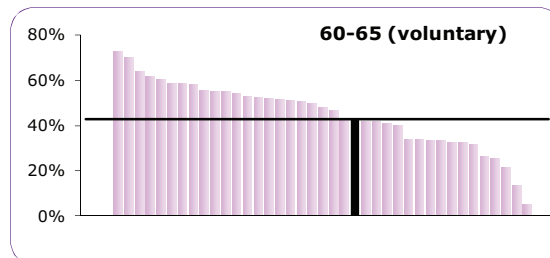
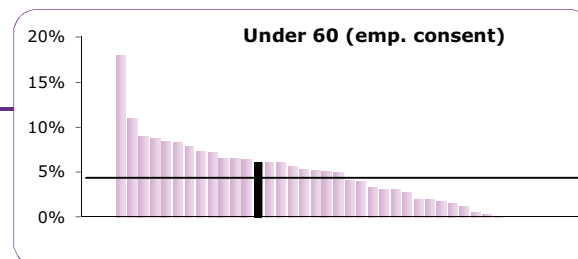
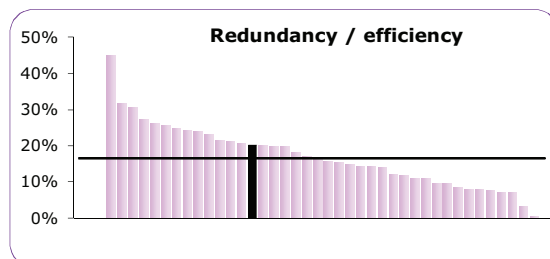
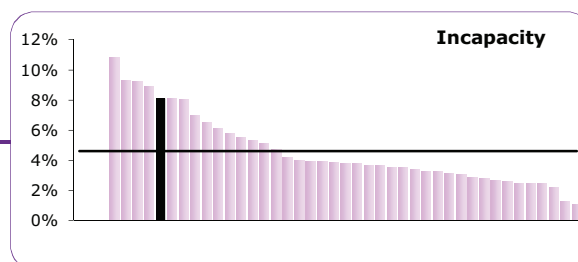
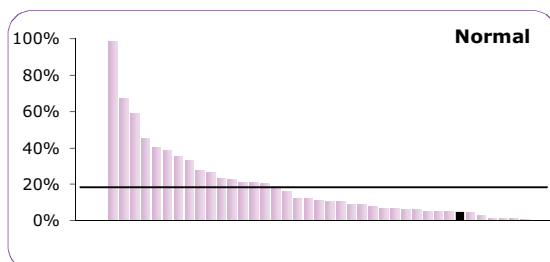
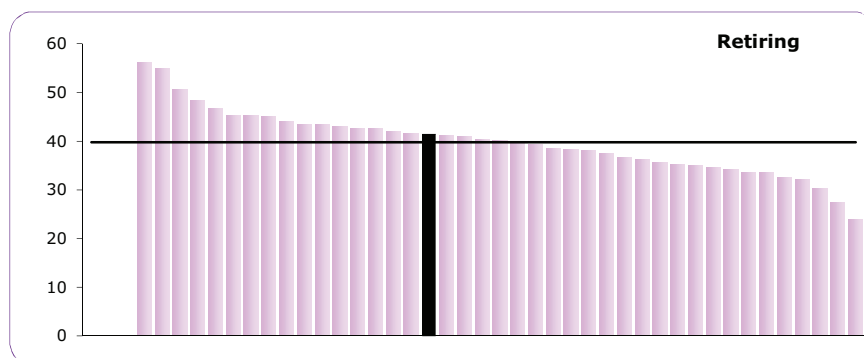


Joiners & leavers (per '000 active members)			
	No.	'000	Avg
Joining	8,177	223	164
Retiring	1,520	41	40
Deaths	741	20	23
Transferred out	97	3	8
Deferred	3,029	83	50
Opted out	1,635	45	19
Total	15,199	414	298

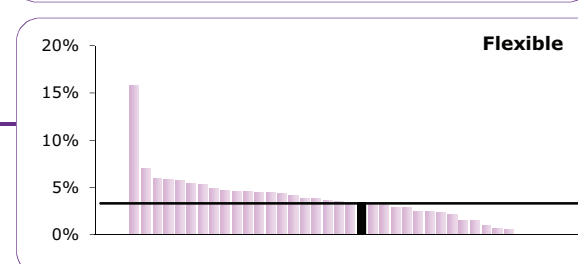
LGPS members as % eligible employees



RETIRING (per '000 active members)



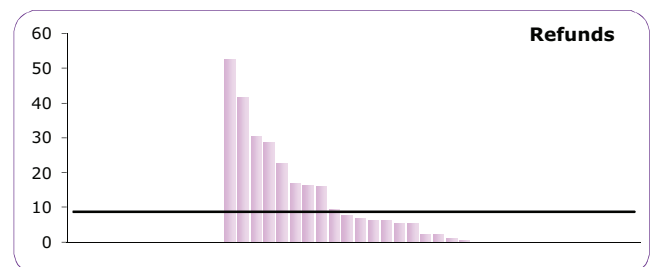
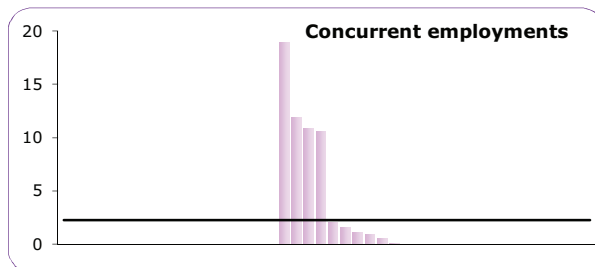
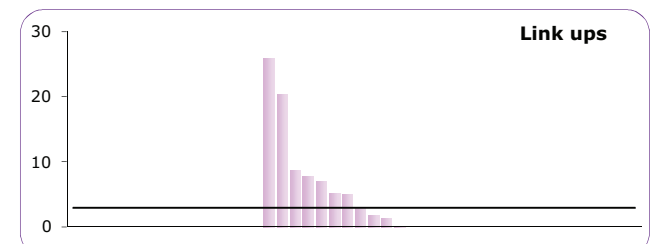
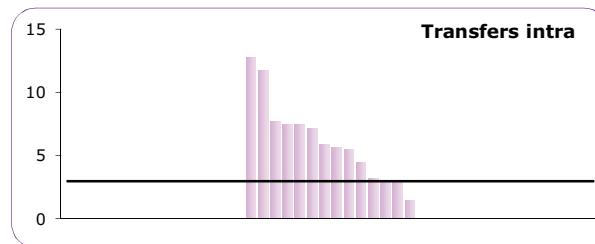
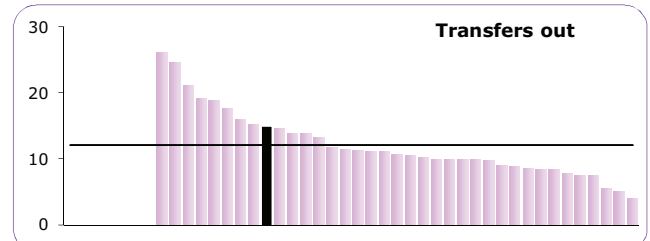
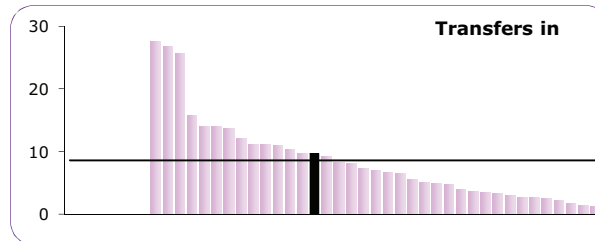
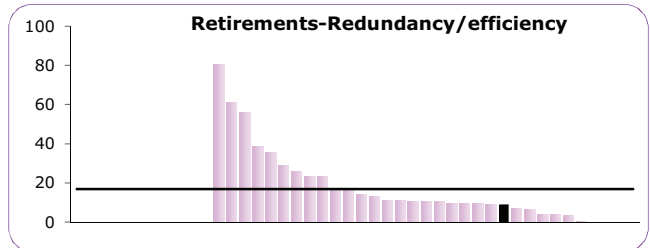
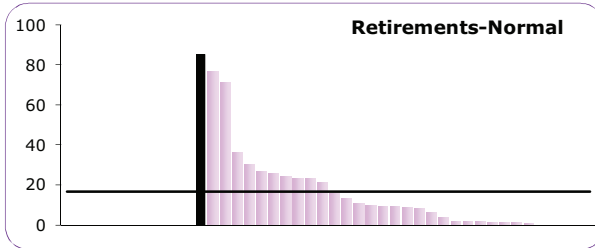
Retirements	No.	%	Avg
Normal	70	5%	18%
Incapacity/ill-health	123	8%	5%
Redundancy/efficiency	306	20%	17%
Under 60 (emp. consent)	93	6%	4.4%
60-65 (voluntary)	650	43%	43%
Over 65 (late)	227	15%	10%
Flexible	51	3.4%	3.3%
Total	1,520		



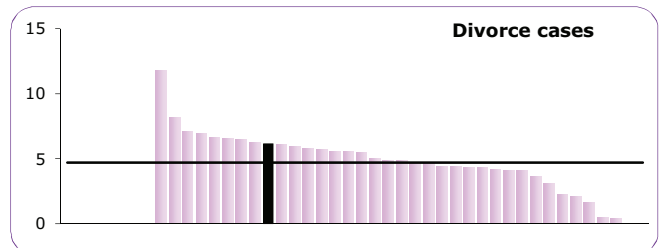
Retiring (per '000 active members)			
	No.	'000	Avg
Retiring	1,520	41	40

Active members	
	36,671

NUMBER OF QUOTATIONS PROVIDED (per '000 active members)

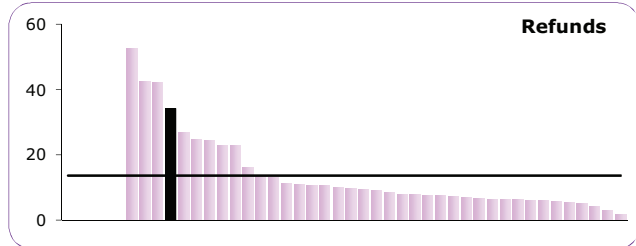
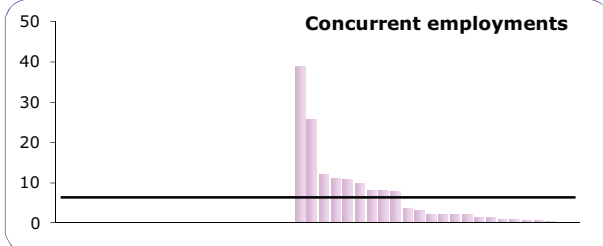
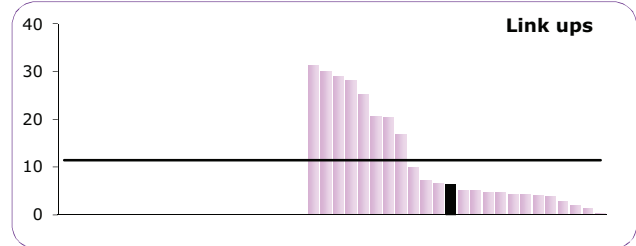
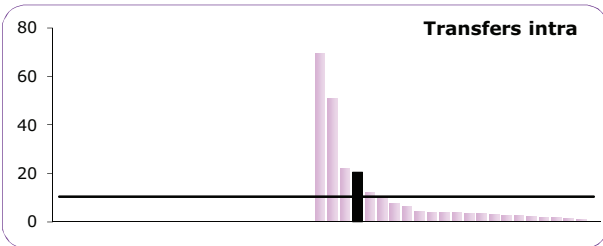
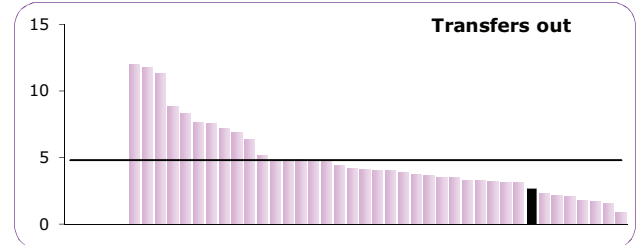
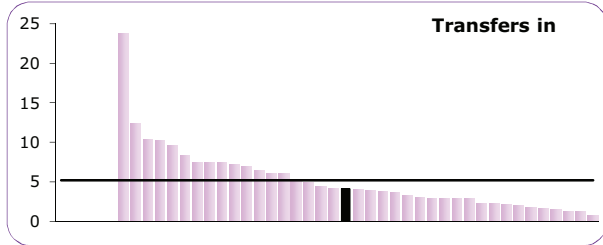
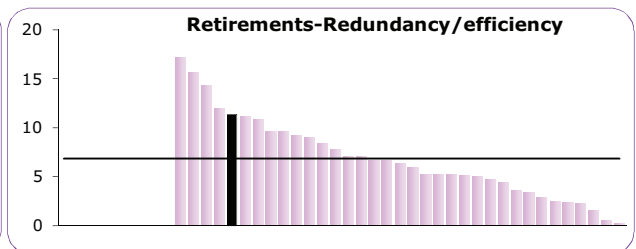
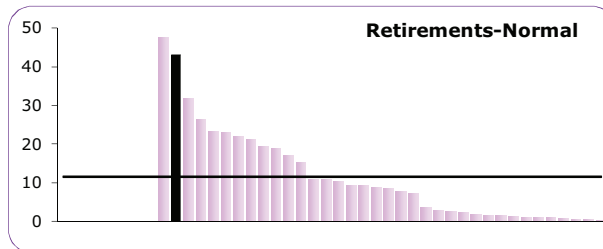


Active members: 36,671			
Quotations provided	No.	'000	Avg
TUPE -in	-	-	0
TUPE -out	-	-	0
Retirements:			
- Normal	3,123	85	17
- Incapacity/ill-health	108	3	2
- Redundancy/efficiency	328	9	17
- Flexible	-	-	1
- All other	-	-	22
Transfers in	357	10	9
Transfers out	541	15	12
Transfers intra	-	-	3
Link ups	-	-	3
Concurrent employments	-	-	2
Refunds	-	-	9
Divorce cases	225	6	5
Deaths in service	-	-	0
Deaths of pensioners	-	-	4

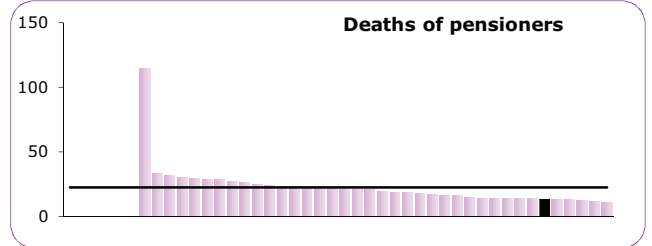
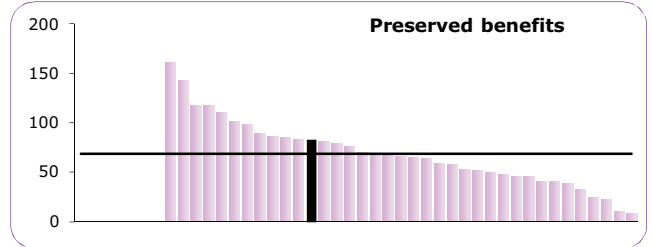
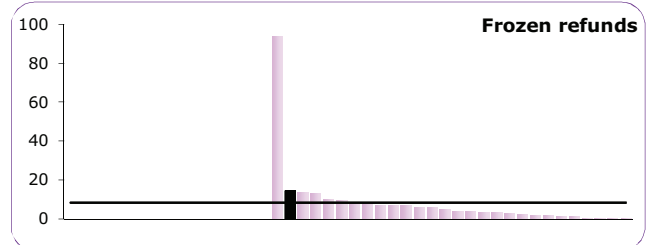


No of bulk transfers	No.	'000	Avg
TUPE -in	..	na	5
TUPE -out	..	na	4

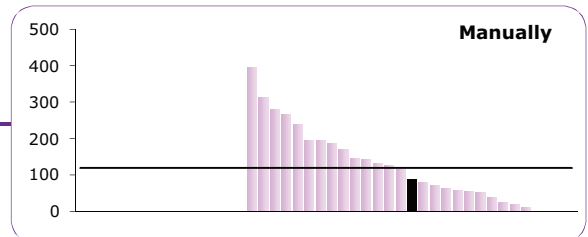
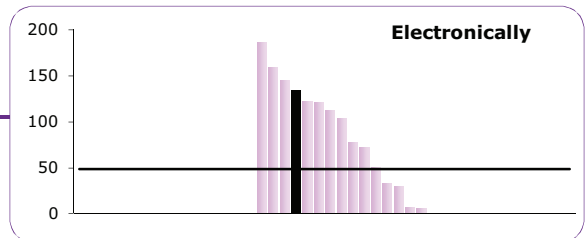
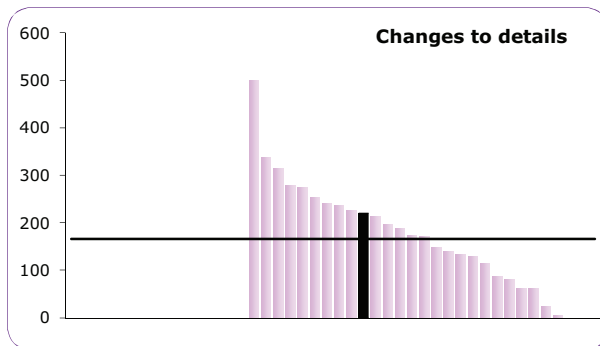
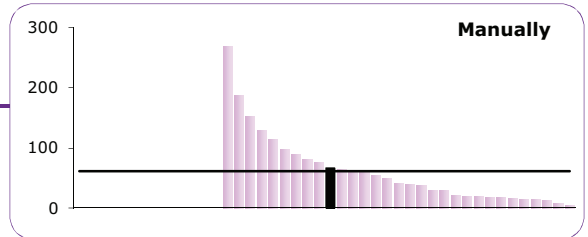
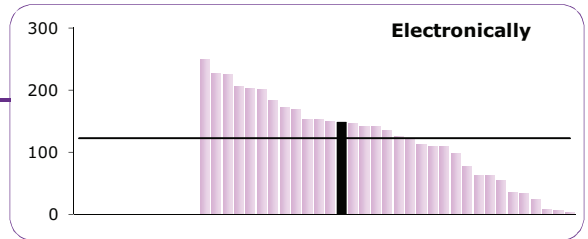
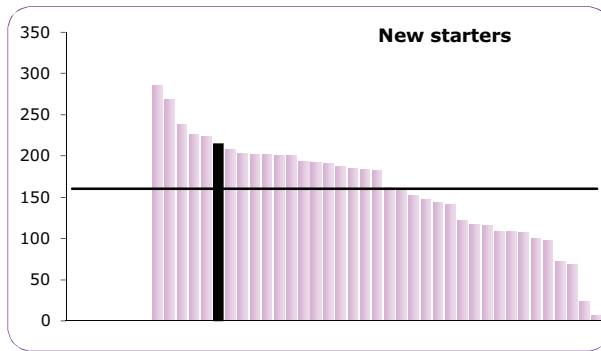
NUMBER OF ACTUAL EVENTS (per '000 active members)



Active members:		36,671		
Actual events	No.	'000	Avg	
TUPE -in	-	na	19	
TUPE -out	-	na	17	
Retirements:				
- Normal	1,578	43	12	
- Incapacity/ill-health	136	4	2	
- Redundancy/efficiency	416	11	7	
- Flexible	-	na	1	
- All other	-	na	18	
Transfers in	151	4	5	
Transfers out	97	3	5	
Transfers intra	751	20	10	
Link ups	232	6	11	
Concurrent employments	-	na	6	
Refunds	1,253	34	14	
Frozen refunds	532	##	8	
Preserved benefits	3,029	83	69	
Divorce cases	30	1	1	
Deaths in service	25	0.7	1	
Death of pensioners	498	14	23	
Single Status / Job Evaluation	-	na	na	



ACTUAL CALCULATIONS (per '000 active members)

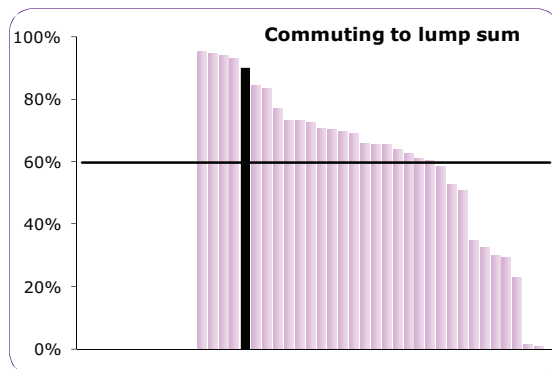


RETIREMENTS

Active members

36,671

Retirements commuting to lump sum



Actual calculations

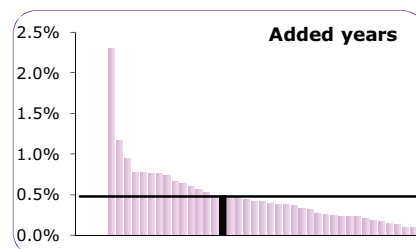
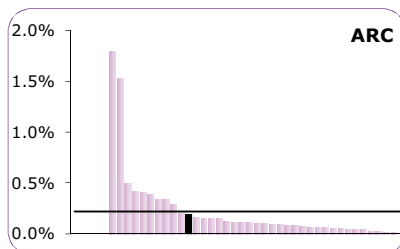
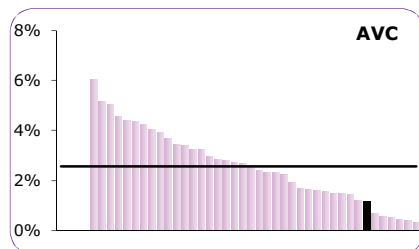
	No.	'000	Avg
New starters	7,866	215	160
- electronically	5,418	148	122
- manually	2,448	67	61
Changes to details	8,084	220	166
- electronically	4,910	134	48
- manually	3,174	87	119

Retirements commuting lump sum

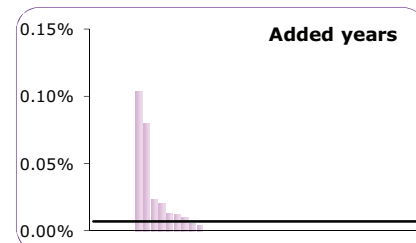
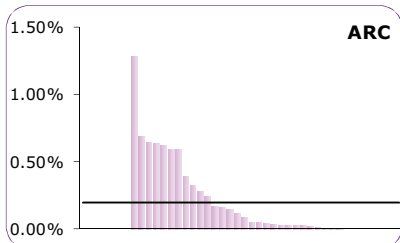
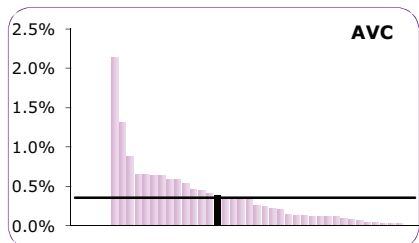
Number	% total	Avg
1,368	90%	60%

AVCs, ARCs and Added years

% Currently contributing



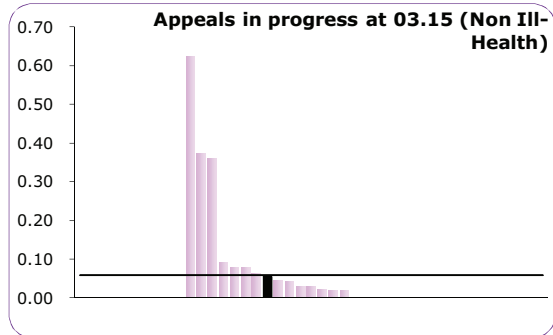
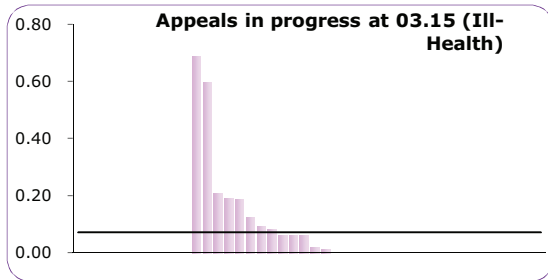
% New contributors this year



Contributors to AVCs and ARCS			
	No.	%	Avg
Currently contributing			
- AVC	422	1.15%	2.57%
- ARC	70	0.19%	0.22%
- Added years	179	0.49%	0.48%
Total	671	1.83%	2.97%
New contributors this year			
- AVC	141	0.38%	0.36%
- ARC	-	0.00%	0.20%
- Added years	-	0.00%	0.01%
Total	141	0.38%	0.49%

Active members
36,671

APPEALS

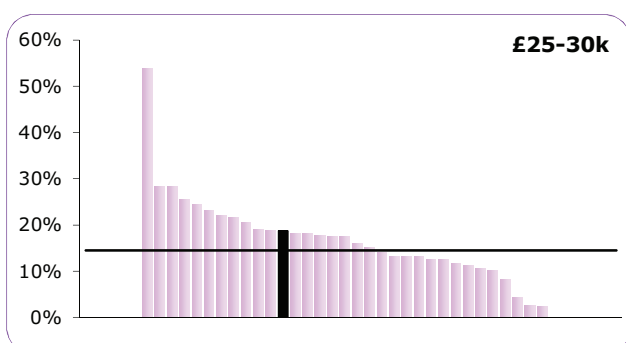
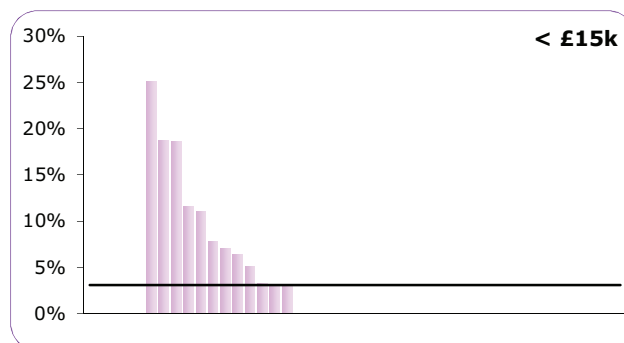
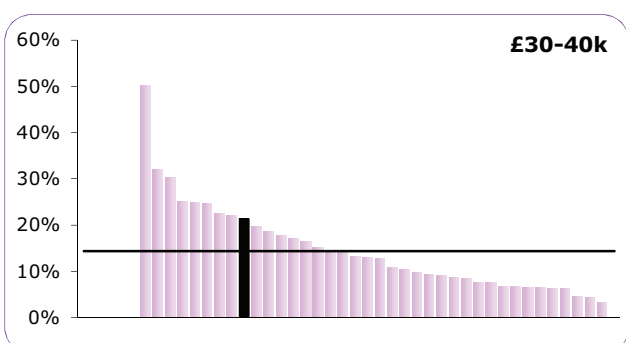
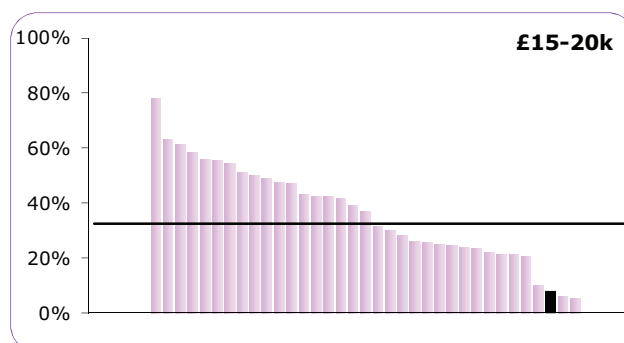
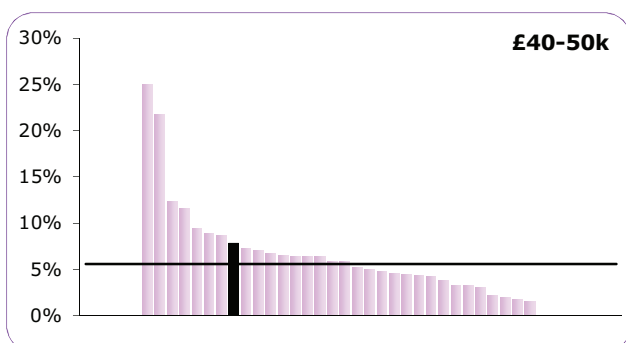
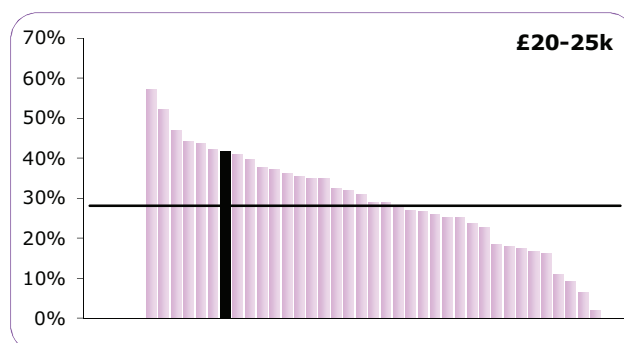
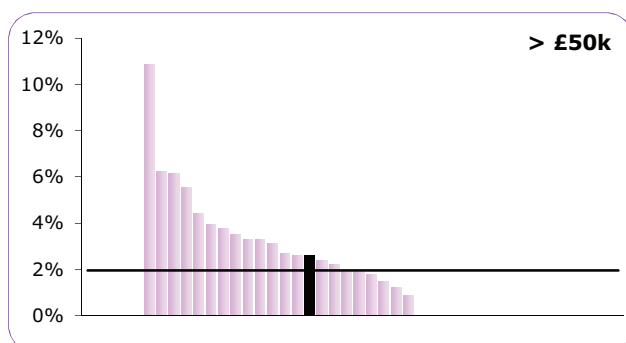


*Club total: This shows the total for all the Benchmarking Club members 2015

Number of appeals	No.	Per '000 members	Avg	Club* total
Ill-Health				
In progress at start of year	0	0.00	0.04	22
In progress at end of year	0	0.00	0.07	30
Non Ill-Health				
In progress at start of year	3	0.08	0.03	29
In progress at end of year	2	0.05	0.06	37
1st Stage				
Appeals in Progress - 03.14	2	0.05	0.04	25
New Appeals in Year	2	0.05	0.12	104
Appeals Withdrawn	0	0.00	0.00	3
Appeals Upheld	0	0.00	0.04	26
Appeals Not Upheld	4	0.11	0.06	68
Appeals in Progress - 03.15	0	0.00	0.05	33
2nd Stage				
Appeals in Progress - 03.14	0	0.00	0.01	14
New Appeals in Year	2	0.05	0.05	30
Appeals Withdrawn	0	0.00	0.00	-
Appeals Upheld	0	0.00	0.01	8
Appeals Not Upheld	2	0.05	0.02	34
Appeals in Progress - 03.15	0	0.00	0.01	(1)
Ombudsman Referrals				
Appeals in Progress - 03.14	1	0.03	0.01	8
New Appeals in Year	2	0.05	0.01	10
Appeals Withdrawn	0	0.00	0.00	-
Appeals Upheld	0	0.00	0.00	1
Appeals Not Upheld	1	0.03	0.01	10
Appeals in Progress - 03.15	2	0.05	0.00	6

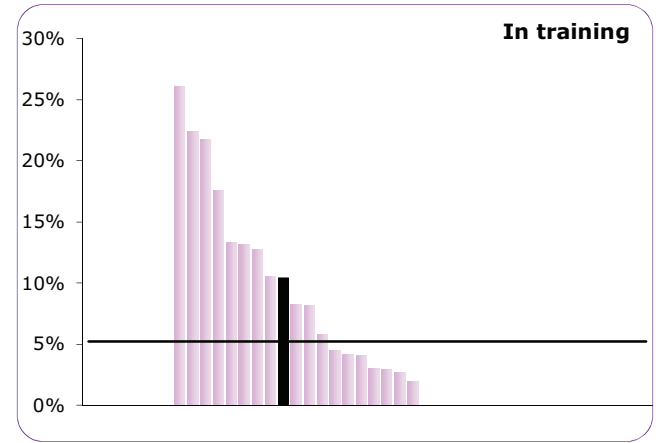
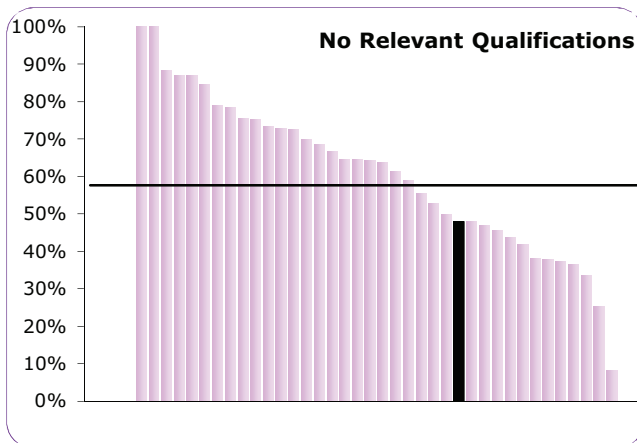
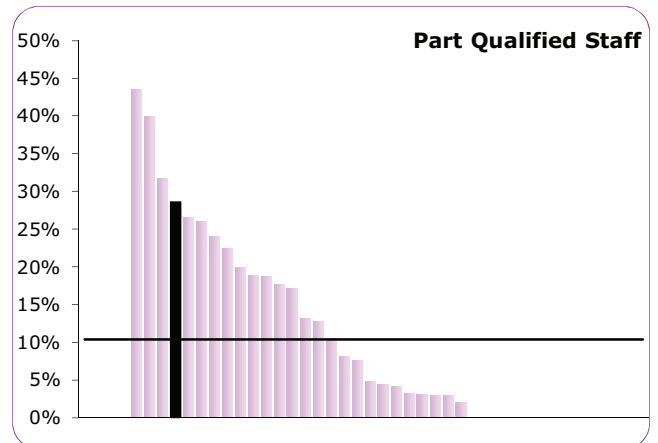
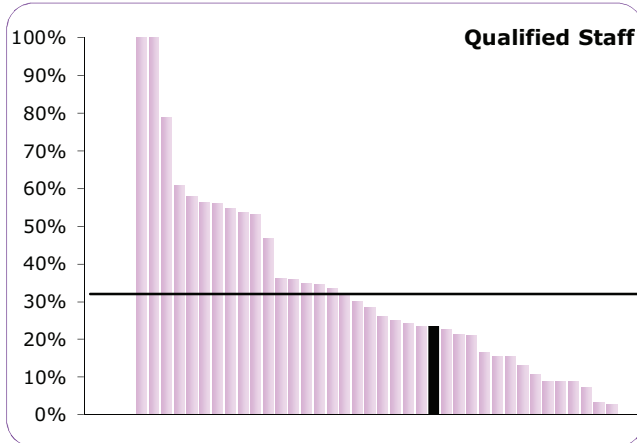
SECTION 4 - STAFF RELATED MEASURES

STAFF PAY



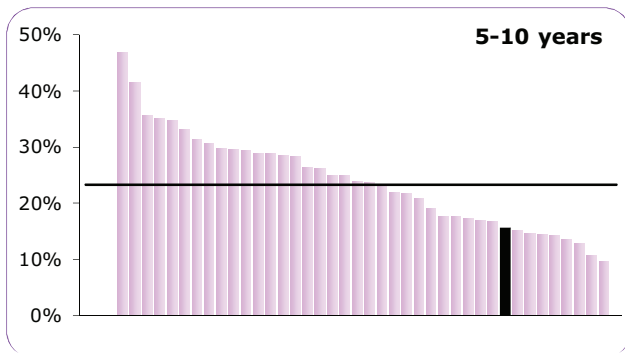
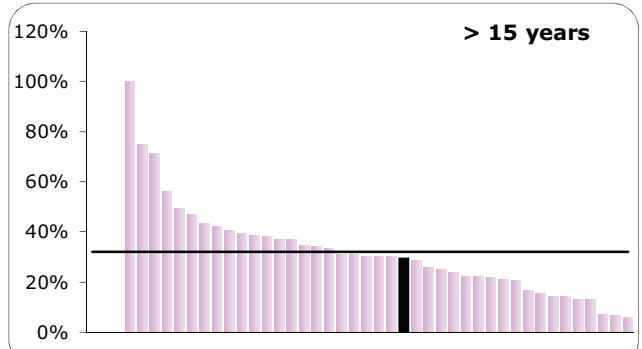
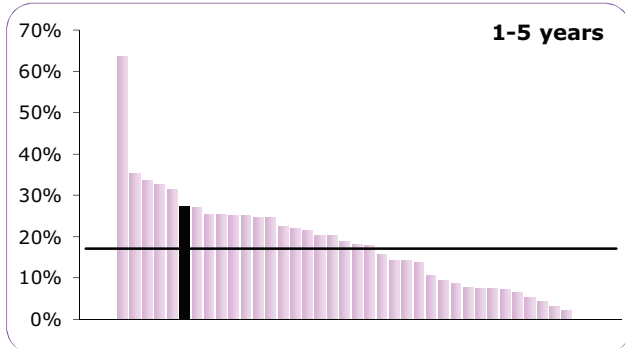
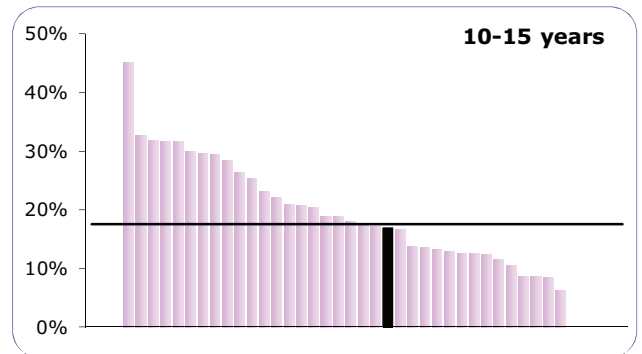
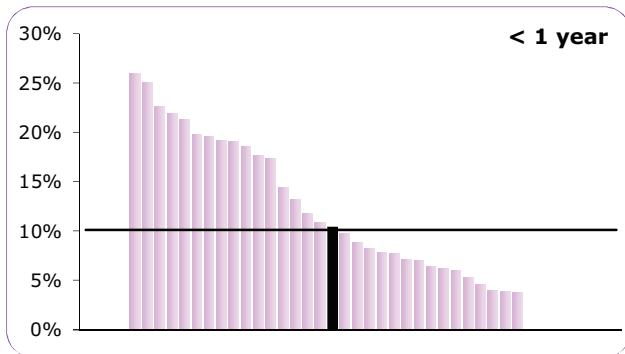
Staff pay			
	FTE	%	Avg
> £50k	1.0	3%	2%
£40-50k	3.0	8%	6%
£30-40k	8.2	21%	14%
£25-30k	7.2	19%	14%
£20-25k	16.0	42%	28%
£15-20k	3.0	8%	33%
< £15k	0.0	0%	3%
Total	38.4		

STAFF QUALIFICATIONS



Staff qualifications			
	FTE	%	Avg
Qualified Staff	9.0	23%	32%
Part Qualified Staff	11.0	29%	10%
No Relevant Qualifications	18.4	48%	58%
Total	38.4		
Number in Training	4.0	10%	5%

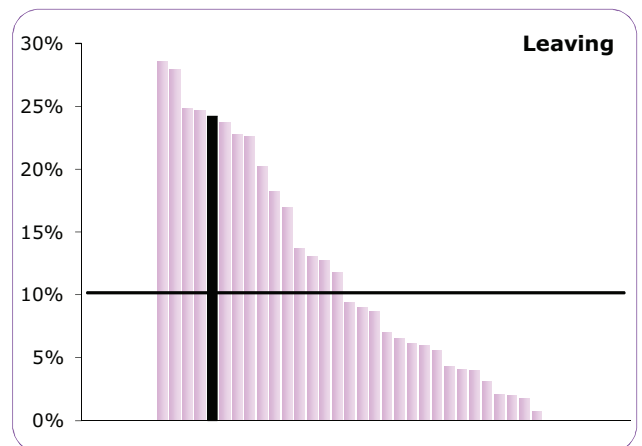
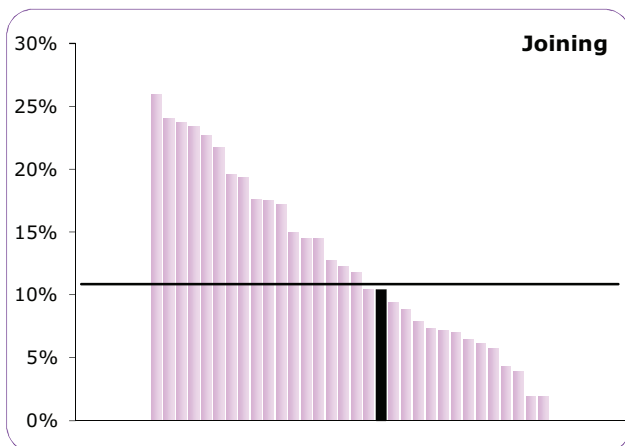
STAFF PENSIONS EXPERIENCE



Staff experience

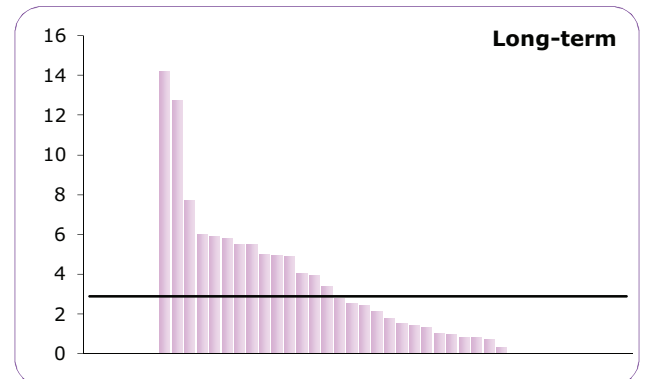
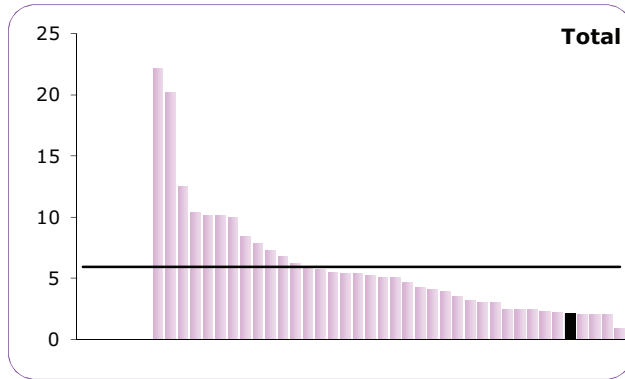
	FTE	%	Avg
< 1 year	4.0	10%	10%
1-5 years	10.5	27%	17%
5-10 years	6.0	16%	23%
10-15 years	6.5	17%	18%
> 15 years	11.4	30%	32%
Total	38.4		

STAFF TURNOVER



Staff Turnover	FTE	% change	Avg
Staff at 1/4/2013	43.7		
+ Staff joining Pension section	4.0	10.4%	10.8%
- Staff leaving Pension section	9.3	24.2%	10.2%
Staff at 31/3/2014	38.4	-12.1%	0.9%

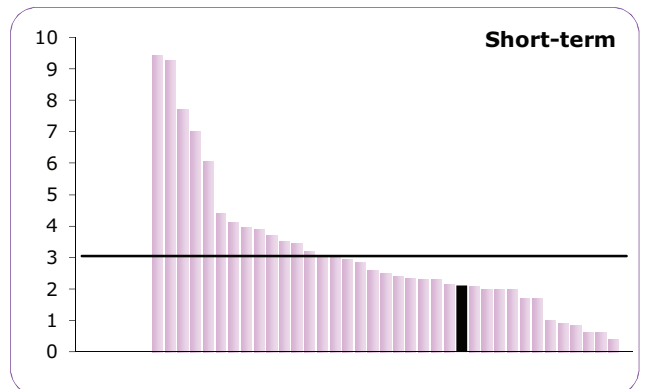
SICKNESS ABSENCE



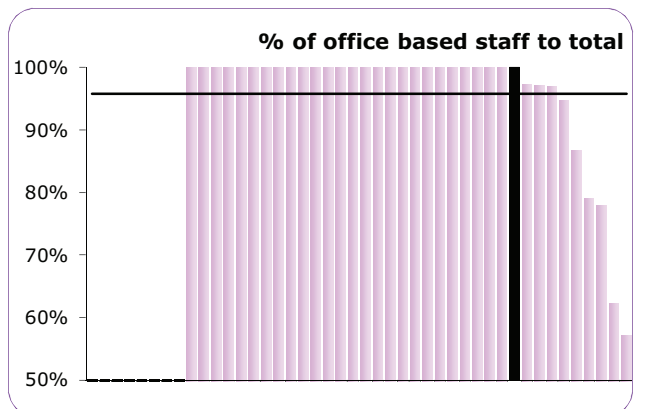
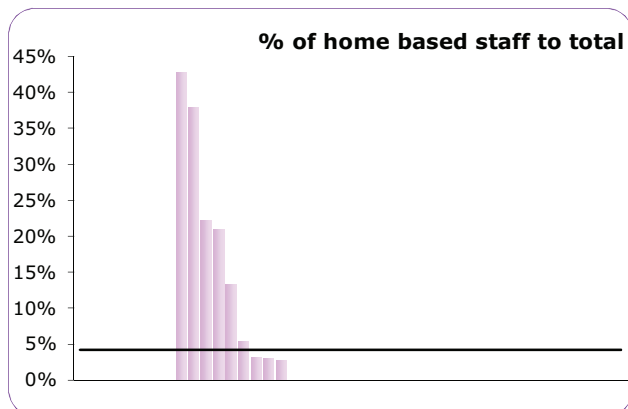
Sickness absence	Days/FTE	Avg
Long-term sickness	0.0	2.9
Short-term sickness	2.1	3.1
Total	2.1	5.9

Long-term sick (periods of sickness over 20 working days)

Short-term sick (periods of sickness of 20 days or less)



STAFF LOCATION

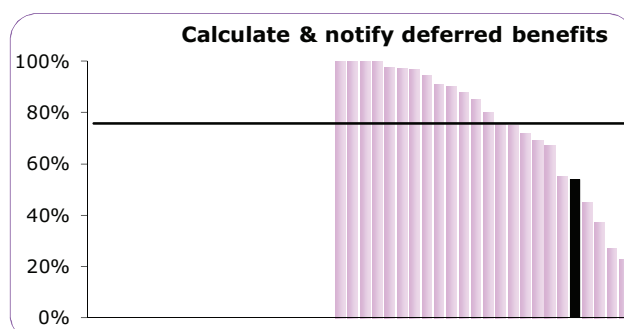
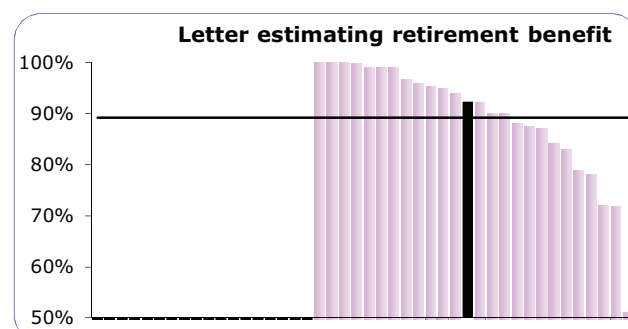
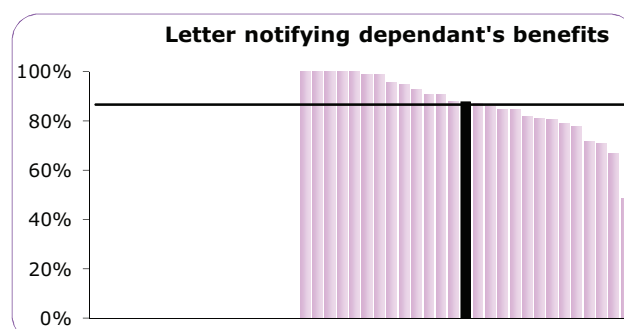
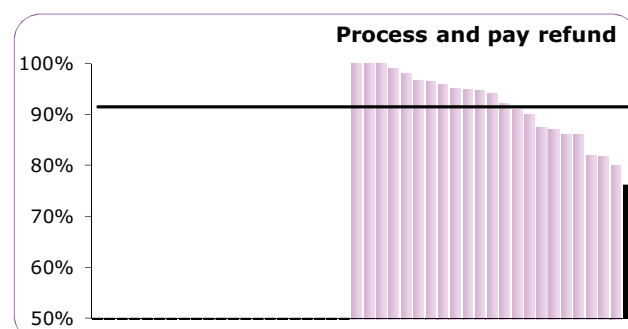
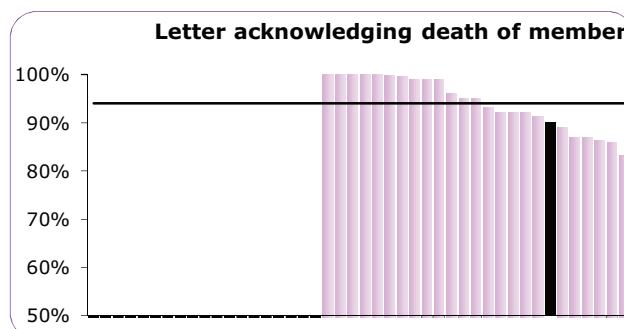
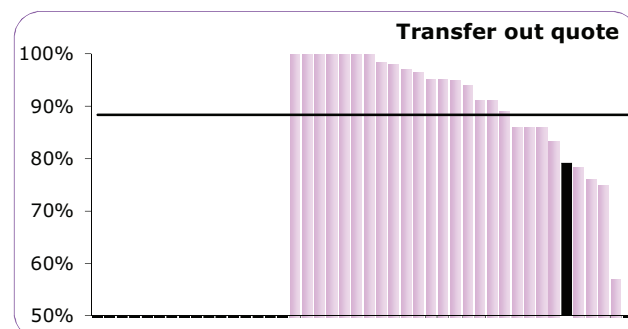
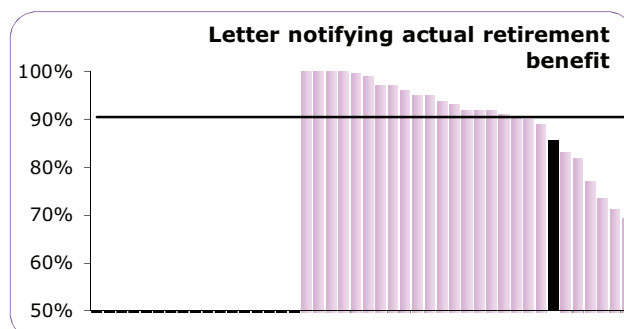
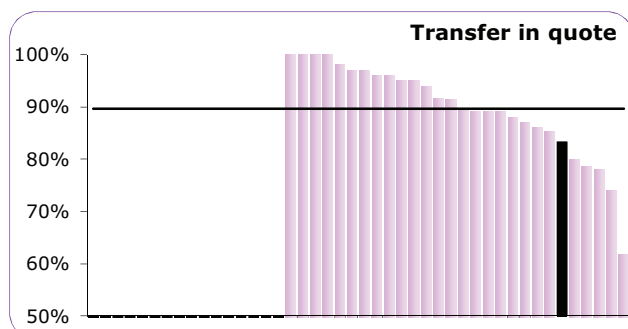


Staff location	FTE	Avg	% to total FTE	Avg
Home based	0.0	0.9	0%	4%
Office based	38.4	32.5	100%	96%
Total	38.4			

Office Based: Staff members who spend >50% of their contracted time working in the office

Home Based: Staff members who spend 50% of their contracted time working from home.

SECTION 5 - INDUSTRY STANDARD PI's



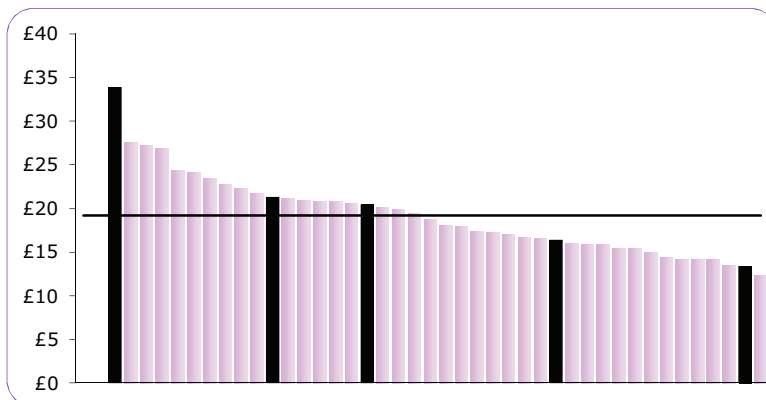
Industry Standard PI's	Target	Achieved	Avg
Letter detailing transfer in quote	10 days	83.3%	89.6%
Letter detailing transfer out quote	10 days	79.2%	88.3%
Process and pay refund	5 days	76.1%	91.5%
Letter notifying estimate of retirement benefit	10 days	92.2%	89.2%
Letter notifying actual retirement benefit	5 days	85.5%	90.5%
Process and pay lump sum retirement grant	5 days	83.0%	92.2%
Letter acknowledging death of member	5 days	90.0%	94.1%
Letter notifying amount of dependant's benefits	5 days	87.9%	86.7%
Calculate and notify deferred benefits	10 days	53.8%	75.8%

SECTION 6 - COMPARISON BY METHOD OF SERVICE DELIVERY

COMPARISON OF OUTSOURCED/IN-HOUSE MEMBERS

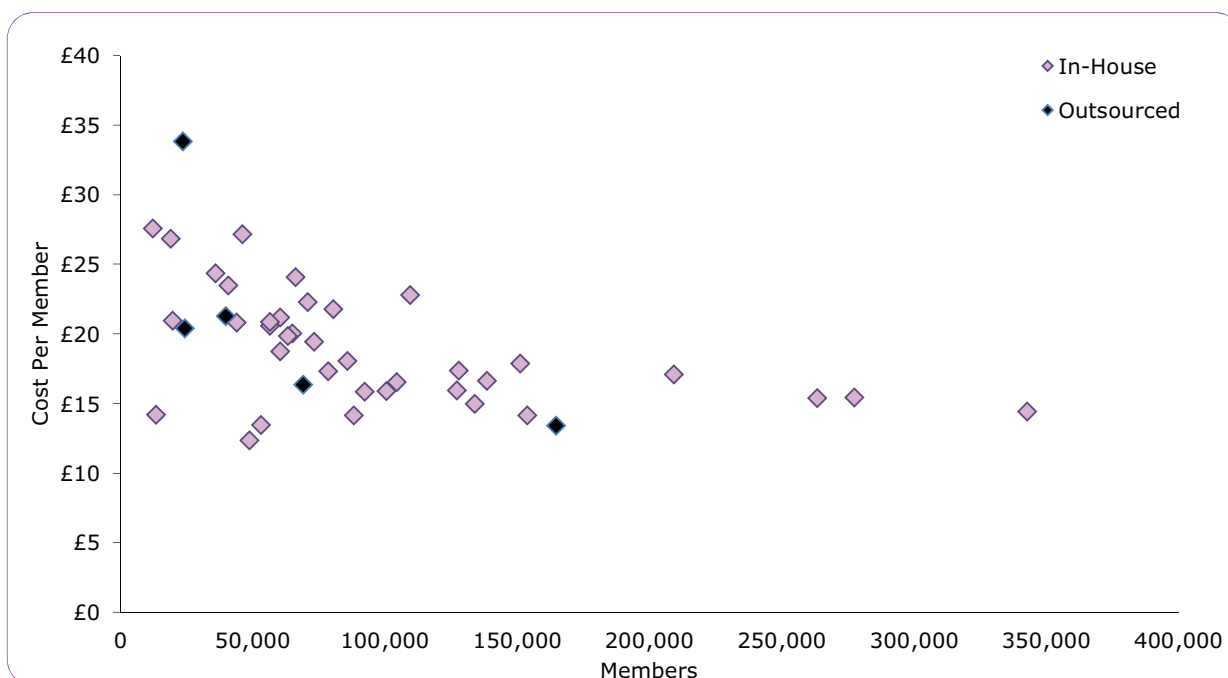
Total members with data:	45
Outsourced members:	5

LGPS ADMIN COST PER MEMBER (INCLUDING PAYROLL)



	Cost	Members	Cost per Member
Bath	£1,730	104,532	£16.55
Club average	£1,592	91,074	£19.17
Outsourced average	£1,098	64,384	£21.06
In-house average	£1,657	94,586	£18.91

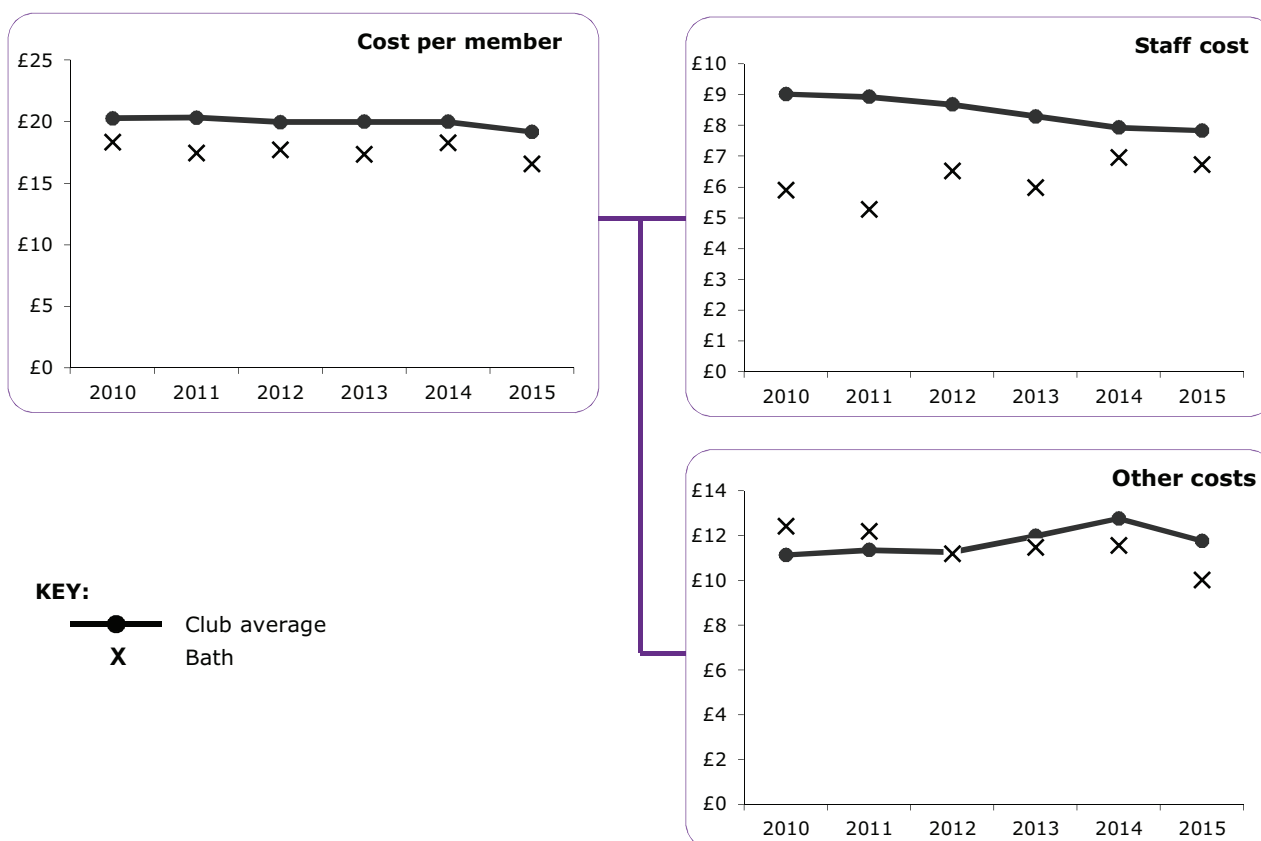
COST PER MEMBER COMPARED WITH NUMBER OF MEMBERS



SECTION 7 - TIMESERIES

The 2014 averages are the actual club averages.

For previous years, the averages shown here are scaled up or down from the 2014 figure based on the average rate of change in each year. This is calculated using data from members who supplied figures in consecutive years, otherwise the simple average in each year would be distorted by changes in the composition of the club from year to year.



Time series analysis						
	2010	2011	2012	2013	2014	2015
Members	82,832	85,417	88,182	91,851	99,209	104,532
Net cost (£'000)	1,518k	1,492k	1,562k	1,593k	1,813k	1,730k
Cost per member	£18.33	£17.47	£17.71	£17.34	£18.27	£16.55
Average	£20.26	£20.33	£19.96	£19.97	£19.98	£19.17
Staff cost	£5.90	£5.28	£6.52	£5.99	£6.97	£6.73
Average	£9.02	£8.94	£8.68	£8.30	£7.93	£7.83
Other costs	£12.42	£12.19	£11.19	£11.48	£11.57	£10.02
Average	£11.14	£11.36	£11.25	£11.98	£12.76	£11.75

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CIPFA also provides professional services to public sector organisations and managers. These include: statistical and technical information services, research services, consultancy, advisory networks and forums.

CIPFA holds more data on local government performance than any other organisation in the world and our Corporate Services Benchmarking Clubs are the market leader in local government benchmarking, with high levels of participation and customer satisfaction. Our detailed reports, databases, and interactive tools provide you with solid evidence to support decisions on budget and improvement.

We also do...

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We also provide other Pensions related services through CIPFAstats and TISonline.

To learn more about other benchmarking clubs in areas such as Adult Social Care, Children's Services and Customer Contact, or to see our Value for Money indicator stream, please see our website:

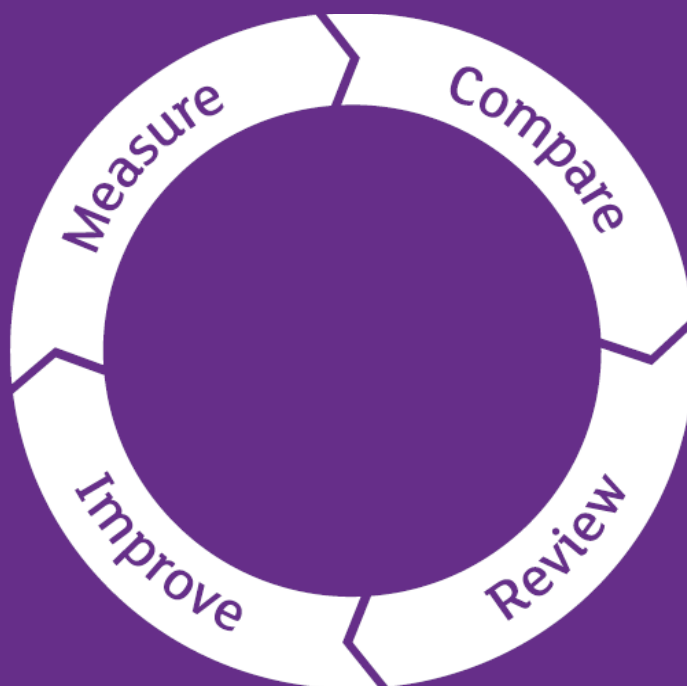
www.cipfa.org/services/benchmarking

Contact us

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E: customerliaison@cipfa.org T: 020 7543 5600



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Bath & North East Somerset Council	
MEETING:	PENSION BOARD
MEETING DATE:	25 February 2016
TITLE:	COMPLIANCE REPORT - PENSION FUND ADMINISTRATION (1) SUMMARY PERFORMANCE REPORT to 31 January 2016 (2) PERFORMANCE INDICATORS 4 MONTHS TO 31 January 2016 (3) TPR COMPLIANCE
WARD:	ALL
AN OPEN PUBLIC ITEM	
List of attachments to this report:- Appendix 1 Active members demographic as at 31 January 2016 Appendix 2 Late payers report – up to 31 December 2015 Appendix 3 Balanced Scorecard : KPI's - 4 months to 31 January 2016 Appendix 3A Annex 1 & 2 Admin case workload status as at 31 January 2016 Appendix 4 Customer satisfaction – Feedback in the 4 months to 31 January 2016 Appendix 5 TPR – Data Improvement Plan – to 31 January 2016	

1 THE ISSUE

- 1.1 The purpose of this report is to inform the Pension Board of Performance Indicators and Customer Satisfaction feedback for 4 months to 31 January 2016.
- 1.2 Further to the introduction of The Pension Regulator (TPR) Code of Practise 14 and The Public Service Pensions (Record Keeping & Miscellaneous Amendments) Regulations 2014 this report also includes progress on the Data Improvement Plan plus level of employer compliance.

2 RECOMMENDATION

That the Pension Board notes:

- 2.1 Performance Indicators & Customer Satisfaction feedback for 4 months to 31 January 2016.
- 2.2 Progress on the Data Improvement Plan

3. Trends in Membership

3.1 **Appendix 1** provides a detailed breakdown of employer/member ratio and split between whole time and part-time membership as well as a snapshot of individual employer and member make up. Continued development of data reporting going forward will enable further understanding of the demographic nature of employer type and associated member make up as employers continue to evolve.

4. Late Payers Report

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

4.2 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.

4.3 **Appendix 2** reports late payers in the 3 month period to 31st December 2015. There were a small number of materially significant late payments in the reporting period. However, the Scheme has taken mitigating action in each case to ensure employers are aware of their responsibilities going forward.

5. Avon Pension Fund – Administration Performance

Balanced Scorecard detailing Key Performance Indicators for the 4 Months to 31st January 2016

5.1 The information provided in this report is based on the Avon Pension Fund's 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 2015 which require provision of information to members.

5.2 Full details of *performance against target*, in tabular and graph format, are shown in **Appendix 3**. All reports are being reviewed as part of the Task Workflow Project and it is expected that new and updated versions will be available for approval by the Committee in June 2016.

6. Admin Case Workload

6.1 The level of work outstanding from tasks set up in the period (Item C4 and associated annex 1 & 2) in the 3 month period is reported in **Appendix 3A** by showing what *percentage* of the work is outstanding. As a snapshot, at 31st January 2016 there were 6234 cases outstanding of which 38.50% represents actual workable cases and 61.50% represents cases that are part complete, pending a third party response. All reports are being reviewed as part of the Task Workflow Project and it is expected that new and updated versions will be available for approval by the Committee in June 2016.

7. CUSTOMER SATISFACTION FEEDBACK IN 4 MONTHS TO 31st January 2016 – Retirements

9.1 **Appendix 4** reports on the customer satisfaction based on 50 questionnaires returned from members retiring from both active and deferred status (out of a total

of 299 questionnaires issued in respect of the reporting period). 100% of deferred members rated the service as good or excellent, with 88% of actives rating the service as good or excellent.

8 The pensions Regulator Data Improvement Plan

8.1 Initial testing as at 1 August 2015 of core data, against TPR's requirement of 100% completeness of data, identified 8887 queries, equating to 99.13% completeness of data.

8.2 There has been a net reduction of 1444 queries over the last quarter. This has mainly been due to ongoing work to resolve missing casual hours from records, tracing and payment of historical frozen refunds, tracing deferred member addresses as well as the ongoing exercise from last year end to resolve missing starter and leaver forms from employers.

8.3 With the initial year end 2016 spreadsheets all employers have been provided with a list of their outstanding TPR queries with a request to investigate these as part of their year-end preparation.

8.4 Summary of Data Improvement Plan Data as at 31 January 2016 is shown below with a comprehensive breakdown attached in **Appendix 5**

Data type	Cases brought forward	New cases in period	Completed in period	Outstanding	Completeness of date as % of membership
Actives	3348	209	1192	2365	99.50%
Deferreds	5082	138	547	4673	98.83%
Pensioners	339	9	56	292	99.83%
Dependants	72	6	11	67	99.75%
Total	8841	362	1806	7397	99.48%

8.5 Data improvement reports will be updated on a monthly basis and reported to Committee quarterly. Reports will be developed to demonstrate work undertaken on the correction of historic cases already identified and new cases identified during each reporting period.

9 EQUALITIES

9.1 No items in this Report give rise to the need to have an equalities impact assessment.

10 CONSULTATION

10.1 None appropriate.

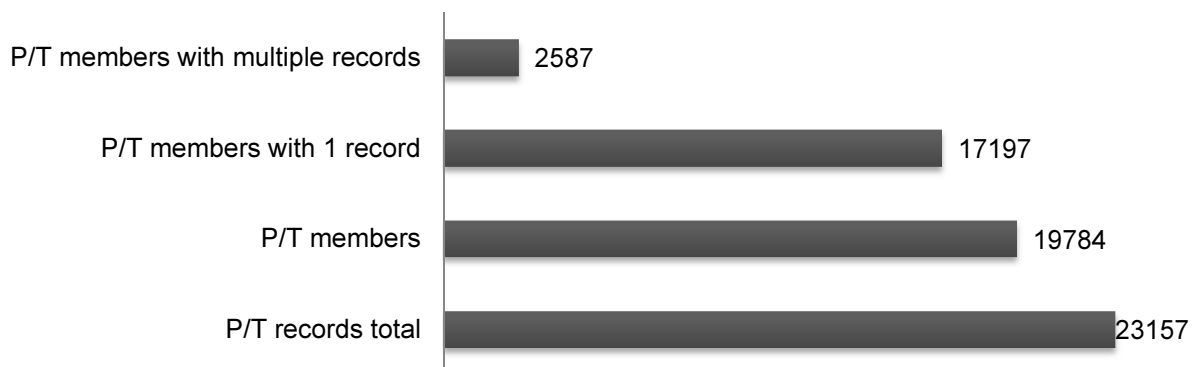
11 ISSUES TO CONSIDER IN REACHING THE DECISION

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

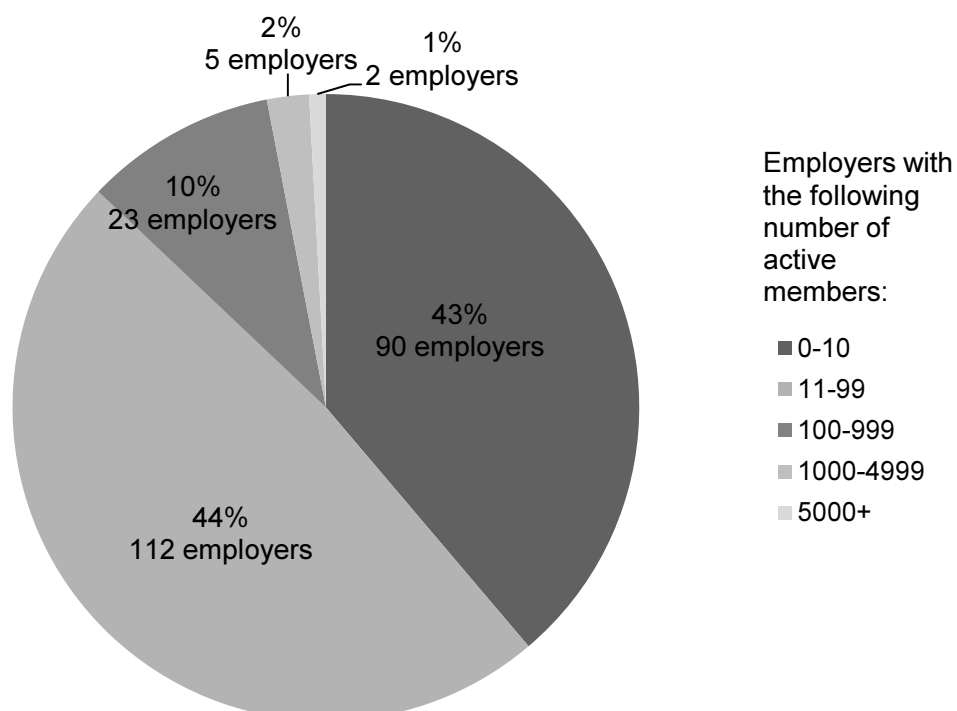
12 ADVICE SOUGHT

12.1 The Council's Monitoring Officer (Divisional Director – Legal & Democratic Services) and Section 151 Officer (Divisional Director - Business Support) have had the opportunity to input to this report and have cleared it for publication.

Contact person	Geoff Cleak, Acting Pensions Manager Tel: 01225 395277
Background papers	Various Statistical Records
Please contact the report author if you need to access this report in an alternative format	

Full-time records/members**Part-time records/members****Employer/active membership ratio by numbers**

Number of employers with 5000+ members	2
Number of employers with between 1000 – 4999 members	5
Number of employers with between 100 – 999 members	23
Number of employers with 11 - 99 members	112
Number of employers with 0 - 10 members	90
Total	232

Employers/active membership ratio %

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Late Payers Report

APPENDIX 2

Employer	Payroll Month	Days late	Cumulative occasions	Amount	Significance	Reason / Action
Bath Tourism	October	2	1	3,272.30	Value / days late not material.	Clerical error. They have been reminded of their obligation to pay by 22 nd of the month.
Circadian Trust	October	4	1	34,103.70	Significant Value.	Payroll provider supplied wrong payroll information. They have been reminded of their obligation to pay by 22 nd of the month.
Bristol Waste Company	November	2	1	26,051.42	Significant Value.	New employer with problems setting up payroll and payments systems. January contributions were paid on time.
South West Grid for Learning	November	2	1	4,794.06	Value / days late not material.	Misunderstood BACS timing. This has now been explained to them.
The Park Community Centre	November	8	1	2,766.62	Significant days late.	Cash shortage over Christmas. The matter has been discussed with them and they have been reminded of their obligation to pay by 22 nd of the month.
Destination Bristol	November	17	1	7,672.40	Significant days late.	Administrative errors were prolonged due to Christmas & New Year break. Systems are being put in place to avoid this in future.
Frampton Cotterell	December	3	1	1,702.46	Value / days late not material.	Misunderstood BACS timing. This has now been explained to them.
South West Grid for Learning	December	3	2	4,794.06	Value / days late not material.	Misunderstood BACS timing. This has now been explained to them.
Bristol Waste Company	December	4	2	20,561.71	Significant Value.	New employer had problems setting up payments systems. These are now resolved and January contributions were paid on time.
Total Days		45		105,718.73		
Total Contributions in Quarter				28,911,000	Late Payments as Percentage of total 0.37%	

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.

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PENSIONS SECTION ADMINISTRATION

Key Performance Indicators

APPENDIX 3 to Pension Fund Administration Report at 31 January 2016

INDICATOR	Red Amber Green	2014/15 Actual	Target for 2015/16	Actual 4 Months to 31/01/2016	Comments
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A Customer Perspective

1	General Satisfaction with Service - retirees' feedback	G	97%	97%	94%	50 responses recived from 299 retirees in period - see Appendix 6
2a	Service Standards - Processing tasks within internal targets (SLA)					
	Deaths	G	91%	92%	88%	15 of 17 Cases completed within target
	Retirements	G	89%	90%	85%	314 of 369 Tasks completed within target
	Leavers (Deferreds)	A	81%	75%	54%	677 of 1253 Tasks completed within target
	Refunds	G	82%	80%	75%	203 of 270 Tasks completed within target
	Transfers In	G	74%	75%	75%	29 of 39 Tasks completed within target
	Transfers Out	A	77%	75%	68%	66 of 97 Tasks completed within target
	Estimates	G	95%	90%	89%	717 of 787 Tasks completed within target
2b	Service Standards Processing tasks within statutory limits	G	100%	100%	100%	
3	Number of complaints	G			Nil	No complaints received in the period
4	Pensions paid on time	G		100%	100%	All paid on time
5	Statutory Returns sent in on time (SF3/CIPFA)	G			n/a	none due this period
6	Number of hits per period on APF website	G	55898/4658pcm		18,348	4587 per calendar month for reporting period
7	Advising members of Reg Changes within 3 months of implementation				n/a	none this period
8	Issue of Newsletter (Active & Pensioners)			0	Yes	Active member news letter issued December 2016
9	Annual Benefit Statements distributed by 31 August	G				99.7% issued by 31st August 2015

B People Perspective

1	% of new staff leaving within 3 months of joining				0%	
2	% Sickness Absence					
	a) Short Term	G	1.3%	3%	1%	Ahead of corporate target of 5%
	b) Long Term	G	0%	2%	0%	

C Process Perspective

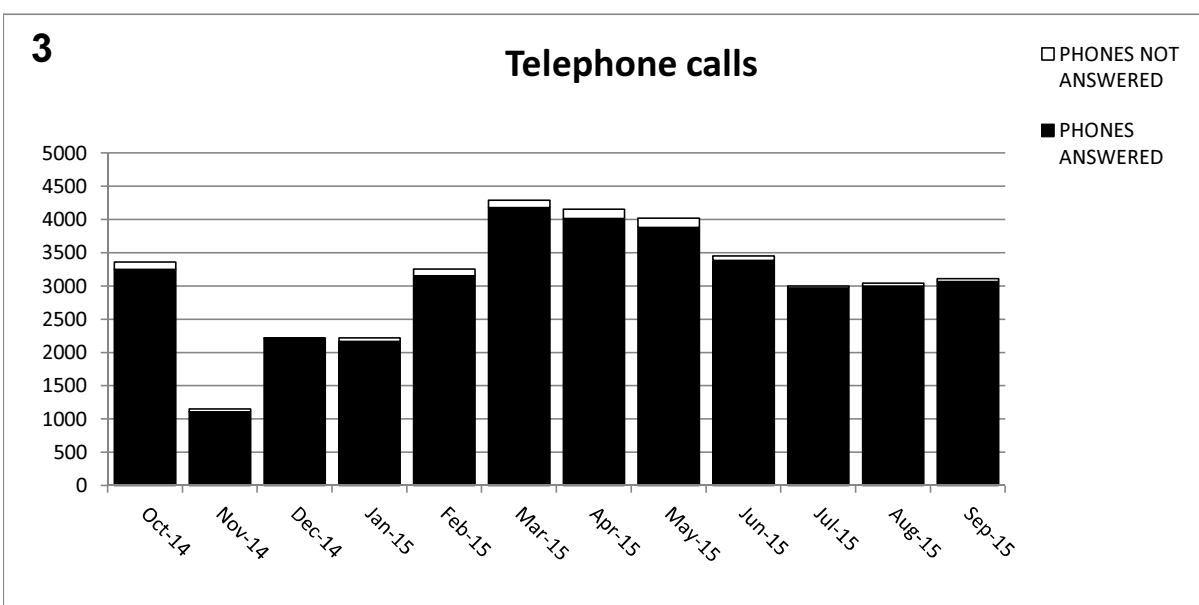
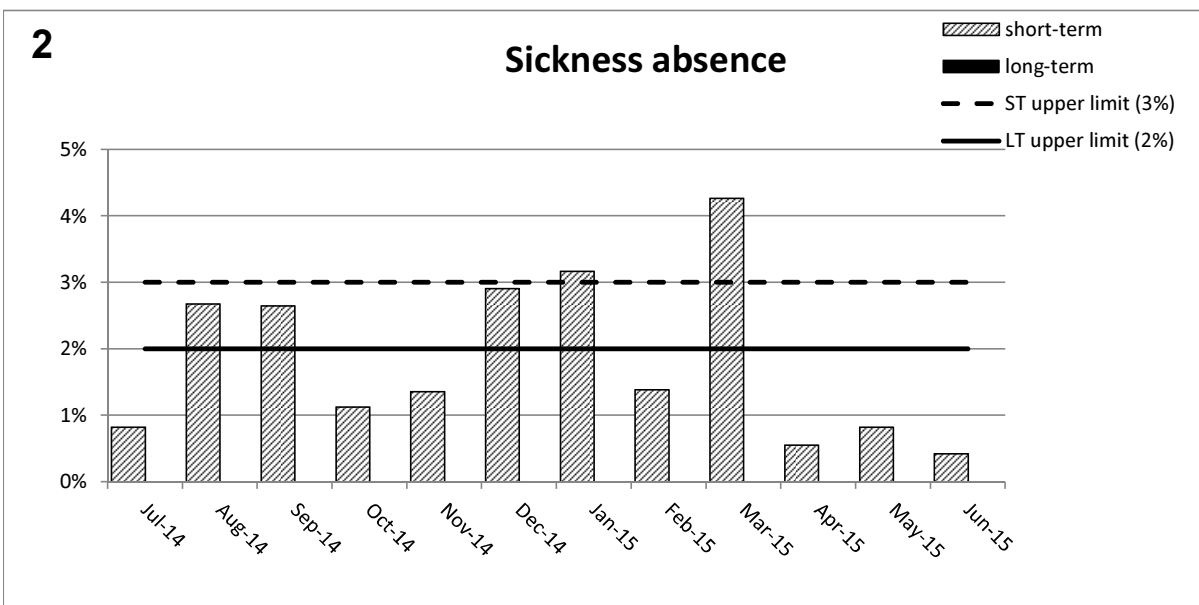
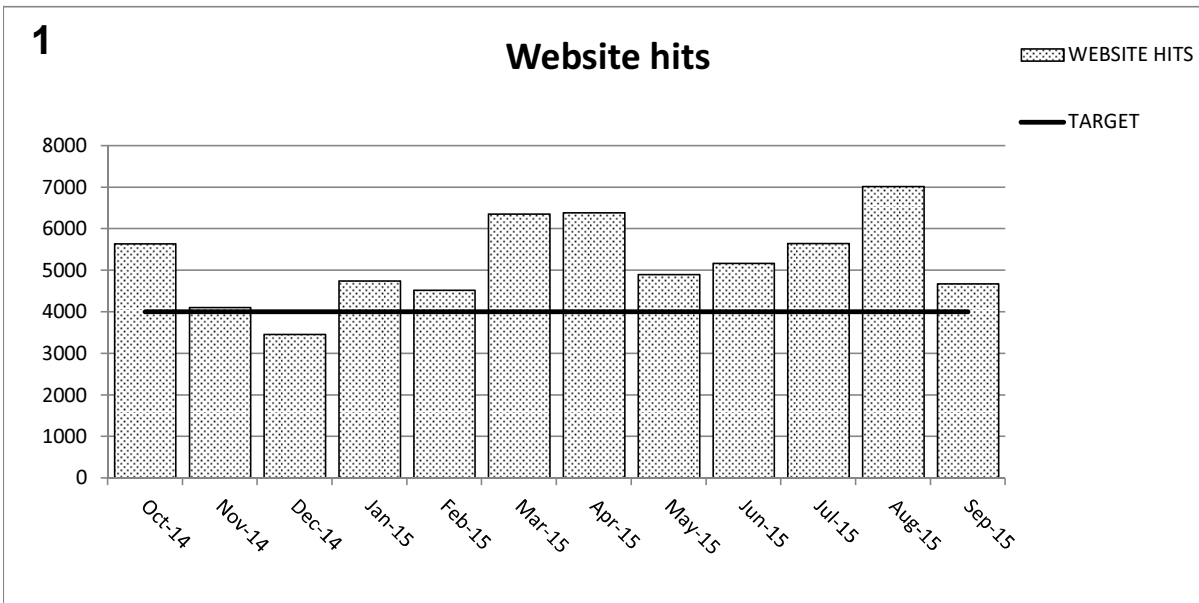
1	Services actually delivered electronically	G			12.1%	12.1% represents eligible users who have signed up to My Pension Online. 10,337 members now have electronic access.
2	a) Active membership covered by employer ESS	G	72%	90%	75%	
	b) % of employers submitting data electronically	G	58%	70%	60%	
3	% Telephone calls answered within 20 seconds	G	97%	95%	98.7%	9160 calls, 9044 answered within 20 seconds
4	Maintain work outstanding at below 40%	G	30053 created 27944 cleared	<40%	38%	7855 created, 7359 cleared - see Appendix 5A Annex 1 & 2
5	Year End data receipt	G		100%		2015/16 due by 30 April 2016

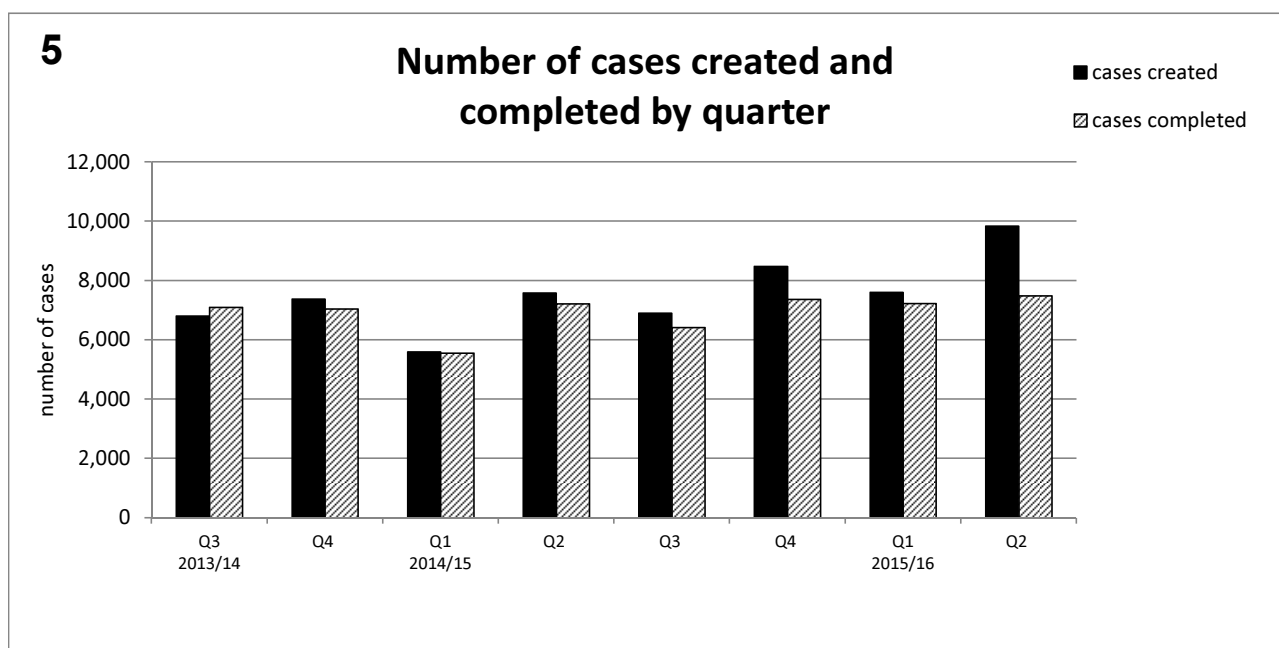
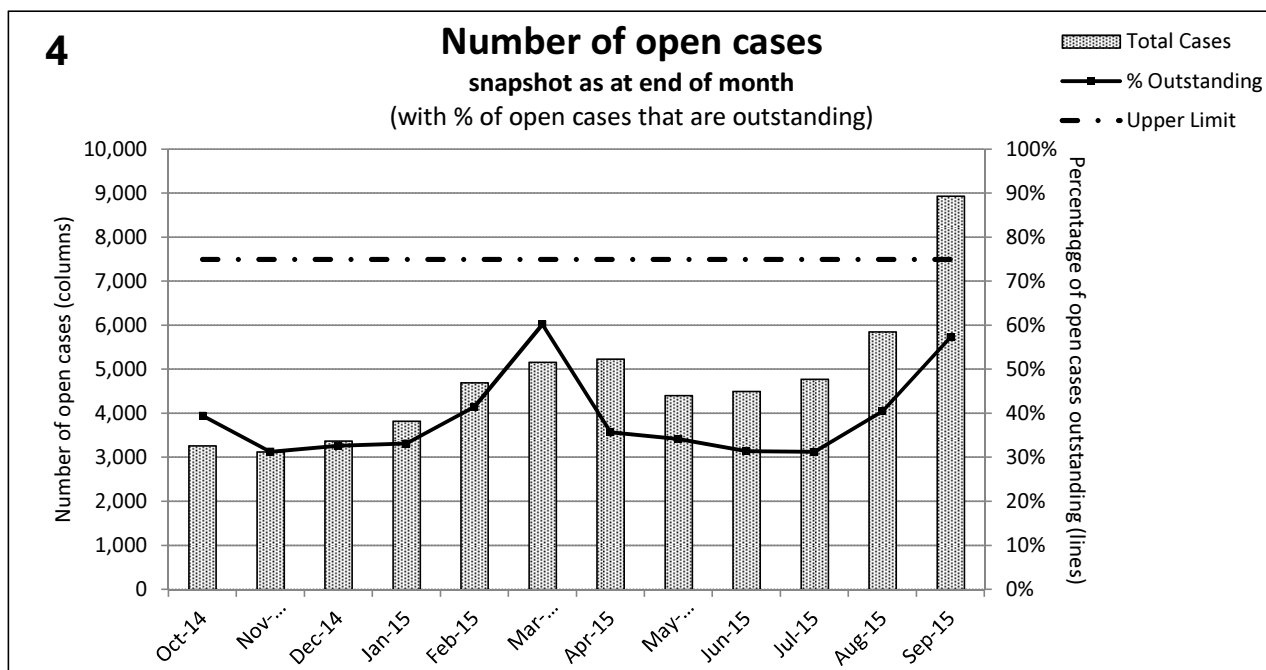
D Resource Perspective

1	% Supplier Invoices paid within 30 day or mutually agreed terms	G	89%	90%	91%	Business Financial Services (inc Pensions).
2	Temp Staff levels (% of workforce)	G	0.74%		0.0%	

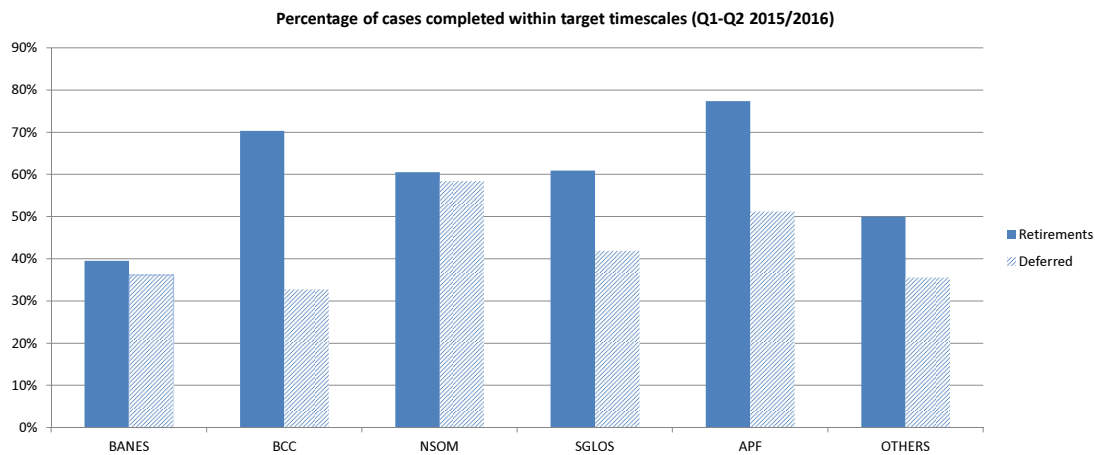
#	Title	How measured
A	CUSTOMER PERSPECTIVE	
	1 General satisfaction with service - retirees' feedback	questionnaire
2a	Service Standards - Processing tasks within internal targets (SLA)	
	Deaths (12 days)	
	Retirements (15 days)	
	Leavers - deferreds (20 days)	
	Refunds (5 days)	
	Transfers In (20 days)	
	Transfers Out (15 days)	
	Estimates (10 days)	
2b	Service Standards Processing tasks within statutory limits	
	3 Number of complaints	
	4 Pensions paid on time	
	5 Statutory Returns sent in on time (SF3/CIPFA)	
	6 Number of hits per period on APF website	
	Advising members of Reg Changes within 3 months of implementation	
	7	
	8 Issue of Newsletter (Active & Pensioners)	
	9 Annual Benefit Statements distributed by year end	
B	PEOPLE PERSPECTIVE	
	1 % of new staff leaving within 3 months of joining	
	2 % Sickness Absence a) short term	
	% Sickness Absence b) long term	
C	PROCESS PERSPECTIVE	
	1 a) Services actually delivered electronically	
	b) Services capable of delivery to members	
	2 a) Active membership covered by employer EDI	
	b) % of employers submitting data electronically	
	3 % Telephone calls answered within 20 seconds	
	4 Maintain work outstanding at below 75%	
	5 Year End data receipt	
	No. of errors (due to incomplete member data from employers)	
	6	
D	RESOURCE PERSPECTIVE	
	% Supplier Invoices paid within 30 day or mutually agreed terms	
	1	
	2 Temp Staff levels (% of workforce)	

figure reported	target	context	R	A	G
% of respondents reporting service to be "good", "excellent" or "average"	97%	<0.8		80%	97%
	92%	<0.82		82.00%	92%
	90%	<0.8		80%	90%
	75%	<0.65		65%	75%
	80%	<0.7		70%	80%
	75%	<0.65		65%	75%
	75%	<0.65		65%	75%
	90%	<0.8		80%	90%
	100%	<0.9		90%	100%
	0	>1		1	0
	100%	<0.9		90%	100%
	100%	<0.95		95%	100%
	4000 pcm	<3000		3000	4000
					0
					0
					0
	0%	>0.1		10%	0%
	3%	>0.05		5%	3%
	2%	>0.04		4%	2%
	10%	>0.05		5%	10%
	100%	>0.75		75%	100%
	90%	>0.8		80%	90%
	70%	>0.6		60%	70%
	95%	>0.9		90%	95%
	75%	>0.8		80%	75%
	100%	>0.95		95%	100%
	3%	>0.05		5%	3%
	90%	>0.8		80%	90%
	10%	>0.2		20%	10%

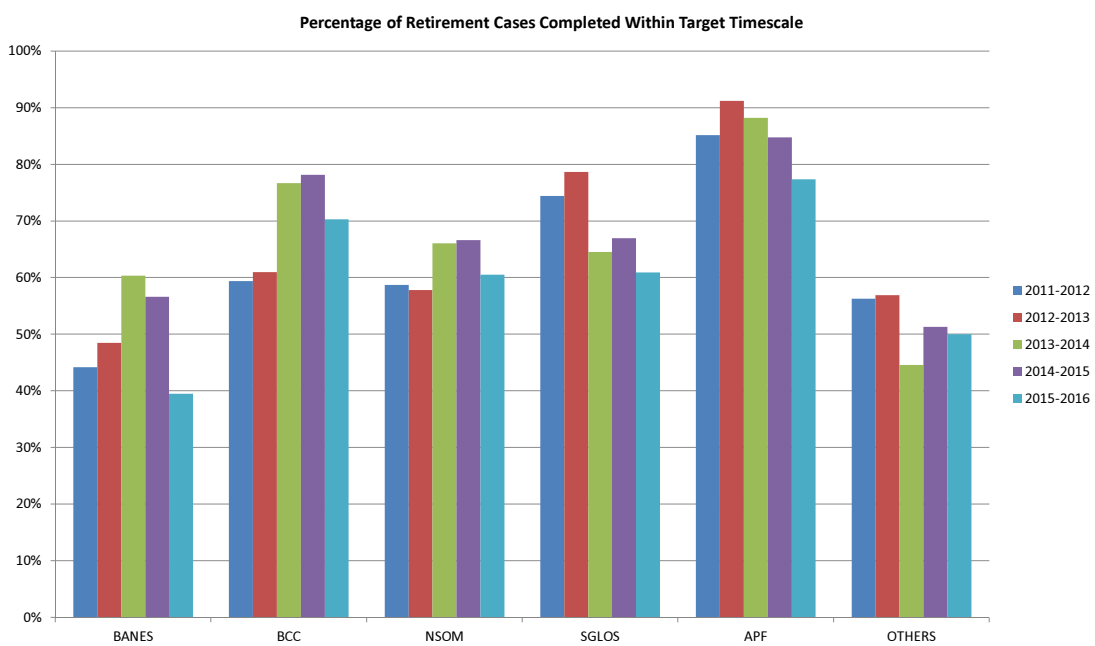




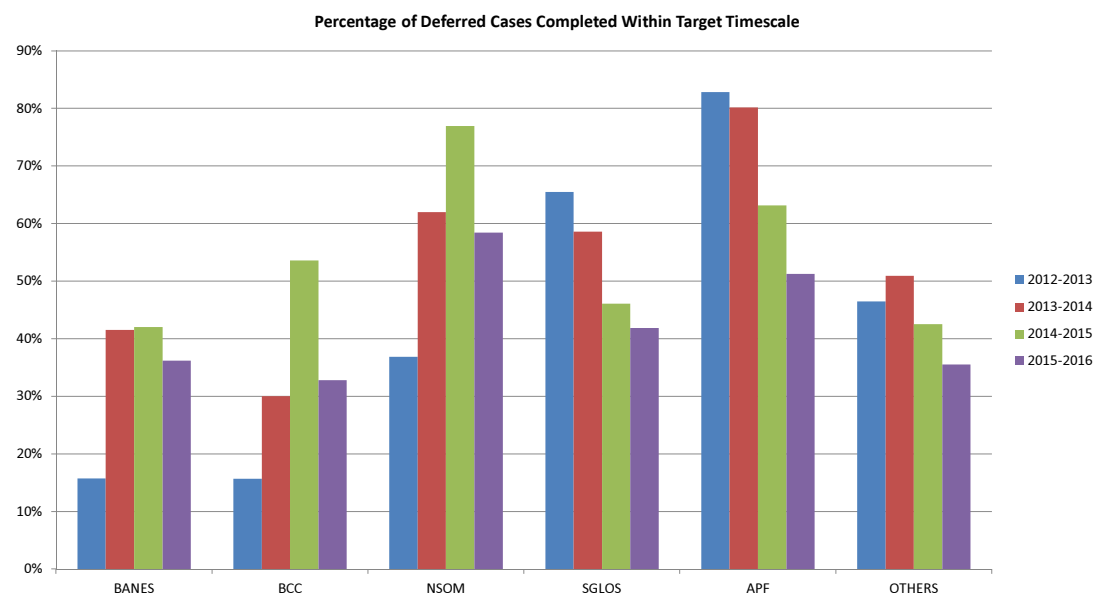
Annex 1



Annex 2



Annex 3



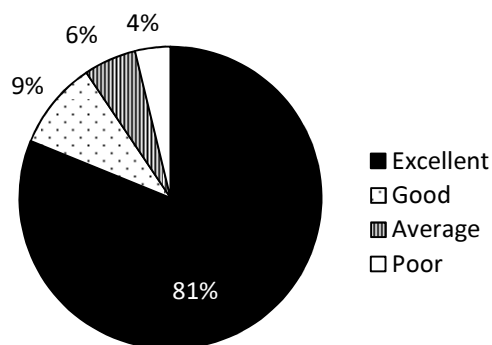
Pension Fund Administration report: Appendix 4

Customer satisfaction (Jan- Mar 2015)

Responses to the question "Overall, how would you rate the service you received from Avon Pensio

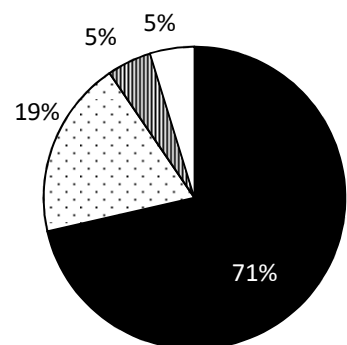
Active members

Number retiring	123
Questionnaires received	63
Response rate	51%

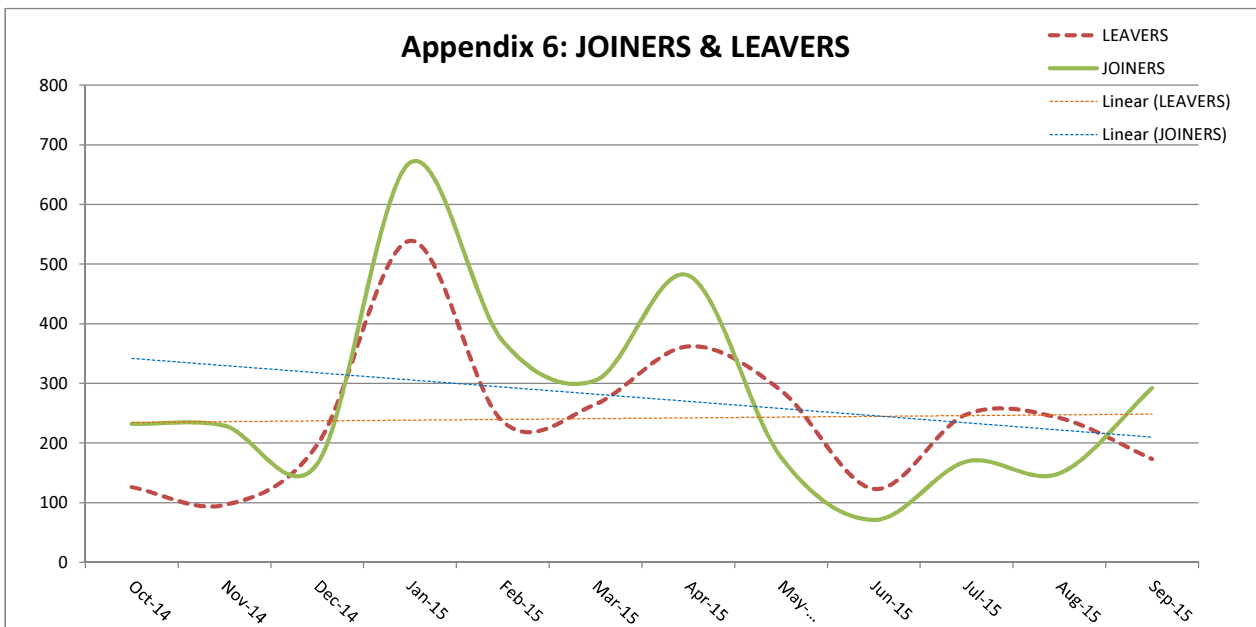
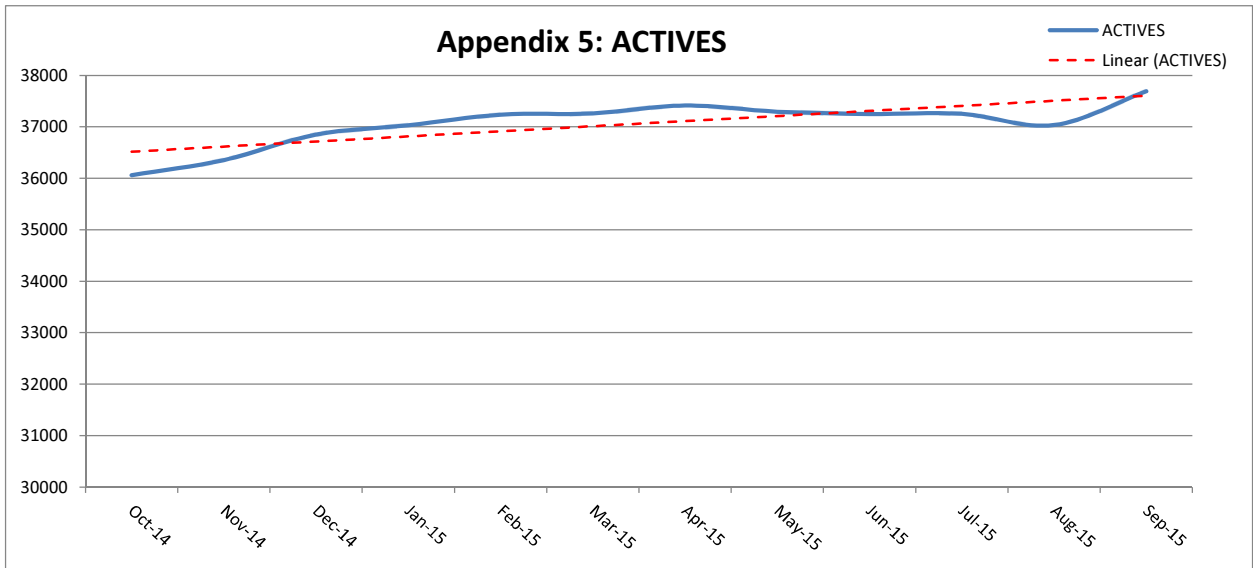


Deferred members

Number retiring	86
Questionnaires received	21
Response rate	24%



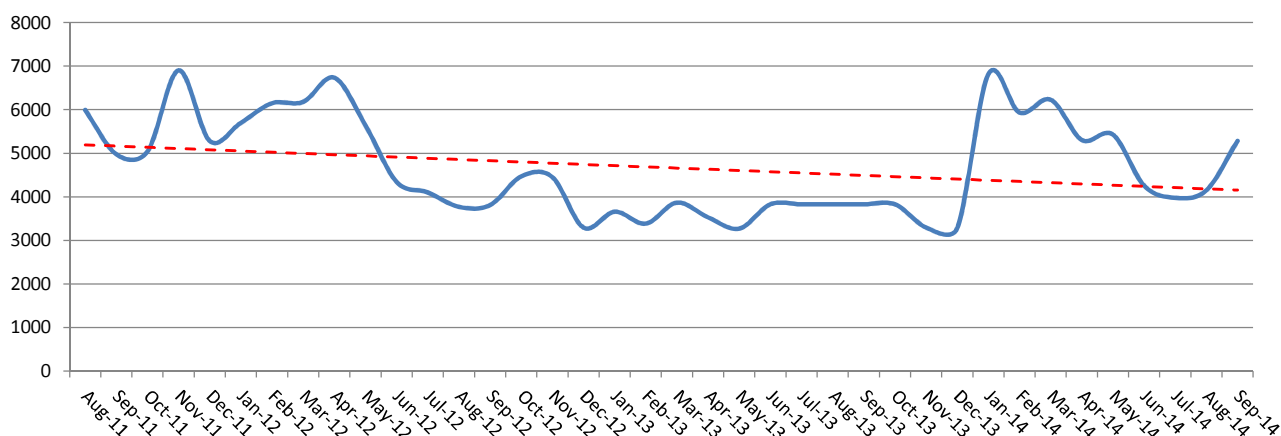
n Fund?"



Pensions Admin Report Balanced Scorecard Appendix 3B - GRAPHS only @30 September 2014

1

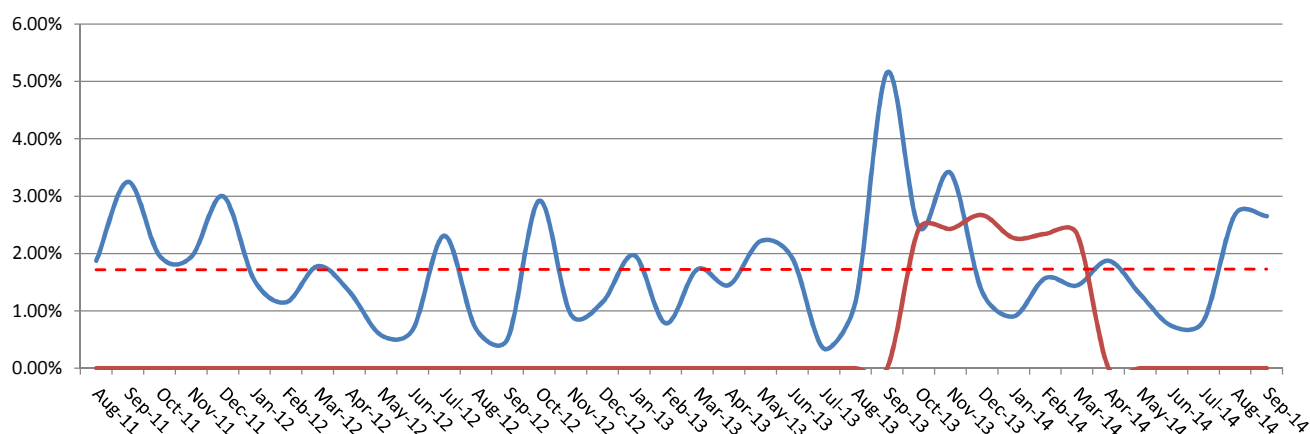
WEBSITE HITS



2

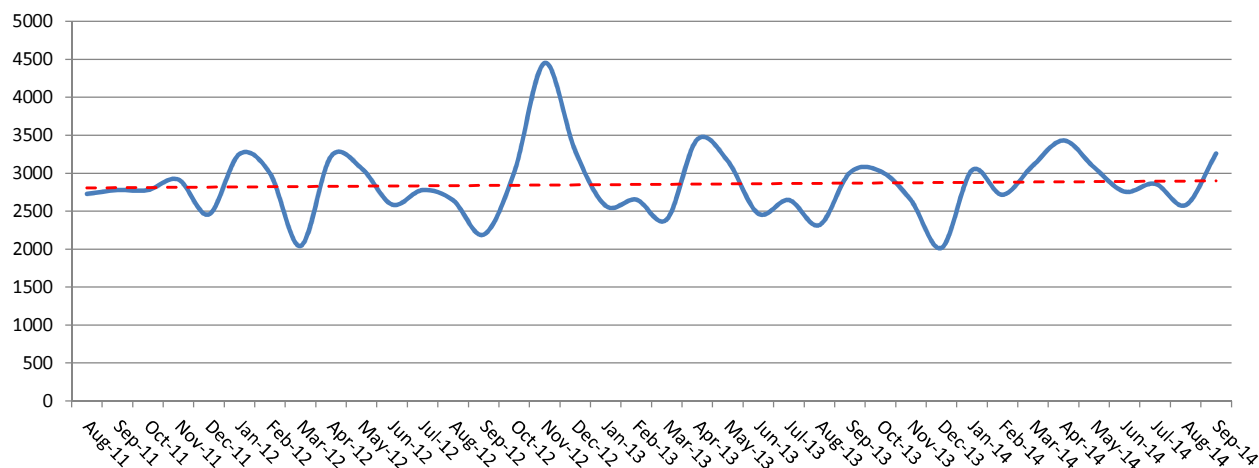
SICKNESS

— SICKNESS ST — SICKNESS LT



3

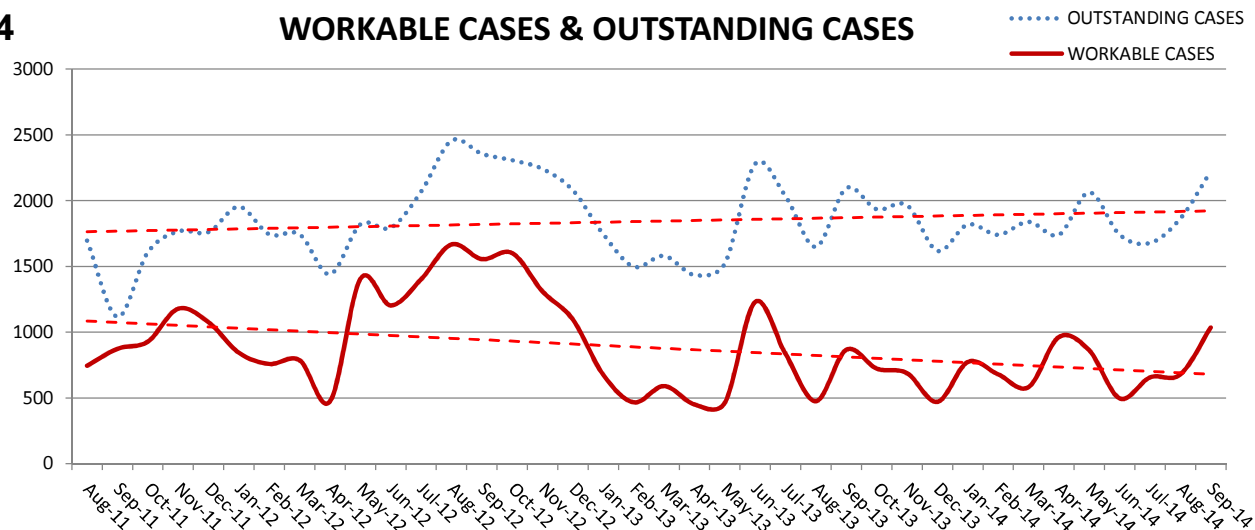
TELEPHONE CALLS RECEIVED



Pensions Admin Report Balanced Scorecard Appendix 3B - GRAPHS only @31st July 2014

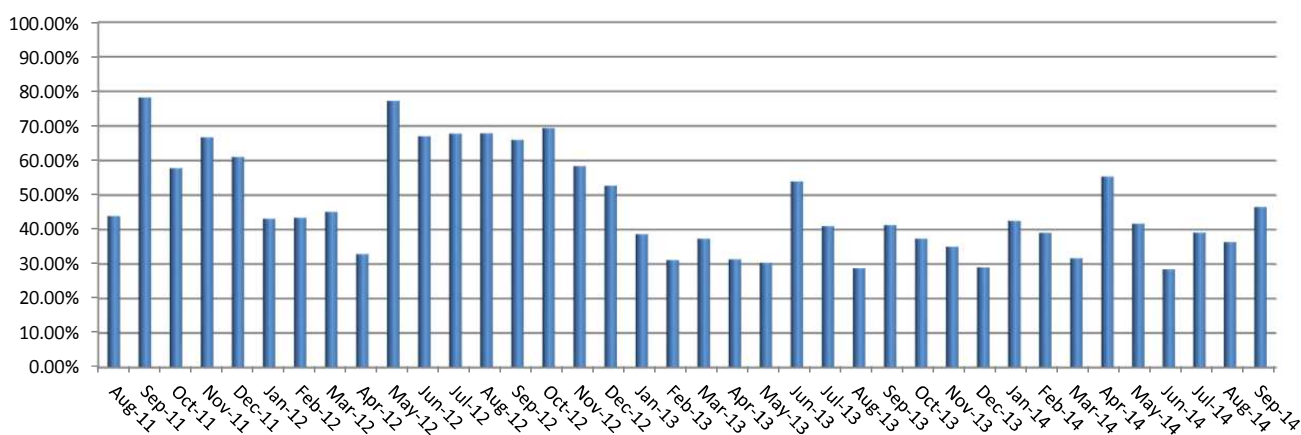
4

WORKABLE CASES & OUTSTANDING CASES



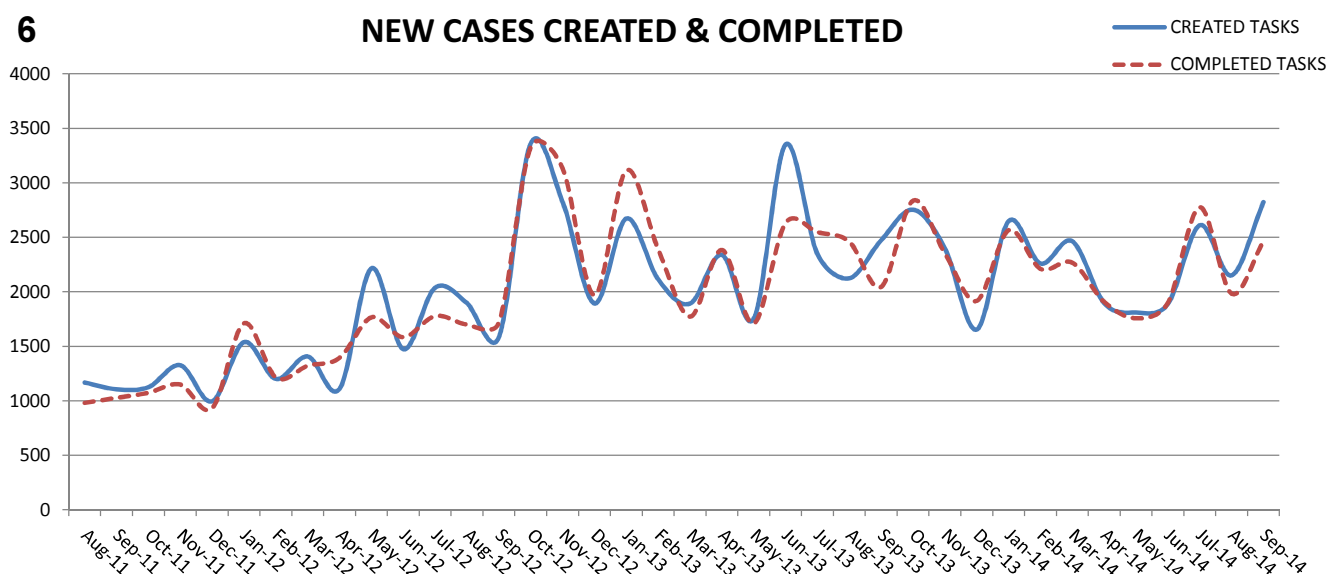
5

WORKABLE CASES PERCENTAGE

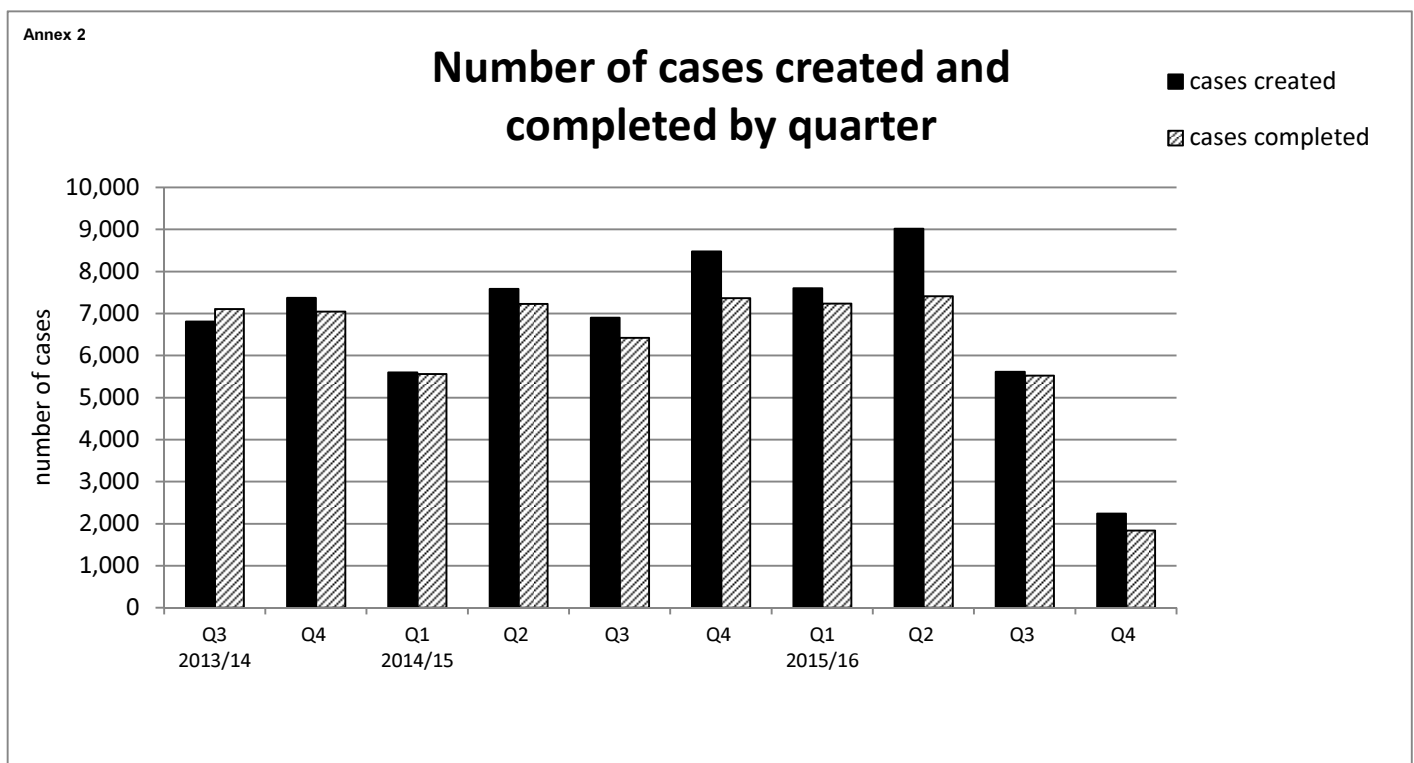
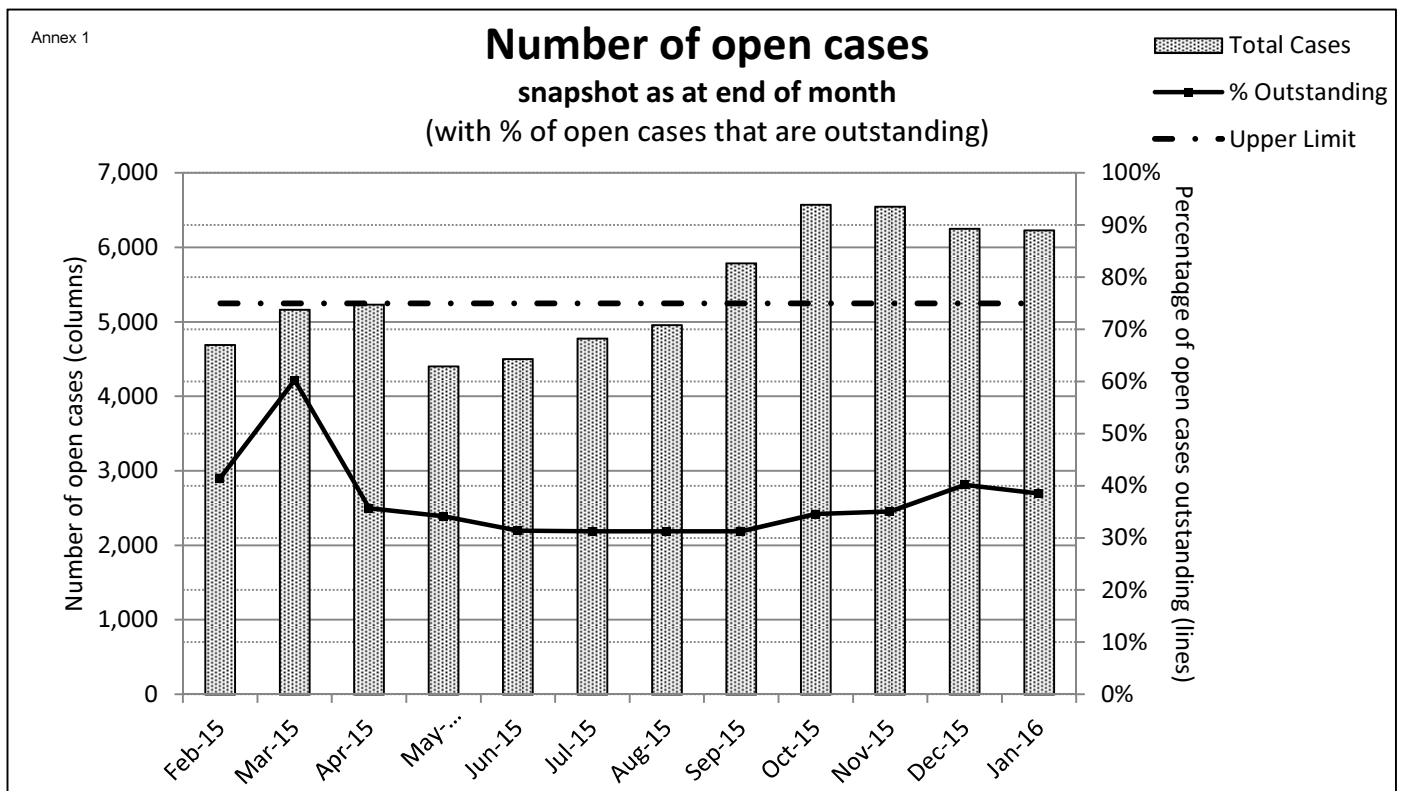


6

NEW CASES CREATED & COMPLETED



Pension Fund Administration report: Appendix 3A Case Workload



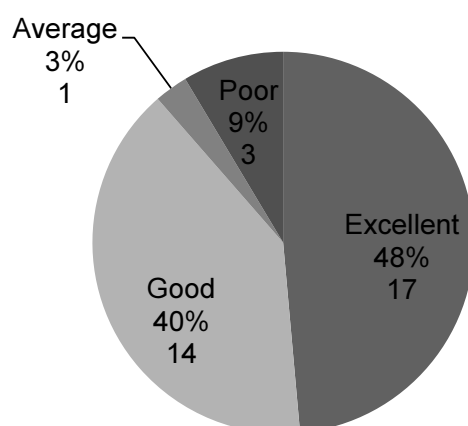
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Customer satisfaction (Oct 2015 - Jan 2016)

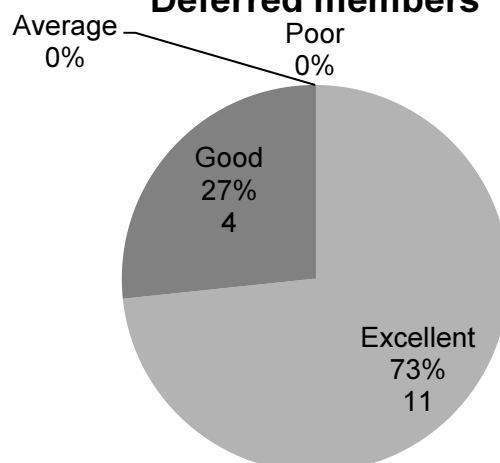
Responses to the question "Overall, how would you rate the service you received from Avon Pension Fund?"

Active members

Number retiring	170
Questionnaires received	35
Response rate	20%

Active members**Deferred members**

Number retiring	129
Questionnaires received	15
Response rate	11%

Deferred members

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TPR Improvement Plan: Data at 31 Jan 2016

APPENDIX 5

Data type	Cases brought forward	New cases in period	Completed in period	Outstanding	Completeness of date as % of membership
ACTIVES Total = 36730					
Addresses	374	54	64	364	99.00%
Forename	3	0	0	3	99.99%
Surname	0	0	0	0	100%
Date of birth	2	0	0	2	99.99%
NI number	4	56	6	54	99.85%
Title	0	2	2	0	
Sex mismatch	2	12	1	13	99.96%
Format of hours	17	18	23	12	99.97%
Date joined Fund missing	0	0	0	0	100.00%
Payroll ref missing	76	58	12	122	99.67%
Leaver forms missing	1068	9	152	925	97.48%
Leaver forms in error	Starting 2/16	n/a	n/a	n/a	n/a
Casual hours missing	1633	0	884	749	97.96%
Starters in error	Starting 2/16	n/a	n/a	n/a	n/a
Starters missing	169	0	48	121	99.67%
Total	3348	209	1192	2365	99.50%
DEFERREDS Total = 40101					
Addresses	4127	138	431	3834	90.44%
Forename	9	0	1	8	99.98%
Surname	0	0	0	0	100.00%
Date of birth	3	0	1	2	99.99%
NI number	56	0	54	2	99.99%
Title	0	0	0	0	100.00%
Sex mismatch	0	0	0	0	100.00%
Format of hours	0	0	0	0	100.00%
Date joined Fund missing	3	0	3	0	100%
Historic refunds	884	0	57	827	97.94%
Total	5082	138	547	4673	98.83%

PENSIONERS					
Total = 24630					
Addresses	328	7	49	286	98.84%
Forename	10	0	6	4	99.98%
Surname	0	0	0	0	100.00%
Date of birth	0	0	0	0	100.00%
NI number	0	2	1	1	99.99%
Title	0	0	0	0	100.00%
Sex mismatch	1	0	0	1	99.99%
Total	339	9	56	292	99.83%
DEPENDANTS					
Total = 3760					
Addresess	43	1	3	41	98.91%
Forename	1	0	1	0	100.00%
Surname	0	0	0	0	100.00%
Date of birth	0	0	0	0	100.00%
NI number	28	4	7	25	99.34%
Title	0	0	0	0	100.00%
Sex mismatch	0	1	0	1	99.99%
Total	72	6	11	67	99.75%

Bath & North East Somerset Council		
MEETING:	LOCAL PENSION BOARD - AVON PENSION FUND	
MEETING DATE:	25 th February 2016	AGENDA ITEM NUMBER
TITLE:	Risk Register & Internal Audit Update	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendix 1	Pension Fund Risk Register	
Appendix 2	Action Plan	
Appendix 3	Summary of Pension Fund Internal Audit Work	
Appendix 4	Draft Internal Audit Report on Pensions Governance	

1 THE ISSUE

- 1.1 The purpose of this report to present the current position of the Avon Pension Fund Risk Register and associated Action Plan for review by the Board and an update on Internal Audit activity.
- 1.2 The report and its appendices are important for the Board to consider in the context of their understanding of the performance and management of the fund.

2 RECOMMENDATION

That the Board

- 2.1 Notes the report and comment on the Risk Register and Audit Plan for 2016/17.

3 FINANCIAL IMPLICATIONS

- 3.1 There are no direct implications related to the Pension Board in connection with this report aside from any additional audit review costs requested by the Board.

4 REPORT

RISK REGISTER

- 4.1 The Risk Register follows the format of the Council's risk register 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.
- 4.2 The Risk Register is reviewed regularly by the pension management team. Risks identified cannot be eliminated but can be treated via monitoring.

4.3 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

4.4 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.

4.5 The register and associated Action Plan are attached at Appendix 1 and 2.

INTERNAL AUDIT

4.6 Internal Audit reviews the fund as part of their overall plan across all activities within the Council and there is no specific audit plan for the fund as only 30 days review work takes place. Normally one or two audit reviews occur each year and a summary of work undertaken in the last three years is attached at Appendix 3.

4.7 During 2015/16 two audit reviews have been carried out –

Pensions Governance – See Appendix 4 for Draft Report

Pensions IT Controls (Altair System) – WIP to be finalised by March 2016.

4.8 There are no significant issues or areas of concern at this stage in relation to any Internal Audit work carried out in 2015/16 however for information a copy of the draft report of Pensions Governance is attached at Appendix 4 for information.

4.9 As part of preparing its audit plan for 2016/17 consultation has taken place with various senior managers alongside a broad risk assessment against key risks facing the Council.

4.10 At present the draft plan contains the following two reviews relevant to the Avon Pension Fund and work of the Board –

- Pensions Governance (Remaining elements not covered in 15/16 review of Code of Practice 14, i.e. Governance, Whistleblowing, Disputes & Breaches)

- Pensions Payroll

- 4.11 The Board is asked to comment on any specific audit activity which they would like to be considered for the 2016/17 prior to it being submitted to the Council's Audit Committee in March for approval. Costs for any additional work over and above that identified in para 4.9 would need to be met from the budget for the Board and a separate report on the agenda details this budget.

5 RISK MANAGEMENT

- 5.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance and there are no significant or material risks to report.

6 EQUALITIES

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

7 CONSULTATION

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

Contact person	Jeff Wring, Head of Audit West 01225 477323
Background papers	
Please contact the report author if you need to access this report in an alternative format	

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Pensions

Liz Woodyard/Geoff Cleak

Date updated: 15-Feb-16

Nr	Description	Date Entered on Register	Risk or Opportunity?	Risk/Opportunity Owner	Category	Corporate Or Service Action Plan	Details of Link to Corporate or Service Action Plan	Current Risk Score										Trend			Strategy to Manage Risk	Current Status of Actions RAG	Commentary on Current Status of Action Plans	Financial Impact	Scale of Financial Impact																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
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R42	Increasing political pressure to reform scheme structure, governance and direct investment decisions. If fund does not have robust plan for change, government may legislate to enforce change. Implications: committee does not make decisions in the best interest of the Fund or is unable to make decisions.	12-Sep-13	Risk	Head of Business, Finance and Pensions	Resources	Service Action Plan																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																												

Nr	Description	Date Entered on Register	Risk or Opportunity?	Risk/Opportunity Owner	Category	Corporate Or Service Action Plan	Details of Links to Corporate or Service Action Plan	Current Risk Score												Trend			Strategy to Manage Risk	Current Status of Actions RAG	Commentary on Current Status of Action Plans	Financial Impact	Scale of Financial Impact	
								Likelihood						Impact						This Period	Periods Ago							
								L	M	H	L	M	H	L	M	H												
R27	The investment managers appointed by the Avon Pension Fund to manage the assets fail to achieve their benchmarks. This could cause the Fund to underperform its strategic benchmark and thus fail to achieve the investment returns required to fund the liabilities. This could negatively affect the contribution rates paid by the employing bodies.	01-Jul-08	Risk	Pensions Investments Manager	Resources	Service Action Plan			3			2						5	5	0	Treat	On Target	Risk updated Jan 2015: Higher likelihood; impact lower	Not Funded	Greater than £1m			
R28	The Fund is unable to recruit appropriately skilled 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.	01-Jul-08	Risk	All Team Managers	People	Service Action Plan						2						5	5	0	Treat	On Target		Not Funded	£10,000 to £100,000			
R39	For the cash invested by the Council on behalf of Pension Fund that the counterparties fail / delay the return of principle and /or investment income to pension fund as requested	01-Dec-09	Risk	Finance & Systems Manager (Pensions)	Resources	Service Action Plan			2				3					5	5	0	Treat	On Target		Not Funded	Greater than £1m			
R48	Trivial commutation project. Small pensions in payment can be commuted to a lump sum. Around 4000 pensioners may be eligible under this regulation. Implications: Impact on cash flow through payment of lump sums versus monthly payments; resources required to support the project.	10-Aug-15	Risk	Pensions Manager	Service	Service Action Plan			3			2						5	5	0	Treat	On Target		Not Funded	£100,001 to £1m			
R49	Freedom & Choice in Pensions. Pensions reforms offering greater flexibility on DC schemes for individuals aged 55 and over. There is an indirect impact on members considering DB to DC transfer arrangements	10-Aug-15	Risk	Pensions Manager	Service	Service Action Plan			3			2						5	5	0	Treat	On Target		Not Funded	£100,001 to £1m			
R50	BANES Reduced Office Space in Civic Centre Office closure in Bath resulting in expected increase in staffing numbers from Nov/Dec 2015.	10-Aug-15	Risk	Pensions Manager	Resources	Service Action Plan			2				3					5	5	0	Treat	Complete		Not Funded	Under £10,000			
R11	Failure of Pension software supplier. Implication: Risk that system used by Fund is not supported.	01-Jul-08	Risk	Pensions Manager	Resources	Service Action Plan	BCP &DR policies							4				4	4	4	Treat	On Target		Not Funded	£100,001 to £1m			
R20	Governance risk of investment managers, custodian and other investment suppliers, including insolvency and control environment to prevent fraud. Implications: Detrimental impact to the investment strategy through loss of assets or inability to trade due to assets being inaccessible	12-Sep-13	Risk	Pensions Investments Manager	Resources	Service Action Plan			1					4				4	4	4	Treat	On Target		Not Funded	Greater than £1m			
R46	Transformational risk as move towards fully electronic management and use of data and information	19-Dec-14	Risk	Pensions Manager	Service	Service Action Plan			2			2						4	2	2	Treat	On Target	New ongoing process so able to manage risk action plan to be implemented	Not Funded	Under £10,000			
R52	Risk to investment strategy from MIFID II (Markets in Financial Instruments Directive II): effective from 1 January 2017. The directive will change the Fund's status from professional to retail investor. Implications: possible forced sale of non-retail compliant assets; increased costs of compliance if elect for professional status; need to evidence that we meet criteria for elect up; restricted investment universe if stay as retail investor. If remain retail investor, current strategy will have to be amended (illiquid assets would not be permissible)	17-Nov-15	Risk	Pensions Investments Manager	Legal & Compliance	Service Action Plan			2			2						4	4	4	Treat	On Target		Not Funded	Greater than £1m Funded			
R01	Systems failure or lack of accessibility to systems. Implication: potential loss of data, need to re-process data, fall in productivity, potential corruption of data, delay in payment of pensions	12-Sep-13	Risk	Pensions Manager	Service	Service Action Plan	Business Continuity Plan Key Areas - Disaster Recovery Contract			1			3					3	3	4	Treat	On Target	risk updated Aug 2015	Not Funded	£10,000 to £100,000			
R02	Dependence on electronic data from scheme employers. Implication: inaccurate or incomplete data	12-Sep-13	Risk	Pensions Manager	Resources	Service Action Plan	Service Plan (in its entirety)			1				3				3	3	4	Treat	On Target	risk updated Aug 2015	Not Funded	£10,000 to £100,000			

Nr	Description	Date Entered on Register	Risk or Opportunity?	Risk/Opportunity Owner	Category	Corporate Or Service Action Plan	Details of Links to Corporate or Service Action Plan	Current Risk Score										Trend			Strategy to Manage Risk	Current Status of Actions RAG	Commentary on Current Status of Action Plans	Financial Impact	Scale of Financial Impact		
								Likelihood										Impact	This Period	Periods Ago							
								L	M	H	3	4	5	6	7	8	9			1						2	3
R03	Fraudulent access to the self service facilities offered to employers and members	12-Sep-13	Risk	Payments & Systems Manager	Legal & Compliance	Service Action Plan		1									3					On Target	risk updated Sept 2013	Not Funded	Under £10,000		
R04	Failure to comply with TPR code to maintain accurate and timely membership records caused by failure of employing bodies to notify employment changes. Implications: breach of statutory duty to notify, pay benefits, maladministration and potential fine from TPR	01-Jul-08	Risk	Pensions Manager	Legal & Compliance	Service Action Plan	Link to TPR Control	1									3					On Target		Not Funded	£100,001 to £1m		
R07	Fail to communicate effectively with stakeholders - Employers, Members. Implication - reputational risk, poor public relations, lack of information to make informed decisions and failure to comply with TPR code	01-Jul-08	Risk	Pensions Manager	Stakeholder	Service Action Plan		1									3					On Target		Not Funded	£100,001 to £1m		
R08	Avon Pension Fund Committees and employing bodies do not receive independent assurance that the Fund's system of internal controls is operating effectively.	01-Jul-08	Risk	Pensions Manager	Resources	Service Action Plan		1									3					On Target		Not Funded	£10,000 to £100,000		
R14	Delayed payment of pension because of failure of BACS System or interface with CSeries Implication: members may experience cash flow problems and possible bank charges if pension payments are delayed. Reputational risk if payments are not paid promptly. Non compliance with TPR code	01-Jul-08	Risk	Payments & Systems Manager	People	Service Action Plan	Business Continuity Plan Key Areas	1									3					On Target		Not Funded	Under £10,000		
R16	Absence of staff with specialist / key skills Implication: Delays/errors in processing payments to members. Members experience hardship and bank charges. Reputational damage to Pension Fund. Non compliance with TPR code.	01-Jul-08	Risk	All Team Managers	People	Service Action Plan		1									3					On Target		Not Funded	£10,000 to £100,000		
R40	The pension fund cashflow profile is maturing Risk there is not have enough cash to pay pensions on a monthly basis due to a reduction in contributions paid into the Fund. This will result in the bank account being overdrawn and possibly non payment of pensions	01-Dec-09	Risk	Pensions Investments Manager	Resources	Service Action Plan		1									3					On Target		Not Funded	£100,001 to £1m		
R47	Introduction of employer cost cap mechanism by central government. PR/communication risk and increased need for communications to employers and members	19-Dec-14	Risk	Communications & Public Relations Manager	Resources	Service Action Plan			3								1					On Target	no financial risk. PR and communication needed to manage it	Not Funded	Under £10,000		
R06	Failure to provide information asked for under the terms of the Freedom of Information (FOI) Act 2000	01-Jul-08	Risk	Pensions Investments Manager	Legal & Compliance	Corporate Action Plan		1									2					On Target		Not Funded	£10,000 to £100,000		
R09	Failure to identify payments in error resulting in undelivered fraud or error. Implication: impact on fund assets.	01-Jul-08	Risk	Pensions Manager	Resources	Service Action Plan		1									2					On Target		Not Funded	£10,000 to £100,000		
R29	There is a risk that the service does not focus on the customer needs / expectations resulting in poor service delivery and inability to maintain good customer service	30-Sep-09	Risk	Pensions Manager	Service	Service Action Plan		1									2					On Target		Not Funded	£10,000 to £100,000		
R41	There is a risk that the service fails to comply with the Council's codes of practices; standing orders and corporate policies in respect of equalities, H&S and employment. Implication: fines for non-compliance, disciplinary issues, reputational risk.	12-Sep-13	Risk	All Team Managers	People	Service Action Plan		1									2					On Target	new risk - combines existing risks revised September 2013	Not Funded	£10,000 to £100,000		
R15	Industrial action by postal service used by Pension Fund. Implication: Delay in members receiving communications or payment if payments made by cheque. (Note: Cheque payments to members per month - <0.2% of total payments)	01-Jul-08	Risk	Pensions Manager	Resources	Service Action Plan	Business Continuity Plan Key Areas										1					On Target		Not Funded	Under £10,000		
R38	The pension fund monies are not accurately allocated to the pension fund bank account through the income receiving system. This will result in an incorrect pension fund cash balance.	01-Dec-09	Risk	Finance & Systems Manager (Pensions)	Resources	Service Action Plan		1									1					On Target		Not Funded	£100,001 to £1m		

Nr	Description	Date Entered on Register	Risk or Opportunity?	Risk/Opportunity Owner	Category	Corporate Or Service Action Plan	Details of Links to Corporate or Service Action Plan	Current Risk Score										Trend			Strategy to Manage Risk	Current Status of Actions RAG	Commentary on Current Status of Action Plans	Financial Impact	Scale of Financial Impact
								Likelihood			Impact			This Period	Periods Ago										
								1	2	3	4	5	6		7	8	9	1	2	3					
R43	Changes to the scheme lead to significant implementation failures or lack of resources to deliver existing service. Implication: productivity falls, quality of service reduced, misinformation to employers and members - CLOSED	12-Sep-13	Risk	Head of Business, Finance and Pensions	Resources	Service Action Plan		L	M	H	L	M	H	L	M	H	1	4	CLOSED Dec 2014	Complete	CLOSED Dec 2014	Not Funded	£100,001 to £1m		
R44	Office move: service moving to new council offices by November 2014. Risk that move delayed; physical move causes delays to work; access to systems for flexible working not fully operational by move date. CLOSED	14-Mar-14	Risk	All Team Managers	Service	Service Action Plan											1	4	CLOSED Dec 2014	Complete	CLOSED Dec 2014	Not Funded	Under £10,000		

Pensions
Liz Woodyard/Geoff Cleak

Data Entry Action Plan

Unique ref no	Nr	Action	Description	Strategy	Management Action	Action Owner	Implement By?	Implementation Status
R01.1	R01	01	Systems failure or lack of accessibility to systems. Implication: potential loss of data, need to re-process data, fall in productivity, potential corruption of data, delay in payment of pensions	Treat	Policies in place: (i) SLA with B&NES IT for corporate systems (ii) SLA with Heywood for pensions system (iii) APF DR policy (iv) B&NES BCP	Pensions Manager	31-Mar-16	On Target
	R01	02		Treat	Daily back up of pensions system limits loss of data, re-processing of data. Tested periodically (on-going)	Payments & Systems Manager	31-Mar-16	On Target
	R01	03		Treat	Rely on B&NES systems of control and firewalls to prevent virus attacks	Payments & Systems Manager	31-Mar-16	On Target
	R01	04						
	R01	05						
	R01	06						
	R01	07						
	R01	08						
	R01	09						
	R01	10						
R02.1	R02	01	Dependence on electronic data from scheme employers. Implication: inaccurate or incomplete data.	Treat	Internal and /or external audit to review scheme employer processes.	Pensions Manager	31-Mar-16	On Target
	R02	02		Treat	Employers are trained on use of electronic data submission by Fund staff.	Pensions Benefits Manager	31-Mar-16	On Target
	R02	03		Treat	Controls in place to monitor data quality	Pensions Benefits Manager	31-Mar-16	On Target
	R02	04						
	R02	05						
	R02	06						
	R02	07						
	R02	08						
	R02	09						
	R02	10						
R03.1	R03	01	Fraudulent access to the self service facilities offered to employers and members	Treat	Rely on B&NES systems of control and firewalls to prevent virus attacks	Payments & Systems Manager	31-Mar-16	On Target
	R03	02		Treat	Register of authorised users maintained by Fund and reviewed annually	Pensions Benefits Manager	31-Mar-16	On Target
	R03	03						
	R03	04						
	R03	05						
	R03	06						
	R03	07						
	R03	08						
	R03	09						
	R03	10						
R04.1	R04	01	Failure to comply with TPR code to maintain accurate and timely membership records caused by failure of employing bodies to notify employment changes. Implications: breach of statutory duty to notify, pay benefits, maladministration and potential fine from TPR	Treat	Introduced electronic facilities for employers to send membership data to the Fund. Process in place to monitor employers and Fund's compliance with agreed timescales (on-going)	Pensions Benefits Manager	31-Mar-16	On Target
	R04	02		Treat	Data Quality Team in place to check and monitor accuracy of data/records (on-going)	Pensions Benefits Manager	31-Mar-16	On Target
	R04	03		Treat	Pensions Committee and LPB awareness of TPR requirements - access given to TPR training toolkit	Pensions Manager	31-Mar-16	On Target
	R04	04		Treat	Hold regular employer user group meetings to remind them of their obligations and statutory/ Fund policy changes	Pensions Manager	31-Mar-16	On Target
	R04	05		Treat	Ensure employers website is up to date with accurate information and instructions to employers about notification of changes. Ongoing website updates - 6 monthly review of content.	Communications & Public Relations Manager	31-Mar-16	On Target
	R04	06		Treat	Complete annual reconciliation of membership	Pensions Benefits Manager	30-Jun-16	On Target
	R04	07		Treat	Review TPR code to ensure compliance procedures and processes in place.	Pensions Benefits Manager	31-Mar-16	On Target
	R04	08		Treat	On-going training of employers in their TPR obligations	Pensions Manager	31-Mar-16	On Target
	R04	09		Treat	Administration Strategy sets out the compliance standards. SLA in place with employers stating employer obligations and timescales.	Pensions Manager	31-Mar-16	On Target
	R04	10		Treat	Establish monitoring system of TPR standards to ensure compliance by Fund and employers. Implement APF TPR employer data improvement plan	Pensions Manager	31-Mar-16	On Target

Pensions
Liz Woodyard/Geoff Cleak

Data Entry Action Plan

Unique ref no	Nr	Action	Description	Strategy	Management Action	Action Owner	Implement By?	Implementation Status
R05.1	R05	01	Non compliance with Data Protection Act (including TPR's codes and standards). Implication: Fines imposed, criminal/civil prosecutions, data processing suspended, adverse publicity	Treat	Pensions Manager responsible officer for DPA.	Pensions Manager	30-Sep-09	Complete
	R05	02		Treat	Obtain Confidentiality Agreement from the Fund Actuary (Mercer) and Nominated Tracing Bureau.	Pensions Manager	01-Apr-08	Complete
	R05	03		Treat	Ensure compliance with B&NES DP policies (on-going)	Pensions Manager	31-Mar-16	On Target
	R05	04		Treat	All staff undertake to share personal data with 3rd parties through controlled framework. Awareness of potential risk in not doing so.	Payments & Systems Manager	31-Mar-16	On Target
	R05	05		Treat	Members including pensioner members are informed regularly (via payslips & newsletters) that data is provided to third parties for the detection / prevention of fraud viz National Fraud Initiative. (On-going)	Pensions Manager	31-Mar-16	On Target
	R05	06		Treat	On-going training of employers in their TPR obligations	Pensions Manager	31-Mar-16	On Target
	R05	07						
	R05	08						
	R05	09						
	R05	10						
R06.1	R06	01	Failure to provide information asked for under the terms of the Freedom of Information (FOI) Act 2000	Treat	FOI contact officer have been appointed - Investments Manager	Pensions Investments Manager	01-Apr-08	Complete
	R06	02		Treat	Documented procedure have been circulated to all staff for handling all FOI requests - all requests passed to FOI Contact Officer to deal with. Requests logged centrally for pensions.	Pensions Investments Manager	20-Dec-12	Complete
	R06	03		Treat	Circulate FOI procedure to all staff annually	Pensions Investments Manager	30-Sep-16	On Target
	R06	04		Treat	Make generic data available via website, to reduce number of requests and responses required.	Pensions Investments Manager	31-Mar-16	On Target
	R06	05						
	R06	06						
	R06	07						
	R06	08						
	R06	09						
	R06	10						
R07.1	R07	01	Fail to communicate effectively with stakeholders - Employers, Members. Implication - reputational risk, poor public relations, lack of information to make informed decisions and failure to comply with TPR code	Treat	Regular newsletters are produced to advise members of the performance of the fund and changes to the Pension Scheme including feedback.	Pensions Manager	31-Mar-16	On Target
	R07	02		Treat	Maintain a list of employer representatives to take part in User Groups/ attend forums.(On-going)	Communications & Public Relations Manager	31-Mar-16	On Target
	R07	03		Treat	Arrange regular Employer User Group meetings to remind them of their responsibilities and any Statutory / Fund changes (On-going)	Pensions Manager	31-Mar-16	On Target
	R07	04						
	R07	05		Treat	Arrange annual conference for all employers, APF Committee members Local Pension Board members and HR, payroll and Finance senior staff.	Pensions Manager	30-Sep-16	On Target
	R07	06		Treat	Following change in LGPS benefits arrange for scheme documentation to be revised /re-issued to members within legal deadlines. (On-going)	Technical & Development Manager	31-Dec-14	Complete
	R07	07		Treat	Maintain APF website up to date (On-going).	Communications & Public Relations Manager	31-Mar-16	On Target
	R07	08		Treat	Maintain and publish a Service Charter to clearly communicate minimum service standards.	Pensions Manager	31-Mar-16	On Target
	R07	09		Treat	Communication Strategy sets out Fund's statement and approach to communications	Pensions Manager	31-Mar-16	On Target
	R07	10						
R08.1	R08	01	Avon Pension Fund Committee, LPB and employing bodies do not receive independent assurance that the Fund's system of internal controls is operating effectively.	Treat	Report all independent reviews, normally by internal audit (including specific reports on Fund's system of internal controls) of the Avon Pension Fund to the APF Committee and LPB. (On-going).	Pensions Manager	31-Mar-16	On Target
	R08	02						
	R08	03						
	R08	04						

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Unique ref no	Nr	Action	Description	Strategy	Management Action	Action Owner	Implement By?	Implementation Status
	R05	05						
	R06	06						
	R07	07						
	R08	08						
	R09	09						
	R10	10						
R09.1	R09	01	Failure to identify payments in error resulting in undetected fraud or error. Implication: impact on Fund assets.	Treat	Sign off process in place for all payment types	Pensions Manager	31-Mar-13	Complete
	R09	02		Treat	Agree with internal audit the strategic /annual audit plan to ensure this risk is reviewed, actions identified and assurance provided.	Pensions Manager	31-Mar-16	On Target
	R09	03		Treat	Fund data provided to National Fraud Initiative to enable fraud to be detected. (every 3 years)	Pensions Benefits Manager	31-Mar-16	On Target
	R09	04		Treat	In post training to mitigate errors and ensure understanding of controlled procedures and structured workflow	Pensions Manager	30-Mar-16	On Target
	R09	05						
	R09	06						
	R09	07						
	R09	08						
	R09	09						
	R09	10						
R10.1	R10	01	Contributions from Employing bodies to the Fund are incorrect in value or late. Implication: adverse short term cash flow and employer specific deficit could be over/under stated (this would ultimately be identified in next actuarial valuation), breach of obligations could lead to TPR fines	Treat	Monitor receipt of monthly LGPS50 forms from employing bodies and do reasonableness check on payment amount. Follow up potentially incorrect payments (monthly, on-going) and verify authorisation.	Finance & Systems Manager (Pensions)	31-Mar-16	On Target
	R10	02		Treat	Annually request from each employer details of all contributing members. This is reconciled to contributions received from the employer.	Finance & Systems Manager (Pensions)	31-Mar-16	On Target
	R10	03		Treat	Monitor receipt of monthly LGPS50 forms from each employing body to check timely receipt of contributions and authorisation. Follow up any late payers. (monthly on-going)	Finance & Systems Manager (Pensions)	31-Mar-16	On Target
	R10	04		Treat	Verify receipt of employing body payments through review of bank statements (On-going)	Finance & Systems Manager (Pensions)	31-Mar-16	On Target
	R10	05		Treat	Report Performance Indicator to Avon Pension Fund Committee quarterly including late payers (On-going)	Finance & Systems Manager (Pensions)	31-Mar-16	On Target
	R10	06		Treat	Set out fines for non-compliance/ disproportionate work in Administration Strategy	Finance & Systems Manager (Pensions)	31-Mar-16	On Target
	R10	07						
	R10	08						
	R10	09						
	R10	10						
R11.1	R11	01	Failure of Pension software supplier. Implication: Risk that system used by Fund is not supported	Treat	Monopoly supplier providing service to >90% of LGPS funds with common system. Therefore high probability business / client base will be bought by another provider	Pensions Manager	31-Mar-16	On Target
	R11	02		Treat	Monitor provider to verify sufficient market share is held to indicate committed to client base.	Pensions Manager	31-Mar-16	On Target
	R11	03		Treat	Monitor financial standing annually	Pensions Manager	31-Mar-16	On Target
	R11	04						
	R11	05						
	R11	06						
	R11	07						
	R11	08						
	R11	09						
	R11	10						
R14.1	R14	01	Delayed payment of pension because of failure of BACS System or Interface with CSeries. Implication: members may experience cash flow problems and possible bank charges if pension payments are delayed. Reputational risk if payments are not paid promptly. Non compliance with TPR code.	Treat	Documented Contingency Plan / council DRP in place detailing: method of communicating problem to members, alternative method of processing payments. To be updated for new interface. B&NES IT will be reviewing SLA in April 2015	Payments & Systems Manager	31-Mar-16	On Target
	R14	02		Treat	Procedure in place to enable members to claim reimbursement of costs related to late pension payments. To be reviewed.	Payments & Systems Manager	31-Mar-16	On Target
	R14	03						
	R14	04						

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Unique ref no	Nr	Action	Description	Strategy	Management Action	Action Owner	Implement By?	Implementation Status
		05						
		06						
		07						
		08						
		09						
		10						
R15.1	R15	01	Industrial action by postal service used by Pension Fund. Implication: Delay in members receiving communications or payment if payments made by cheque. (Note: Cheque payments to members per month - <0.2% of total payments)	Treat	Greater use of electronic means for payments, receiving changes to member records and dissemination of information to members and employers mitigates this risk (on-going)	Pensions Manager	31-Mar-16	On Target
		02		Treat	Documented contingency plan for those members receiving cheque payments.	Pensions Manager	01-Apr-08	Complete
		03						
		04						
		05						
		06						
		07						
		08						
		09						
		10						
R16.1	R16	01	Absence of staff with specialist / key skills. Implication: Delays/errors in processing payments to members. Members experience hardship and bank charges. Reputational damage to Pension Fund. Non compliance with TPR code.	Treat	Strengthened resources within teams to increase knowledge, experience and build in resilience.	All Team Managers	31-Mar-13	Complete
		02		Treat	Review staffing level/ capacity annually as part of service plan	All Team Managers	31-Mar-16	On Target
		03		Treat	Training in place to ensure technical skills and knowledge is shared	All Team Managers	31-Mar-16	On Target
		04		Treat	Identified training requirements in PDRs; training plans in place	All Team Managers	31-Mar-16	On Target
		05						
		06						
		07						
		08						
		09						
		10						
R19.1	R19	01	Lack of adequate resources/ knowledge at scheme employers leading to a failure to comply with obligations to pension fund and employee members, and TPR code	Treat	Ensure all information is provided in an accessible and timely manner	Communications & Public Relations Manager	31-Mar-16	On Target
		02		Treat	Training tailored for employers' staff is provided for all new employers and refresher sessions for existing employers	Pensions Benefits Manager	31-Mar-16	On Target
		03		Treat	Enforce penalties allowed under administration Strategy for repetitive non-compliance with obligations / disproportionate work	Pensions Manager	31-Mar-16	On Target
		04		Treat	Set out employer training obligations in Administration Strategy.	Pensions Manager	31-Mar-16	On Target
		05		Treat	TPR improvement plan to highlight areas of employer failure	Pensions Benefits Manager	31-Mar-16	On Target
		06		Treat	Consideration to overstaff Fund administration resource to maintain service delivery	Pensions Manager	31-Mar-16	On Target
		07						
		08						
		09						
		10						
R20.1	R20	01	Governance risk of investment managers, custodian and other investment suppliers. This includes the financial risk that could lead to insolvency or a weak control environment (which fails to prevent fraud). Implications: Detrimental impact to the investment strategy through loss of assets or inability to trade due to assets being inaccessible.	Treat	Internal control reports of all investment suppliers reviewed annually to identify and investigate any weaknesses in the control environment and to be evaluated as part of any tender exercise. Exceptions reported to Committee.	Pensions Investments Manager	31-Dec-16	On Target
		02		Treat	Financial standing of custodian is checked during tender evaluation prior to appointment	Pensions Investments Manager	31-Dec-11	Complete
		03		Treat	Custodian's oversight of sub-custodian network assessed in tender process for custodian	Pensions Investments Manager	31-Dec-11	Complete
		04		Treat	Annual monitoring of the financial standing of the custodian during period of contract	Pensions Investments Manager	31-Dec-16	On Target
		05		Treat	Legal agreement with custodian includes requirement of custodian to exercise due care in selection of sub-custodians	Pensions Investments Manager	31-Dec-11	Complete

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Unique ref no	Nr	Action	Description	Strategy	Management Action	Action Owner	Implement By?	Implementation Status
		06		Treat	Custodian's monitoring process of sub-custodian network assessed annually as part of review of internal controls	Pensions Investments Manager	31-Dec-16	On Target
		07		Treat	Obtain legal advice for the custody and investment management contracts during a tender process to ensure adequate protection in the event of fraud or insolvency (as required)	Pensions Investments Manager	31-Mar-16	On Target
		08		Treat	Assurance obtained annually from the managers of pooled assets that they have in place monitoring procedures regarding the financial standing of their custodian & that the custodians that they use have systems in place to monitor and control their network of sub-custodians	Pensions Investments Manager	30-Dec-16	On Target
		09		Treat	Due diligence undertaken by the hedge fund managers on underlying managers/holdings on controls around administration and prime brokers is assessed on appointment and monitored annually as part of the audit process	Pensions Investments Manager	30-Dec-16	On Target
		10		Treat	Monitoring process in place to reconcile the custody transactional records to those of the fund managers in respect of income receipts (dividends, coupons, tax reclaims), trades, holdings and security values	Pensions Investments Manager	31-Mar-16	On Target
R23.1	R23	01	Insolvency of Participating Employers in the Fund without sufficient monetary guarantees or bonds to make good their outstanding liability. Implication: Any liability will be absorbed by the Fund and spread across other employers, increasing overall liabilities and employer contribution rate and reduce the funding level.	Treat	Fund policy is to only admit Transferee and Community Admission bodies where the pension liabilities are guaranteed by a scheme employer or a bond/indemnity is in place	Pensions Investments Manager	31-Mar-07	Complete
		02		Treat	Covenant assessment monitoring process in place for on-going assessment of financial standing of fund employers	Pensions Investments Manager	30-Jun-16	On Target
		03		Treat	Review all employers to identify whether guarantee arrangements are adequate as part of covenant assessment and explore options for obtaining guarantee, bond or contingent assets if appropriate	Pensions Investments Manager	30-Jun-16	On Target
		04		Treat	Exit and termination policies in place to ensure financial risk to the Fund is minimised when scheme employers cease to be active employers.	Pensions Investments Manager	31-Dec-14	Complete
		05		Treat	For those employers where the pension liabilities undermine the financial viability of the organisation, discuss ways of capping the debt.	Pensions Investments Manager	31-Mar-16	On Target
		06						
		07						
		08						
		09						
		10						
R25.1	R25	01	Lack of continuity and knowledge within Avon Pension Fund Committee. (This risk arises mainly because some members face re-election simultaneously. Until the new members are fully trained, there may be a delay in decision-making).	Treat	Maintain 2 independent members on the committee that are not subject to the electoral cycle.	Pensions Investments Manager	31-Mar-16	On Target
		02		Treat	Introductory sessions are organised for all new committee members, covering pension and investment issues on the upcoming meeting agenda. (on-going)	Pensions Investments Manager	31-Mar-16	On Target
		03		Treat	Arrange basic training course for all new Committee Members [organised by the LGPC] (on-going)	Pensions Investments Manager	30-Jun-16	On Target
		04		Treat	Assess committee knowledge and skills level; identify training needs; agree training plan.	Head of Business, Finance and Pensions	31-Mar-16	On Target
		05		Treat	Hold workshops for committee to explore aspects of the fund in more detail to facilitate decision making	Head of Business, Finance and Pensions	31-Mar-16	On Target
		06		Treat	Training plan in place reported to committee quarterly	Head of Business, Finance and Pensions	31-Mar-16	On Target
		07		Treat	Committee members to undertake on-line TPR Knowledge and Skills training	Head of Business, Finance and Pensions	31-Mar-16	On Target
		08						
		09						
		10						

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Unique ref no	Nr	Action	Description	Strategy	Management Action	Action Owner	Implement By?	Implementation Status
R26.1	R26	01	The Avon Pension Fund fails to achieve the long term investment returns sufficient to meet its liabilities, as set out in the Actuarial Valuation. This could negatively affect the contribution rates paid by the employing bodies.	Treat	The Fund periodically undertakes an asset liability study which determines the appropriate risk adjusted return investment strategy required to meet the liabilities. The investment strategy is reviewed annually by the committee to ensure it remains appropriate. Strategic issues or tactical opportunities are considered at quarterly meetings of Panel and /or Committee.	Pensions Investments Manager	30-Jun-16	On Target
	R26	02		Treat	Monitoring of investment performance of the Fund is reported to the Panel and Committee quarterly. Implementation of strategic or tactical decisions is reported as required to Panel and /or Committee. Any issues will be reviewed by the investment panel prior to being considered by the committee (on-going).	Pensions Investments Manager	31-Mar-16	On Target
	R26	03		Treat	The estimated funding level is reviewed quarterly to monitor the impact of the investment return on the funding level and is reported to Committee (on-going).	Pensions Investments Manager	31-Mar-16	On Target
	R26	04		Treat	Ensure specialist advice is taken prior to any investment decisions are made to ensure decisions are in line with SIP and contribute to investment objective.	Pensions Investments Manager	31-Mar-16	On Target
	R26	05		Treat	Report any potential legislation changes that may affect the investment strategy to the Panel for discussion. Discuss implications of consultation papers or draft regulations with advisors immediately to assess impact and identify potential projects.	Pensions Investments Manager	31-Mar-16	On Target
	R26	06		Treat	Inform scheme employers and members as appropriate of any potential changes in the relating to investments and funding in the regulations.	Pensions Investments Manager	31-Mar-16	On Target
	R26	07						
	R26	08		Treat	Ensure SIP (to be replaced by Investment strategy Statement) clearly sets out investment strategy and is kept up to date	Pensions Investments Manager	31-Mar-16	On Target
	R26	09		Treat	Established Investment Panel to support Committee in implementation of investment strategy.	Pensions Investments Manager	31-Dec-14	Complete
	R26	10		Treat	Explore approaches to managing liabilities more effectively and build into funding and investment strategies	Pensions Investments Manager	30-Jun-16	On Target
R27.1	R27	01	The investment managers appointed by the Avon Pension Fund to manage the assets fail to achieve their benchmarks. This could cause the Fund to underperform its strategic benchmark and thus fail to achieve the investment returns required to fund the liabilities. This could negatively affect the contribution rates paid by the employing bodies.	Treat	Monitoring & managing the performance of the managers is delegated to the Panel. The RAG performance monitoring framework identifies managers that are underperforming and issues that could impact future performance. Issues and changes in RAG ratings are reported to the Panel who agree an action plan to address the issue. the Panel reports quarterly to committee on the performance of the managers and changes in RAG ratings.	Pensions Investments Manager	31-Mar-16	On Target
	R27	02		Treat	Ensure adequate due diligence is undertaken prior to the appointment of a new manager, incorporating the use of external advice covering technical capability, investment approach, risk management (including responsible investing risks) and value for money.	Pensions Investments Manager	31-Mar-16	On Target
	R27	03		Treat	The impact of underperformance by any individual manager is limited given diversification within investment management structure. Thus in aggregate the likelihood and impact are reduced.	Pensions Investments Manager	31-Mar-16	On Target
	R27	04						
	R27	05						
	R27	06						
	R27	07						
	R27	08						
	R27	09						
	R27	10						
R28.1	R28	01	The Fund is unable to recruit appropriately skilled 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.	Treat	Complete PDR process with all staff to identify training and professional qualification needs based on Service requirements.	All Team Managers	31-Mar-16	On Target
	R28	02		Treat	Identify at risk areas and consider succession planning to minimise risk of losing skilled/specialist staff.	All Team Managers	31-Mar-16	On Target

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Unique ref no	Nr	Action	Description	Strategy	Management Action	Action Owner	Implement By?	Implementation Status
	R28	03		Treat	Explore options for developing apprentice and graduate level staff.	Head of Business, Finance and Pensions	31-Mar-16	On Target
	R28	04						
	R28	05						
	R28	06						
	R28	07						
	R28	08						
	R28	09						
	R28	10						
R29.1	R29	01	There is a risk that the service does not focus on the customer needs / expectations resulting in poor service delivery and inability to maintain good customer service	Treat	Ensure all policies are in place to ensure quality service is delivered to TPR requirements. Review periodically e.g. administration and communications strategies, SLAs	Pensions Manager	31-Mar-16	On Target
	R29	02		Treat	Use of feedback from members and employers to continually improve the service	Pensions Manager	31-Mar-16	On Target
	R29	03						
	R29	04						
	R29	05						
	R29	06						
	R29	07						
	R29	08						
	R29	09						
	R29	10						
R38.1	R38	01	The pension fund monies are not accurately allocated to the pension fund bank account through the income receipting system. This will result in an incorrect pension fund cash balance.	Treat	Bank reconciliation in place whereby the pension fund accounts are reconciled to the pension fund bank account on a weekly basis (ongoing).	Finance & Systems Manager (Pensions)	31-Mar-16	On Target
	R38	02		Treat	Monthly reconciliation statement reviewed by Investments Manager.	Pensions Investments Manager	31-Mar-16	On Target
	R38	03						
	R38	04						
	R38	05						
	R38	06						
	R38	07						
	R38	08						
	R38	09						
	R38	10						
R39.1	R39	01	For the cash invested by the Council on behalf of Pension Fund that the counterparties fail / delay the return of principle and / or investment income to pension fund as requested.	Treat	Annual report to Committee to obtain approval for the Pension Funds Treasury Management Policy (sets out the maximum limits and maturity terms for each counterparty).	Finance & Systems Manager (Pensions)	31-Mar-16	On Target
	R39	02		Treat	Monitor compliance with the PF Treasury Management Policy by reviewing Investment Activity Report (ongoing).	Finance & Systems Manager (Pensions)	31-Mar-16	On Target
	R39	03						
	R39	04						
	R39	05						
	R39	06						
	R39	07						
	R39	08						
	R39	09						
	R39	10						
R40.1	R40	01	The pension fund cashflow profile is maturing. Risk there is not have enough cash to pay pensions on a monthly basis due to a reduction in contributions paid into the Fund. This will result in the bank account being overdrawn and possibly non payment of pensions.	Treat	Policy in place to monitor cash balance during the monthly cycle. Monitor on ongoing basis.	Finance & Systems Manager (Pensions)	31-Mar-16	On Target
	R40	02		Treat	Investment policy addresses need to generate income from investments portfolio and / or the divestment of assets as required. The cash requirement is monitored on ongoing basis.	Pensions Investments Manager	31-Mar-16	On Target
	R40	03						
	R40	04						
	R40	05						
	R40	06						
	R40	07						
	R40	08						
	R40	09						
	R40	10						
R41.1	R41	01	There is a risk that the service fails to comply with the Council's codes of practices, standing orders and corporate policies in respect of equalities, H&S and employment. Implication: fines for non-compliance, disciplinary issues, reputational risk.	Treat	Ensure all managers are aware of the Council's policies which are documented on the Council's information system including engagement with HR where necessary and staff annual DSE check	All Team Managers	31-Mar-16	On Target
	R41	02						

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Unique ref no	Nr	Action	Description	Strategy	Management Action	Action Owner	Implement By?	Implementation Status
	03							
	04							
	05							
	06							
	07							
	08							
	09							
	10							
R42.1	R42	01	Increasing political pressure to reform scheme structure, governance and direct investment decisions. If fund does not have robust plan for change, government may legislate to enforce change: Implications: committee does not make decisions in the best interest of the Fund or is unable to make decisions.	Treat	Have well defined investment policies in place setting out investment objectives and criteria.	Pensions Investments Manager	31-Mar-16	On Target
	R42	02		Treat	Engaging with the government through the consultation process, with consistent message	Head of Business, Finance and Pensions	31-Mar-16	On Target
	R42	03		Treat	Participate in collaborative working practices with other LGPS funds where possible/appropriate	All Team Managers	31-Mar-16	On Target
	R42	04		Treat	Officers responsibility is to advise Committee and if Committee unable or unwilling to take decisions, can refer issue to S151 Officer under urgent powers or report under Code of Conduct	Head of Business, Finance and Pensions	31-Mar-16	On Target
	R42	05		Treat	Discussing with other funds to agree frameworks for collaboration and identifying opportunities for shared investments. Specifically participating in Project Brunel pooling of assets proposal.	Pensions Investments Manager	30-Jun-16	On Target
	R42	06						
	R42	07						
	R42	08						
	R42	09						
	R42	10						
R43.1	R43	01	Changes to the scheme lead to significant implementation failures or lack of resources to deliver existing service. Implication: productivity falls, quality of service reduced, mis-information to employers and members - CLOSED	Treat	Have project plans in place with distinct milestones and responsibilities	All Team Managers	31-Dec-14	Complete
	R43	02		Treat	Review project plans progress at monthly management meetings	All Team Managers	31-Dec-14	Complete
	R43	03						
	R43	04						
	R43	05						
	R43	06						
	R43	07						
	R43	08						
	R43	09						
	R43	10						
R44.1	R44	01	Office move: service moving to new council offices by November 2014. Risk that move delayed; physical move causes delays to work; access to systems for flexible working not fully operational by move date. CLOSED	Treat	Prepare teams for new flexible working environment prior to move (review filing, start working flexibly, restructure work processes for fully electronic working).	All Team Managers	30-Sep-14	Complete
	R44	02		Treat	Test systems thoroughly before move to identify issues and put work around solutions in place	All Team Managers	30-Sep-14	Complete
	R44	03		Treat	Have identified "movers & shakers" to engage actively with Council project team and feed back requirements to management team.	All Team Managers	31-Mar-14	Complete
	R44	04						
	R44	05						
	R44	06						
	R44	07						
	R44	08						
	R44	09						
	R44	10						
R45.1	R45	01	Pension legislation allows people to withdraw their pension "pot" from age 55. This will apply to the LGPS. Although tax penalties may reduce the attractiveness of this option, there is a risk that it matures the fund more quickly than assumed in the 2013 valuation. Cashflow could become more negative due to transfers out. As yet no clarity as to how it may affect the actuarial assumptions used for such transfers.	Treat	Work with actuary to understand potential consequences on maturity profile of fund, funding of liabilities and agree a policy for valuing the transferring pension "pots". Incorporate into 2016 valuation. Initial report prepared by actuary in June 2015. Ongoing review as experience develops.	Pensions Investments Manager	30-Jun-16	On Target
	R45	02		Treat	Review leaver process to ensure capture numbers that leave due to this option.	Pensions Manager	31-Mar-16	On Target
	R45	03		Treat	Engage with DCLG/Treasury and actuarial bodies on relevant regulations / guidance.	Pensions Investments Manager	31-Mar-16	On Target

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Unique ref no	Nr	Action	Description	Strategy	Management Action	Action Owner	Implement By?	Implementation Status
	R45	04		Treat	Build assumption for transfers out into cash flow model once experience develops.	Finance & Systems Manager (Pensions)	31-Mar-16	On Target
	R45	05		Treat	Assess impact on investment strategy in terms of maturity profile, cashflows and income generation.	Pensions Investments Manager	31-Mar-16	On Target
	R45	06						
	R45	07						
	R45	08						
	R45	09						
	R45	10						
R46.1	R46	01	Transformational risk as move towards fully electronic management and use of data and information	Treat	Training of employers to ensure staff have sufficient knowledge to transact electronically. This could include Fund officers working at employer sites or remotely to support employers	Pensions Benefits Manager	31-Mar-16	On Target
	R46	02		Treat	For those members that still request non-electronic data receipt, have alternative systems in place to meet their needs.	Pensions Manager	31-Mar-16	On Target
	R46	03		Treat	Resource and systems in place to support transformation viz employer communications strategy/website/training	Pensions Benefits Manager	31-Mar-16	On Target
	R46	04						
	R46	05						
	R46	06						
	R46	07						
	R46	08						
	R46	09						
	R46	10						
R47.1	R47	01	Introduction of employer cost cap mechanism by central government. PR/communication risk and increased need for communications to employers and members so that they understand the impact on them at the local level.	Treat	Ensure this is covered in employer user groups/forums and explained via employer and member newsletters.	Communications & Public Relations Manager	31-Mar-16	On Target
	R47	02		Treat	Use generic material from Actuary to communicate to employers.	Communications & Public Relations Manager	31-Mar-16	On Target
	R47	03		Treat	The cost cap mechanism will be discussed with the Committee during the 2016 valuation process.	Pensions Investments Manager	30-Jun-16	On Target
	R47	04						
	R47	05						
	R47	06						
	R47	07						
	R47	08						
	R47	09						
	R47	10						
R48.1	R48	01	Trivial commutation project. Small pensions in payment can be commuted to a lump sum. Around 4000 pensioners may be eligible under this regulation. Implications: Impact on cash flow through payment of lump sums versus monthly payments; resources required to support the project.	Treat	Cash flow monitoring system in place will reflect anticipated cash flows.	Finance & Systems Manager (Pensions)	31-Mar-16	On Target
	R48	02		Treat	Manage resource requirement over medium timeframe	Pensions Manager	31-Mar-16	On Target
	R48	03						
	R48	04						
	R48	05						
	R48	06						
	R48	07						
	R48	08						
	R48	09						
	R48	10						
R49.1	R49	01	Freedom & Choice in Pensions. Pensions reforms offering greater flexibility on DC schemes for individuals aged 55 and over. There is an indirect impact on members considering DB to DC transfer arrangements	Treat	Member transfer estimate and payment requests monitored and reported	Pensions Benefits Manager	31-Mar-16	On Target
	R49	02		Treat	Freedom and choice guidance and member F&Q's communicated and available on website	Communications & Public Relations Manager	31-Mar-16	On Target
	R49	03		Treat	Transfer process amended to require appropriate (FCA) advice for payment requests. Recommended for <£30K	Pensions Benefits Manager	31-Mar-16	On Target
	R49	04						
	R49	05						
	R49	06						
	R49	07						

Pensions

Data Entry Action Plan

Liz Woodyard/Geoff Cleak

Unique ref no	Nr	Action	Description	Strategy	Management Action	Action Owner	Implement By?	Implementation Status
		08						
		09						
		10						
R50.1	R50	01	B&NES Reduced Office Space in Civic Centre. Office closure in Bath resulting in expected increase in staffing numbers from Nov/Dec 2015.	Treat	Task workflow project implemented to support flexible working for 50% staff officers	Pensions Manager	31-Dec-15	Complete
		02		Treat	Hot Desking Spreadsheet set up to identify desk availability	Pensions Benefits Manager	30-Sep-15	Complete
		03						
		04						
		05						
		06						
		07						
		08						
		09						
		10						
R51.10	R51	01	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 2018	Treat	Manage resource requirements over timeframe	Pensions Manager	31-Mar-16	On Target
		02		Treat	Develop project plan to manage data reconciliation process and outcomes including volumetrics	Technical & Development Manager	31-Mar-16	On Target
		03		Treat	Monitor and report progress and actions taken	Technical & Development Manager	31-Mar-16	On Target
		04		Treat	Communicate with HMRC and members regarding actions undertaken (ongoing)	Technical & Development Manager	31-Mar-16	On Target
		05						
		06						
		07						
		08						
		09						
		10						
R52.1	R52	01	Risk to investment strategy from MIFID II (Markets in Financial Instruments Directive II); effective from 1 January 2018. The directive will change the Fund's status from professional to retail investor. Implications: possible forced sale of non-retail compliant assets; increased costs of compliance if elect for professional status; need to evidence that we meet criteria for elect up; restricted investment universe if stay as retail investor. If remain retail investor, current strategy will have to be amended (illiquid assets would not be permissible).	Treat	Discussions with managers to assess which mandates will be affected (initial assessment) to identify assets/mandates at risk.	Pensions Investments Manager	30-Jun-16	On Target
		02		Treat	Process to be agreed for internal assessment of the Fund against criteria for electing up to professional status	Pensions Investments Manager	30-Jun-16	On Target
		03		Treat	Request elected professional status from each of the relevant managers.	Pensions Investments Manager	31-Dec-16	On Target
		04		Treat	Inform Committee of risk and update progress prior to 1 Jan 2018.	Pensions Investments Manager	31-Dec-16	On Target
		05		Treat	Amend delegations if required depending on evidence to meet criteria to elect up.	Pensions Investments Manager	31-Dec-16	On Target
		06		Treat	Consider implications for assets that are pooled within Project Brunel.	Pensions Investments Manager	30-Sep-16	On Target
		07						
		08						
		09						
		10						

APPENDIX 1 - Avon Pension Fund Board - Internal Audit Reviews – 12/13 – 15/16

Internal Audit Work 2012/13 to 2014/15

				No of Recommendations	
Year	Heading (Date of Final Report)	Scope	Assurance Level	Reported	Implemented at Follow-Up
2012/13	Pensions Administration (Feb 2013)	Review of the framework of internal controls in relation to the Administration processes, including ensuring that: <ul style="list-style-type: none"> • Control arrangements are in place to certify that all benefits calculations are carried out timely and accurately. • Employer contributions are received in full, recorded timely and accurately. • Member information held within Altair is accurate and maintained in a timely manner. 	'4' Good	7	6 (*1)
2013/14	Pensions Investments (July 2013)	Limited review concentrated on supporting the Investment Manager in reviewing the adherence of the fund to the Myners Principles, reviewing the structure of independent advice and providing guidance on the use of electronic transaction processes with the Global Custodian Bank.	'5' Excellent	3	1 (*2) (*3)
	Pensions Payroll (January 2014)	This reviewed: <ol style="list-style-type: none"> 1) Pension Payments are only made to eligible recipients. 2) Monthly and lump sum pension payments are made accurately and promptly. 3) Pension payments are accurately recorded on the pension system and reconciled monthly with the Financial Management System. 4) Information and payments sent to external organisations, 	'4' Good	3	3

		including government departments and agencies in an accurate and timely manner. 5) Management reporting (which is relevant, sufficient, accurate and timely) is produced and issued to the appropriate level (includes exception/error reporting).			
2014/15	Pensions Administration (i-Connect)	This audit review took place during the project period, to give assurance that: 1) the files received from employers are managed and uploaded in a controlled way; 2) corrections are tracked through a proper decision process and audit trail; 3) error log management is properly controlled.	'4' Good	1	1

- Implemented final recommendation based on a revised implementation date – Review and update of the Records Retention Schedule.
- Adoption of guidance notes for use as and when the new electronic money transfer system is introduced.
Management Response at Follow-Up - The new electronic system was not introduced as it does not allow foreign currency transactions. Most of our money transfers through the custodian are in foreign currencies. The custodian platform should permit this soon at which time the guidance notes will be disseminated and training given.
- *3 - The Avon Pension Fund should consider the requirement to continue with 3 sources of independent advice for reasons of value for money and potential conflict of advice.
Management Response at Follow-Up - The Public Service Pensions Act 2013 requires LGPS funds to establish a Pension Board to scrutinise the administering authority. Given this change in the governance arrangements, the review of the Independent Investment Advisor has been postponed in order to consider the implications of the new arrangements.

Internal Audit Work 2015/16

- 1) Pensions Administration (Member Records / Contributions) – See Appendix 2 for Draft Report
- 2) IT Systems - Altair & i-Connect - WIP

Draft Internal Audit Report

Pension Administration (Contributions/Members Records)

February 2016

Executive Summary

Audit Opinion:

Assurance Rating	Opinion
Level 5	The systems of internal control are excellent with a number of strengths and reasonable assurance can be provided over all the areas detailed in the Assurance Summary
Level 4	The systems of internal control are good and reasonable assurance can be provided. Only minor weaknesses have been identified over the areas detailed in the Assurance Summary
Level 3	The systems of internal control are satisfactory and reasonable assurance can be provided. However there are a number of areas detailed in the Assurance Summary which require improvement and specific recommendations are detailed in the Action Plan
Level 2	The systems of internal controls are weak and reasonable assurance could not be provided over a number of areas detailed in the Assurance Summary. Prompt action is necessary to improve the current situation and reduce the risk exposure
Level 1	The systems of internal controls are poor and there are fundamental weaknesses in the areas detailed in the Assurance Summary. Urgent action is necessary to reduce the high levels of risk exposure and the issues will be escalated to your Director and the Audit Committee

Assurance Summary:

Assessment	Key Control Objectives
Excellent	Members information is held in compliance with Data Protection and is provided to relevant parties to fulfil member and regulation requirements.
Good	Employer (employer and employee) contributions are accurate and received in full by specified timescales.
Good	The Pension Fund provides accurate and timely information to assist employers in fulfilling their Pension Fund obligations.
Good	A governance framework and processes are in place to manage/scrutinise Pension Fund administration.
Satisfactory	Employers provide accurate member and contribution information by specified timescales.

Detailed Report

Opinion:

Internal Audit has undertaken a review of the risks and controls related to Pension Administration (Contributions/Members Records) and assessed the framework of internal control at Level 4. A total of 5 audit recommendations are detailed in the Action Plan.

Scope and Objectives:

The scope and objectives of our audit were set out in the Audit Brief and a summary of our opinion against each of the specific areas reviewed has been detailed in the Assurance Summary section above.

Context & Audit Comment:

As part of the 2015/16 Audit Plan, an audit review has been carried out on the adequacy of the framework of internal controls in relation to the Avon Pension Fund Administration processes.

Previous audit review work on the Iconnect system was focussed on the big 4 local authority employers; therefore this review was focussed on those employers outside of these.

The main focus of the review was the Avon Pension Fund's compliance with code of practice 14, the following shows which elements of this code were covered in this review and which were not, those not covered will be the subject of a further review in 2016/17.

Covered:

- Administration - Record Keeping
- Administration - Contributions
- Risk Management
- Internal Control
- Administration - Member Information

Not Covered:

:

- Governance of the Scheme
- Whistleblowing, Confidentiality
- Disputes & Resolution
- Breaches & Reporting

The following figures are only in relation to the employers outside of the 4 main local authority employers, which were the subject of this review:

Total number of employers 232 as at December 2015

Active Members 23511

Deferred Members 28158

Pensioners 13179

Dependents 1096

Source Avon Pension Fund

Draft Internal Audit Report – Pension Administration (Contributions/Members Records)

Based on the assessment of the overall framework of internal control, the audit review of Avon Pension Fund Administration has been assessed as Assurance Level 4 - "Good Control Framework", with 1 element of the process being assessed as excellent.

We identified the following strengths:

- There is a comprehensive suite of procedure notes readily available to all staff for all administration procedures.
- Receipt of LGPS50 forms from all employers is effectively monitored and managed.
- In compliance with Regulation 67 of the Local Government Pension Scheme (LGPS) the Avon Pension Fund has a Communications Policy Statement which is reviewed annually.
- There is a comprehensive service risk register in place which is regularly updated and reviewed.
- A new role is to be created to help employers with training requirements and to aid communications and public relations with employers.
- Annual statements of employee data held are sent to employers for them to reconcile and correct if required.
- Employers and members are informed timely of any news or information that may affect their pensions and the fund.

We identified the following weaknesses:

- There is no formal process for independent quality checking of information input to the Altair database from completed instruction forms to ensure that information contained within the Altair database is accurately recorded.
- There is a lack of assurance from employers concerning accuracy of data they have submitted.
- Independent quality checks of monthly reconciliations of LGPS50 data could not be evidenced from records held.
- No formal log maintained of employers and employees attending ESS training.
- Need for more employers to use ESS and improve on the quality of the data they submit.

Audit & Risk Personnel:

Lead Auditor: Mark Wheeler

Acknowledgements:

Sincere thanks to Carolyn Morgan, Martin Phillips, and all staff for their help & assistance throughout the Audit review.

ACTION PLAN

MEDIUM RISK EXPOSURE				
	Weakness Found	Implication or Potential Risk	Recommendation(s)	Responsible Officer Management Comments Implementation Date
M1	Independent Quality Checking Process There is no formal process for independent quality checking of information input to the Altair database from completed instruction forms.	Financial and reputational loss due to inaccurate or incomplete information contained within the asset management system.	The Acting Pensions Benefits Manager should implement a process of independent monitoring (quality checking) of data input to the Altair System to ensure the quality of information held on the system. The level and timing of the checking should be appropriate to the experience of the processing officer and any problems identified. The checks should be undertaken by an independent officer and details of all cases reviewed should be recorded on a checking log/spreadsheet	TO BE COMPLETED & AGREED – REPORT STILL DRAFT

MEDIUM RISK EXPOSURE

	Weakness Found	Implication or Potential Risk	Recommendation(s)	Responsible Officer Management Comments Implementation Date
M2	<p>Independent validation for accuracy of employer data submitted to the APF:</p> <p>Year end data returns from employer returns of data information from employers to the APF are not accompanied by a declaration or signed to state that they give assurance that the data is accurate and has been independently verified prior to submission.</p>	<p>Data submitted may be incorrect or false leading to employees' pension benefits being incorrect.</p> <p>Losses to the pension fund if salaries are incorrectly overstated.</p>	<p>The Acting Pensions Benefits Manager should ensure that all forms and information containing employee information received from employers has a declaration requiring a signature similar to the one already present on the LGPS51 form, the declaration should include:</p> <ul style="list-style-type: none"> • Assurance that all information and figures supplied have been independently checked and verified by the employer. • Assurance that to the best of their knowledge the information and figures supplied are correct • Sign off by an employer authorised signatory. <p>This will at least give the APF some assurance as to the validity and accuracy of the information supplied by employers, and in cases where there may be challenge to the information used the APF will have at least a declaration from employers to show that data used is verified.</p>	<p>TO BE COMPLETED & AGREED – REPORT STILL DRAFT</p>

MEDIUM RISK EXPOSURE

	Weakness Found	Implication or Potential Risk	Recommendation(s)	Responsible Officer Management Comments Implementation Date
M3	<p>Independent Quality Checking of LGPS50 Reconciliation.</p> <p>Independent quality checks of monthly reconciliations of LGPS50 data are carried out, this is proven by errors that are found being backed up by prompt emails advising of the errors; however, evidence of the reconciliation is not always recorded.</p>	<p>Lack of audit trail to show that reconciliations have taken place, leaving doubt as to whether they have been carried out or not, if not, anomalies and errors may go undetected.</p>	<p>The Finance & Systems Manager (Pensions) should ensure that there is an audit trail to show that independent quality checks of the reconciliations have been carried out.</p> <p>This may involve a signature or “stamp” against the reconciliation to show it has happened.</p>	<p>TO BE COMPLETED & AGREED – REPORT STILL DRAFT</p>

MEDIUM RISK EXPOSURE				
	Weakness Found	Implication or Potential Risk	Recommendation(s)	Responsible Officer Management Comments Implementation Date
M4	<p>No formal log held of training attendance:</p> <p>Employer representatives attend the APF Employee self-service training sessions, however, there is no formal log kept of who has attended.</p> <p>This is necessary as access to the ESS system should be denied until the training has been attended.</p>	User to the ESS system may not know how to use the system correctly resulting in possible incorrect input of data, for example this could lead to incorrect personal information being presented on employee annual statements.	The Acting Pensions Benefits Manager should ensure that all attendees of training are logged in a spreadsheet, used for reference if a request comes in for access to ensure they have undergone the appropriate training beforehand.	TO BE COMPLETED & AGREED – REPORT STILL DRAFT

MEDIUM RISK EXPOSURE

	Weakness Found	Implication or Potential Risk	Recommendation(s)	Responsible Officer Management Comments Implementation Date
M5	<p>Improving Performance:</p> <p>There are further improvements which could be made to performance. This would include improving on the number of employers using ESS and the quality of data sent in by them.</p> <p>Currently there are approx. 50% of employers using ESS, the target is to be close to 100% with very few exceptions.</p>	<p>Less efficiency, more prone to errors, insufficient or incorrect data can lead to incorrect calculations of pension benefits and payments.</p>	<p>The Acting Pensions Benefit Manager should continue to put emphasis on employer engagement so that there are more employers signed up to ESS and also to improve the quality of data they send in.</p> <p>It has been agreed to help achieve this there will be a change to the role of one person in the Data Quality Team to concentrate just on employer engagement and training.</p> <p>The role is starting on 18 January and they will be putting together a plan shortly of what they will be focusing on.</p>	<p>TO BE COMPLETED & AGREED – REPORT STILL DRAFT</p>

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Bath & North East Somerset Council		
MEETING:	LOCAL PENSION BOARD	
MEETING DATE:	25 February 2016	AGENDA ITEM NUMBER
TITLE:	Breaches Procedure	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report: Appendix 1: Avon Pension Fund: Breaches Procedure Appendix 2 – Reporting Templates		

1 THE ISSUE

- 1.1 The purpose of this item is to report to the Pension Board the proposed procedure for dealing with and reporting breaches of the law.
- 1.2 This procedure takes into account guidance received from the Pensions Regulator (tPR) as set out in its Code of Practice 14.
- 1.3 The procedure affects all those who are subject to the reporting requirements as determined by the Pensions Regulator.

2 RECOMMENDATION

That the Pension Board:

- 2.1 Reviews the Breaches Procedure for Avon Pension Fund to adopt as outlined in this report and recommend to the Pensions Committee for approval

3 BREACHES PROCEDURE – BACKGROUND

- 3.1 There is a legal requirement on all Pension Fund Committee Members, LPB Members, officers, employers and advisors to report any significant breaches of the law to the pensions Regulator (tPR) where they are likely to be of material significance to them.

- 3.2 TPR Code of Practice 14 (Governance and administration of public service pension schemes) states there should be a procedure in place within each fund to identify and assess these breaches as they occur.
- 3.3 The attached Breaches Procedure sets out these responsibilities and provide a framework for the Fund to identify, manage and where necessary report breaches of the law applying to the management and administration of the Fund.
- 3.4 Where a breach of law is identified action will be undertaken in accordance with the significance of the breach as set out in the attached procedure.
- 3.5 A summary of breaches reported will be included with future administration reports to both Pensions Committee and LPB.
- 3.6 The breaches procedure will be reviewed on a regular basis and any amendments put forward for approval.

4 FINANCIAL IMPLICATIONS

- 4.1 There are no specific financial implications.

5 Breaches Procedure - Background

- 5.1 Whenever a decision is made or in some cases not made, there are provisions for any disagreements that arise to be dealt with under Regulations 74 – 80 of the LGPS Regulations 2013.
- 5.2 The Pension Regulator has set out in its Code of Practice 14 the requirements of the legislation to have an Internal Dispute Resolution Procedures [IDRP] to be followed.
- 5.3 Annex 1 incorporates the requirements of both the regulations and Code of Practice to set out how cases of disagreement are to be processed within the Avon Pension Fund.
- 5.4 Annex 2 sets out a timeline of the process and gives details of who within the administering authority will be responsible for decisions made at different stages of the process.
- 5.5 Employers have responsibilities within the IDRP and once the procedures are approved will need to be instructed on their role and how the relationship between decisions made and potential disagreements works and how disputes are to be managed.
- 5.6 A similar exercise will be required for officers responsible for Fund administration.
- 5.7 The procedures will be kept under review and guidance will be sought from the Pension Board in the event of any changes.

6 RISK MANAGEMENT

- 6.1 The implementation of this procedure will mitigate the risk of the Fund breaching the regulations and failing to report this or taking appropriate remedial action.

7 EQUALITIES

7.1 An equalities impact assessment is not necessary as the report is primarily for information only.

8 CONSULTATION

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

9 ISSUES TO CONSIDER IN REACHING THE DECISION

9.1 The issues to consider are contained in the report.

10 ADVICE SOUGHT

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

Contact person	Geoff Cleak – Acting Pensions Manager (Tel: 01225 395277)
Background papers	<i>The Pension Regulator: Code of Practice no 14</i>
Please contact the report author if you need to access this report in an alternative format	

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Avon Pension Fund

Breaches Procedure

Procedure for the review and reporting of Regulatory Breaches

The introduction of the Pensions Act 2013 extended the powers of the Pensions Regulator to public sector schemes from 1st April 2014. The Pension Regulator introduced Code of Practice 14 for the administration of public sector schemes in 2014 which amongst other things addressed the issue of Regulatory Breaches and reporting requirements.

This document deals with the process of identifying, recording and determining if breaches of the pension's regulations should be reported to the Pension's Regulator.

The Duty to report – legal requirement

The duty to report breaches is contained within the Pensions Act 2004 section 70. Within this Act certain people have a legal duty to report breaches to the Pensions Regulator where they believe that:

- a legal duty relevant to the administration of the scheme hasn't been or isn't being complied with: this could relate for instance to keeping records, internal controls, calculating benefits and, for funded schemes, includes investment governance and administration matters
- the failure to comply is likely to be of 'material significance' to the regulator in the exercise of its functions.

The people with a legal duty to report are

- pension board members
- any other person involved in the administration of the scheme (which includes Committee members)
- employers
- professional advisers including auditors, actuaries, legal advisers and fund managers
- any other person involved in advising the scheme manager in relation to the scheme

The duty to report overrides other obligations, such as confidentiality, except where legal professional privilege applies. Failure to report a breach without reasonable excuse, can lead to civil penalties.

What is a breach of the law?

A breach of the law is “an act of breaking or failing to observe a law, agreement, or code of conduct.” In the context of the Local Government Pension Scheme (LGPS) it can encompass many aspects of the management and administration of the LGPS, including failure:

- to do anything required under the Regulations;
- to do anything required under overriding legislation, applicable statutory guidance or codes of practice;
- to maintain accurate records;
- to act on any fraudulent act or omission that is identified;
- to comply with policies and procedures (e.g. the Fund’s statement of investment principles, funding strategy, discretionary policies, etc.);
- of an employer to pay over member and employer contributions on time;
- to pay member benefits either accurately or in a timely manner;
- to issue annual benefit statements on time or non-compliance with the Code.

For breaches to be reported to the Pensions Regulator they need to be of **material significance** and specifically would include;

- dishonesty
- poor governance or administration
- slow or inappropriate decision making practices
- incomplete or inaccurate advice, or
- acting (or failing to act) in deliberate contravention of the law
- pension board members not having the appropriate degree of knowledge and understanding, which may result in pension boards not fulfilling their roles, the scheme not being properly governed and administered and/or scheme managers breaching other legal requirements
- pension board members having a conflict of interest, which may result in them being prejudiced in the way that they carry out their role, ineffective governance and administration of the scheme and/or scheme managers breaching legal requirements
- adequate internal controls not being established and operated, which may lead to schemes not being run in accordance with their scheme regulations and other legal requirements, risks not being properly identified and managed and/or the right money not being paid to or by the scheme at the right time
- accurate information about benefits and scheme administration not being provided to scheme members and others, which may result in members not being able to effectively plan or make decisions about their retirement
- appropriate records not being maintained, which may result in member benefits being calculated incorrectly and / or not being paid to the right person at the right time
- pension board members misappropriating any assets of the scheme or being likely to do so, which may result in scheme assets not being safeguarded,
- where a breach has been identified and those involved do not take prompt and effective action to remedy the breach and identify and tackle its cause in order to minimise risk of recurrence; are not pursuing corrective action to a proper conclusion, or fail to notify affected scheme members where it would have been appropriate to do so.

Breaches can therefore include failure to adhere to requirements set out by Administering Authority to support the maintenance of records requirements or policy or procedural requirements.

Recording of Breaches

The **Pensions Manager** is responsible for maintaining a record of all breaches including those which are not reported to the Regulator. The templates for recording breaches are attached as follows:

- Appendix 1: Breaches caused by employer
- Appendix 2: Breaches caused by APF as administrator
- Appendix 3: Material Breaches

Given the scope of potential breaches and the complexity of LGPS administration for Employers and the Administering Authority it is necessary to take a pragmatic approach to remediation of non- material breaches based on support, training and guidance together with remedies available to the Fund through its Administration Strategy

Resolution of non- material Employer breaches

Many non-material breaches may be resolvable through a variety of mechanisms and where necessary the Fund will support employers to ensure they are fully aware of their responsibilities and have appropriate arrangements in place to comply with them. This may be achieved through training, the issue of guidance notes and or process review to ensure that best practice is implemented. All such arrangements will be implemented according to an agreed plan and timescale. The agreed support will be recorded against the breach and will be formally notified to the employer.

If the employer then fails to improve a formal notification will be issued with a fine for persistent breach and if that fails then consideration will be given to formally reporting the failing to the Pensions Regulator

Material Breaches by Employers

Where it is considered that there is a material breach by an employer then the Pensions Manager will produce a report for the Head of Pensions, who will consider the breach in line with the Code of Practice, investigate as necessary and obtain legal advice where required in determining the necessity to report. The Chairs of the Pensions Committee and the Pensions Board will be provided with a copy of the report and notified of the action taken by the **Head of Pensions** within 10 days of receipt of the report.

Serious breaches identified such as fraud and misappropriation will be notified to the Regulator as soon as practicable and appropriate auditors/police authority for

investigation. Arrangements will be made with the Regulator to support the determination of any action once the investigations have concluded.

Non Material Breaches by the Admin Authority

Such breaches will be recorded by the **Pensions Manager** and improvement actions agreed with the **Head of Pensions** for inclusion in ongoing Improvement plans, Services plans or Administration Strategy as appropriate.

Material Breaches by the Admin Authority

These breaches or suspected breaches will be reported to the **S151 officer** for formal investigation. The investigation will be carried out by internal audit section or referred to police as required and the Pensions regulator notified as soon as practicable.

Reporting of Breaches

In addition to the requirement to report Material breaches to the Pensions Regulator, the Pensions Manager will formally report all breaches to the Avon Pension Fund Committee and the Pension Board on a quarterly basis, notifying the chairs of both of any significant issues as appropriate.

If at any time the Committee or the Board disagree with the actions taken by the Head of Pensions, then escalation will be to the S151 officer and or the Strategic Director for Resources.

Full details of the Legal responsibilities and duties in respect of Breaches of the Law can be found in Code of Practice 14

<http://www.thepensionsregulator.gov.uk/codes/code-governance-administration-public-service-pension-schemes>

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Bath & North East Somerset Council		
MEETING:	Local Pension Board – Avon Pension Fund	
MEETING DATE:	25 th February 2016	AGENDA ITEM NUMBER
TITLE:	Pension Board - Draft Budget 2016/17	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendix 1 – Draft Budget		

1 THE ISSUE

- 1.1 The purpose of the report is to inform the Local Pensions Board (LPB) of the current budget proposal for the boards activities which will be made to the Avon Pension Fund for 2016/17.

2 RECOMMENDATION

- 2.1 The Local Pension Board is asked to recommend the proposed budget (Appendix 1) for approval by the Avon Pension Fund.

3 FINANCIAL IMPLICATIONS

- 3.1 The costs of operating the board and fulfilling the terms of reference are built into the business plan for the Avon Pension Fund and detailed in this report.

4 THE REPORT

- 4.1 Bath & North East Somerset Council acting as the administering authority for the Avon Pension Fund is required to comply with the Public Sector Pension Act (2013) along with the Local Government Pension Scheme (Amendment Governance) Regulations 2015.
- 4.2 In meeting these requirements Bath & North East Somerset approved terms of reference and necessary supporting arrangements at its meeting of its full Council on the 15th January 2015 and the Pension Board adopted these at its meeting in July 2015.
- 4.3 The LPB is now required to consider and recommend the budget attached at Appendix 1 to enable it to perform its duties as laid out in its terms of reference.

- 4.4 The budget is based on the first year of operation of the Board and may need some amendment as it moves forward in future years, however a four year position is being proposed. Key learning points are that officer support was much higher than anticipated in year 1 and additional allowance has been made for this to include any extra audit or external support costs in future years.
- 4.5 As with all elements of the public sector there is exceptional pressure to ensure value for money can be demonstrated and the Board should consider this in its deliberations and comments.

5 RISK MANAGEMENT

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

6. EQUALITIES

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

7. CONSULTATION

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

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

Appendix 1 - Draft Budget – Local Pension Board (Avon Pension Fund)

Budget Area	2015/16 Budget (£)	2016/17 Budget (£)	2017/18 Budget (£)	2018/19 Budget (£)
Chairman's Allowance (& Members Expenses)	11,600	12,000	12,120	12,241
Member Training	6,000	3,000	3,060	3,121
Democratic Support (Meetings)	6,000	8,000	8,160	8,323
Internal & External Support	12,800	17,000	17,170	17,341
Communications	1,000	600	612	624
Total	37,400	40,600	41,122	41,651

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Bath & North East Somerset Council		
MEETING:	Local Pension Board – Avon Pension Fund	
MEETING DATE:	25 th February 2016	AGENDA ITEM NUMBER
TITLE:	Training Update	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendix 1 – Training Requirements		
Appendix 2 – Self-Assessment Template		

1 THE ISSUE

- 1.1 The purpose of the report is to receive updates from Board Members on progress through recent Training offered and requests for any future support.

2 RECOMMENDATION

- 2.1 The Local Pension Board is asked to note the report and comments of Board Members on future requests.

3 FINANCIAL IMPLICATIONS

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

4 THE REPORT

Background

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

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

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

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

Degree of Knowledge and Understanding (See Appendix 1)

4.4 The legal requirement is that Members of the LPB must be conversant with the rules of the LGPS and any document recording policy about the administration of the Fund. This is implied as a working knowledge so that members are aware of which legislation/policies to refer to when carrying out their role.

4.5 It is implicit that LPB members understand the duties and obligations that apply to the Avon Pension Fund as well as to themselves. LPB members should be clear on the roles, responsibilities and duties of the Board and its Members as set out in the Terms of Reference. LPB Members need to be able to identify and challenge failure to comply with the scheme rules. The rules of the LGPS would include:

- a) the Regulations;
- b) the Investment Regulations;
- c) the Transitional Regulations; and
- d) any statutory guidance referred to in these regulations

Areas of Knowledge and Understanding

4.6 LPB Members should be conversant with, but not limited to the following areas:

- a) Scheme approved policies
- b) Risk assessment/management
- c) Scheme booklets/members communications
- d) Role of LPB Members and the scheme manager
- e) Policies in relation to discretions
- f) Communications with scheme members and employers
- g) Key policy documents on administration, funding and investment

4.7 LPB Members should have a breadth of knowledge and understanding that is sufficient to allow them to understand fully any professional advice the LPB is given. Members should be able to challenge any information or advice they are given and understand how that information or advice impacts on any decision relating to the LPB's duty to assist the Avon Pension Fund.

Acquiring, Reviewing and Updating Knowledge and Understanding

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

Training Plans

- 4.11 As discussed at its previous meetings in July and November the Board will receive training and briefing through its formal meeting cycle but this will need to be supplemented by additional training undertaken by Board Members themselves.
- 4.12 Board Members are also asked to individually update at the meeting on the initial proposals outlined below –
- a) Attendance at the LGE 3 day Pensions Fundamental Course as an introduction to the LGPS. This is a 3 day course spread over several months (September to December) covering all the key areas of the LGPS and provides a thorough understanding of the scheme, its legislation and an appreciation of the different areas of work.
 - b) Completion the on-line tPR e-learning trustee toolkit. This is split into modules which can be done at each individual's own learning pace and completed by a set of multiple choice questions. This should effectively assist in meeting the knowledge and understanding issues dealt with in the Regulators Code of Practice.
- 4.13 In addition Board Members are also asked for their views as to whether the self-assessment template attached at Appendix 2 would be helpful to complete now that the LGE course is finished.
- 4.14 It is recommended individual board members retain their own training log to evidence how they are fulfilling their responsibilities and submit these to the Pension Fund to aid future training needs analysis. We remain hopeful that training will be aligned with that of the Pension Fund Committee Members over the coming 12 months..
- 4.15 The Avon Pension Fund will also keep Board Members updated of relevant conferences and any other opportunities to improve learning and development on an ongoing basis.

5 RISK MANAGEMENT

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

6. EQUALITIES

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

7. CONSULTATION

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

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

Appendix 1 – Knowledge and Skills Responsibilities under the Pensions Regulator Code of Practice No 14

Where do knowledge and understanding responsibilities rest under the Code of Practice No 14?		Nature of Requirement
Pension Board	Scheme Manager	
Legal Requirements		
Must be conversant with: 1)The rules of the scheme 2)Any document recording policy about the administration of the scheme which is for the time being adopted in relation to the scheme.		Statutory
Must have knowledge and understanding of: 1)The law relating to pensions 2)Any other matters which are prescribed in regulations.		Statutory
Should ensure that the degree of knowledge and understanding they possess is that appropriate for the purposes of enabling them to properly exercise the functions of a member of the pension board.		Statutory
Practical Guidance		
	Should help pension board members meet their legal obligations.	Code of Practice (paragraph 37)

	Should establish and maintain policies and arrangements for acquiring and retaining knowledge and understanding to support their pension board members.	Code of Practice (paragraph 38)
	Should designate a person to take responsibility for ensuring that a framework for acquiring and retaining knowledge and skills is developed and implemented.	Code of Practice (paragraph 38)
Areas of knowledge and understanding required		
	Should prepare and keep an updated list of the documents with which they consider pension board members need to be conversant. This will enable them to effectively carry out their role. They should make sure that both the list and the documents are available in accessible formats.	Code of Practice (paragraph 46)
Degree of knowledge and understanding Required		
	Clear guidance on the roles, responsibilities and duties of pension boards and the members of those boards should be set out in scheme documentation.	Code of Practice (paragraph 47)
	Should assist individual pension board members to determine the degree of knowledge and understanding that is sufficient for them to	Code of Practice (paragraph 48)

	effectively carry out their role, responsibilities and duties as a pension board member.	
Acquiring, reviewing and updating knowledge and understanding		
Should invest sufficient time in their learning and development alongside their other responsibilities and duties.	Should provide pension board members with the relevant training and support that they require.	Code of Practice (paragraph 55)
Newly appointed pension board members should be aware that their responsibilities and duties as a pension board member begin from the date they take up their post.	Should offer pre-appointment training or arrange for mentoring by existing pension board members.	Code of Practice (paragraph 56)
Should use a personalised training plan to document training needs.		Code of Practice (paragraph 57)
Should undertake a personal training needs analysis and regularly review their skills, competencies and knowledge to identify gaps or weaknesses.		Code of Practice (paragraph 57)
Pension board members who take on new responsibilities will need to ensure that they gain appropriate knowledge and understanding relevant to carrying out those new responsibilities.		Code of Practice (paragraph 58)
	Learning programmes should:	Code of Practice

	1)Cover the type and degree of knowledge and understanding required 2)Reflect the legal requirements 3)Be delivered within an appropriate timescale.	(paragraph 58)
Demonstrating knowledge and understanding		
	Should keep appropriate records of the learning activities of individual pension board members and the board as a whole.	Code of Practice (paragraph 59)

Appendix 2 – Example of Competency Self-assessment Matrix

Learning needs analysis		Training Requirements and Plan	
Do I possess...?	Rate my skills 1-No knowledge 5-Highly skilled	Training Requirements	Training Plan (Sources and timing)
1- Pensions Legislation			
A general understanding of the pension's legislative framework in the UK.	1 2 3 4 5		
An overall understanding of the legislation and statutory guidance specific to the scheme and the main features relating to benefits, administration and investment.	1 2 3 4 5		
An appreciation of LGPS discretions and how the formulation of the discretionary policies impacts on the pension fund, employers and local taxpayers.	1 2 3 4 5		
A regularly updated appreciation of the latest changes to the scheme rules.	1 2 3 4 5		
2- Pensions Governance			
Knowledge of the role of the administering authority in relation to the LGPS.	1 2 3 4 5		

An understanding of how the roles and powers of the DCLG, the Pensions Regulator, the Pensions Advisory Service and the Pensions Ombudsman relate to the workings of the scheme.	1 2 3 4 5		
Knowledge of the role of the Scheme Advisory Board and how it interacts with other bodies in the governance structure.	1 2 3 4 5		
A broad understanding of the role of pension fund committees in relation to the fund, the administering authority, employing authorities, scheme members and taxpayers.	1 2 3 4 5		
An awareness of the role and statutory responsibilities of the treasurer and monitoring officer.	1 2 3 4 5		
Knowledge of the Myners principles and associated CIPFA and SOLACE guidance.	1 2 3 4 5		
A detailed knowledge of the duties and responsibilities of pension board members.	1 2 3 4 5		
Knowledge of the stakeholders of the pension fund and the nature of their interests.	1 2 3 4 5		

Knowledge of consultation, communication and involvement options relevant to the stakeholders.	1 2 3 4 5		
Knowledge of how pension fund management risk is monitored and managed.	1 2 3 4 5		
An understanding of how conflicts of interest are identified and managed.	1 2 3 4 5		
An understanding of how breaches in law are reported.	1 2 3 4 5		
3- Pensions Administration			
An understanding of best practice in pensions administration eg performance and cost measures.	1 2 3 4 5		
Understanding of the required and adopted scheme policies and procedures relating to: 1)member data maintenance and record-keeping processes 2)internal dispute resolution 3)contributions collection 4)scheme communication and materials.	1 2 3 4 5		
Knowledge of how discretionary powers operate.	1 2 3 4 5		
Knowledge of the pensions administration strategy and	1 2 3 4 5		

delivery (including, where applicable, the use of third party suppliers, their selection, performance management and assurance processes).			
An understanding of how the pension fund interacts with the taxation system in the UK and overseas in relation to benefit administration.	1 2 3 4 5		
An understanding of what AVC arrangements exist and the principles relating to the operation of those arrangements, the choice of investments to be offered to members, the provider's investment and fund performance report and the payment schedule for such arrangements.	1 2 3 4 5		
4- Pensions Accounting and Auditing Standards			
An understanding of the Accounts and Audit Regulations and legislative requirements relating to internal controls and proper accounting practice.	1 2 3 4 5		
An understanding of the role of both internal and external audit in the governance and assurance process.	1 2 3 4 5		
An understanding of the role played by third party assurance providers.	1 2 3 4 5		
5- Pensions Services Procurement and Relationship Management			

An understanding of the background to current public procurement policy and procedures, and of the values and scope of public procurement and the roles of key decision-makers and organisations.	1 2 3 4 5		
A general understanding of the main public procurement requirements of UK and EU legislation.	1 2 3 4 5		
An understanding of the nature and scope of risks for the pension fund and of the importance of considering risk factors when selecting third parties.	1 2 3 4 5		
An understanding of how the pension fund monitors and manages the performance of their outsourced providers.	1 2 3 4 5		
6- Investment Performance and Risk Management			
An understanding of the importance of monitoring asset returns relative to the liabilities and a broad understanding of ways of assessing long-term risks.	1 2 3 4 5		
An awareness of the Myners principles of performance management and the approach adopted by the administering authority.	1 2 3 4 5		

Awareness of the range of support services, who supplies them and the nature of the performance monitoring regime.	1 2 3 4 5		
7- Financial Markets and Products Knowledge			
An understanding of the risk and return characteristics of the main asset classes (equities, bonds, property etc).	1 2 3 4 5		
An understanding of the role of these asset classes in long-term pension fund investing.	1 2 3 4 5		
An understanding of the primary importance of the fund's statement of investment principles and the investment strategy decision.	1 2 3 4 5		
A broad understanding of the workings of the financial markets and of the investment vehicles available to the pension fund and the nature of the associated risks.	1 2 3 4 5		
An understanding of the limits placed by regulation on the investment activities of local government pension funds.	1 2 3 4 5		
An understanding of the limits placed by regulation on the investment activities of	1 2 3 4 5		

local government pension funds.			
An understanding of how the pension fund interacts with the taxation system in the UK and overseas in relation to investments.	1 2 3 4 5		
8- Actuarial Methods, Standards and Practices			
A general understanding of the role of the fund actuary.	1 2 3 4 5		
Knowledge of the valuation process, including developing the funding strategy in conjunction with the fund actuary, and inter-valuation monitoring.	1 2 3 4 5		
An awareness of the importance of monitoring early and ill health retirement strain costs.	1 2 3 4 5		
A broad understanding of the implications of including new employers into the fund and of the cessation of existing employers.	1 2 3 4 5		
A general understanding of the relevant considerations in relation to outsourcings and bulk transfers.	1 2 3 4 5		
A general understanding of the importance of the employer covenant and the relative strengths of the	1 2 3 4 5		

covenant across the fund employers.			
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Bath & North East Somerset Council		
MEETING:	LOCAL PENSION BOARD - AVON PENSION FUND	
MEETING DATE:	25 th February 2016	AGENDA ITEM NUMBER
TITLE:	Work Plan	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report: Appendix A – Outline Work Plan		

1 THE ISSUE

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

2 RECOMMENDATION

That the Board

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

3 FINANCIAL IMPLICATIONS

- 3.1 There are direct implications related to the Pension Board in connection with this report, however until the Work Plan is finalised these are difficult to estimate.

4 REPORT

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

successful alternative to delivering the objectives of individual topic areas rather than through a formal meeting.

- 4.4 The length of meetings should not be excessive in line with any recognised good practice and in considering this the board should be cognisant of its need to absorb and interpret often large volumes of complex information and continue to perform effectively. Therefore agenda's for each meeting should therefore plan with this context in mind.
- 4.5 Taking the above issues into account Year 1 of the Board should be viewed as developmental, often receiving reports or briefings as overview to help understand their future role on individual topics. Examples of this are today's agenda where several reports were given as background but would not be expected to appear as regular items in the future.
- 4.6 As outlined at the Board's meeting in July the focus of the Board is on several key themed areas –
- a) Administration – Management of the Fund, Benchmarking/VFM, Compliance**
 - b) Investments – Strategy, Policy Development & Actuary Valuations**
 - c) Governance – Roles, Responsibilities & Decision Making**
 - d) Independent Assurance - Audit & Risk Management**

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

Strategy

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

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

And more specifically on the latter,

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

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

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

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

- incorrect contributions
- incorrect transfers
- incorrect benefit calcs

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

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

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

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

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

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

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

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

Fund business cycles

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

Annual cycle items:

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

Pension Fund governance:

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

Fund risk management

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

Regulatory Compliance

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

Fund performance

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

Member records and communications

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

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

2016 triennial valuation cycle items

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

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

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

5 RISK MANAGEMENT

5.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance and there are no significant or material risks to report.

6 EQUALITIES

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

7 CONSULTATION

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

Contact person	Howard Pearce, Chair of Pension Board Jeff Wring, Head of Audit West, 01225 477323
Please contact the report author if you need to access this report in an alternative format	

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APPENDIX A – Draft Work Plan – Avon Pension Fund – Local Pension Board

Meeting -	30th July	5th November	18th February	19th May	27th July
Proposed Items:	Appointment of Chair & Board	Avon Pension Fund Committee Minutes	Regular Updates – <ul style="list-style-type: none"> - Conflicts of Interest - Training Plan - Work Plan - Avon Pension Fund Committee Minutes - LGPS Developments 	Regular Items – <ul style="list-style-type: none"> - Conflicts of Interest - Training Plan - Work Plan - Avon Pension Fund Committee Minutes - LGPS Developments 	Regular Items – <ul style="list-style-type: none"> - Conflicts of Interest - Training Plan - Work Plan - Avon Pension Fund Committee Minutes - LGPS Developments
	Terms of Reference	LGPS Developments & Updates	Compliance Report	Compliance Report	Compliance Report
	Role of Pensions Board	Training Plan	Breaches Policy	Communication Plan – Annual Review	Annual Report of Avon Pension Fund
	Code of Conduct & Conflicts of Interest	Conflicts of Interest	Benchmarking Update	Admin Authority Discretions – Annual Review	Benchmarking Update
	Training Plan & Work Plan	Regulatory Breaches	Avon Pension Fund Risk Register & Internal Audit Update	External Audit Plan	Avon Pension Fund Risk Register & Internal Audit Update
	Avon Pension Fund Committee Minutes	Review of Avon Pension Fund Annual Report	Pension Board Budget 2016/17	Pension Fund Business & Service Plan 2016/17	Annual Report of Board

APPENDIX A – Draft Work Plan – Avon Pension Fund – Local Pension Board

		2014/15, Financial Statements & Summary of Audit Reports			
		Administration Strategy		Statement of Investment Principles – Annual Review	TOR & Pension Board Policies – Annual Review
		Administration Performance Report			
		Compliance Report			
		Avon Pension Fund Work Plans			
		Work Plan			