

Democratic Services

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Date: 12 May 2016

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To: All Members of the Pension Board

Howard Pearce

Gaynor Fisher

Steve Harman

Tom Renhard

David Yorath

Mark King

Tony Whitlock

Chief Executive and other appropriate officers
Press and Public

Dear Member

Pension Board: Thursday, 19th May, 2016

You are invited to attend a meeting of the **Pension Board**, to be held on **Thursday, 19th May, 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

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

This Agenda and all accompanying reports are printed on recycled paper

NOTES:

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

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

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

Appendices to reports are available for inspection as follows:-

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

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

4. Recording at Meetings:-

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

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

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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.

7. Emergency Evacuation Procedure

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

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

Pension Board - Thursday, 19th May, 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 OF 25 FEBRUARY 2016 (Pages 7 - 16)
8. MINUTES OF AVON PENSION FUND COMMITTEE AND THE INVESTMENT PANEL
(Pages 17 - 42)
9. LGPS UPDATES AND DEVELOPMENTS (Pages 43 - 46)
10. EXTERNAL AUDIT PLAN (Pages 47 - 64)
11. AVON PENSION FUND SERVICE PLAN (Pages 65 - 90)
12. AVON PENSION FUND RISK REGISTER (Pages 91 - 94)
13. BENCHMARKING UPDATE (Pages 95 - 168)
14. COMPLIANCE REPORT (Pages 169 - 188)
15. TRAINING UPDATE (Pages 189 - 208)

16. ANNUAL REPORT (Pages 209 - 212)

17. WORK PLAN (Pages 213 - 216)

18. DATES OF FUTURE MEETINGS

Future meetings of the Board are scheduled as follows:

27/07/2016 14:00

02/11/2016 14:00

16/02/2017 14:00

11/05/2017 14:00

27/07/2017 14:00

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, 25th February, 2016

Present:- Howard Pearce (Chair), Gaynor Fisher (Employer 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 Dave Mehew (Audit Team Leader)

33 EMERGENCY EVACUATION PROCEDURE

The Democratic Services Officer read out the procedure.

34 APOLOGIES FOR ABSENCE

Apologies were received from Steve Harman (Employer Representative) and Tom Renhard (Member Representative).

35 DECLARATIONS OF INTEREST

There were none.

36 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

The Chair welcomed Mark King as an observer to the meeting.

37 MINUTES: 5 NOVEMBER 2015

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

Matters Arising

Minute 19, page 7. The Chair said that training on and consideration of the 2016 valuation would be included in the 2016-17 Board work programme.

Minute 22, top of agenda page 9: "the Board should be up to full strength by the time of the next meeting." The Head of Audit West said that an application was currently under consideration and that it was hoped that a decision could be made within the next few weeks.

Minute 24, page 10. The Chair said that training and discussion on the respective LGPS governance roles of BANES Council, Pensions Committee, Investment Panel, Local Pension Board, and any new bodies arising from LGPS fund asset pooling would be included in the 2016-17 Board work programme.

Minute 28, agenda page 13, third paragraph: separation of B&NES and Avon Pension Fund Accounts and clarification that the Fund's next accounts would be prepared in accordance with and externally audited against CIPFA LGPS accounting

disclosure guidance. The Chair said that he had discussed this with the Strategic Director of Resources and the Head of Audit West and that information about it would be presented to the next meeting of the Board.

38 ITEMS FROM THE PUBLIC

There were none.

39 ITEMS FROM MEMBERS

There were none.

40 CHAIRMAN'S UPDATE

The Chair drew attention to the following:

- Pooling and the new LGPS investment regulations were occupying a huge amount of the time of LGPS funds.
- The Secretary of State had appointed a Chair to the Local Government Pension Scheme Advisory Board to replace the interim Chair. He is Roger Phillips a member and former Chair of Herefordshire Council, who has also played a significant role in the LGA. It was to be expected that this would lead to an increase in the activity and output of the Advisory Board.
- The LGPS Scheme Advisory Board had published on their website at <http://www.lgpsboard.org/index.php/about-the-board/board-guidance> an opinion of James Goudie QC on the legal position of local pension boards. In Mr Goudie's view local pension board members are not automatically covered by council indemnity insurance.

He added that other local pension boards with which he was involved were at more or less at the same stage as the Avon Board. All were grappling with defining their role and were focussing on administrative compliance and audit reports. He felt that the jury was out on the long-term future of local pension boards, but that was for the Government to decide.

RESOLVED To note the report and that officers and the Chair would report back on the implications of the legal advice referred to above.

41 MINUTES OF AVON PENSION FUND COMMITTEE 11TH DECEMBER 2015 AND 3RD FEBRUARY 2016

The Head of Business, Finance and Pensions introduced this item. He said that the key issue discussed at these two meetings was one that all LGPS funds were currently grappling with: the Government's requirement that funds should establish investment pools. The Government had issued criteria for pools, and had consulted on proposed changes to the investment regulations to allow the pooling of investments and investment in asset classes that were currently restricted. Criteria for pools included a minimum size of £25bn, an effective governance structure and the ability to invest in infrastructure. The Government will acquire the power to direct

funds to invest in infrastructure, which raises the dilemma of how Government directions might be reconciled with the investment strategies set by local funds; clarification about this is being sought at the national level. All the pools were also grappling with the problem of how to demonstrate a capacity to invest in infrastructure. It was not clear what kind of infrastructure the Government wanted funds to invest in.

There were differences between pooling groups as to whether they were regional or and in the size of their assets. The value of all the LGPS funds in Wales only amounted to £12bn. Some funds had not yet joined pools. Project Brunel had been working with PwC to develop its proposals and had made its initial submission by the deadline of 19th February. The Government required a clear separation between the monitoring of the investment pool and the setting of investment strategy and policy. The governance structure proposed for Project Brunel was a joint committee. The final proposal had to be submitted by July; this had to give an estimate of cost savings from pooling and indicate how the transition to pooling was to be implemented. Because of the amount of illiquid assets held by funds, the transition could take up to ten years. Project Brunel has to face the challenge of reducing the number of investment manager mandates from over a hundred down to twenty or thirty while still satisfying the strategic investment requirements of the individual funds in the pool. It was thought that the cost savings for the Avon Fund could be about £2m, but this was uncertain, because circumstances would have changed by the time that savings could be accurately quantified. He said that the experience of dealing with the pooling proposals had been an uncomfortable one for members of the Avon Pension Fund Committee, who were sceptical about the savings that could be achieved and were concerned that the Government's timetable restricted their involvement in the process.

In reply to questions from Members he said;

- The aim was to pool all assets, but this was probably not achievable. Some funds had investments in asset classes that other funds did not. It might be that £18bn of the £23bn total assets of Project Brunel would be pooled.
- The Committee would no longer select investment managers, but would retain responsibility for the setting of investment strategy and policy. The investment strategy flows from the valuation, and determines the level of investment returns that are required. The Committee will choose the asset classes that it considers will deliver those returns at a certain level of risk.

A Member asked about the role of the Board in relation to pooling. The Chair noted that the Government had launched this initiative after the establishment of the Local Pension Boards, and that there was nothing about pooling in the relevant Regulations or Guidance. He believed that the Board should approach the issue by reminding itself of its fundamental duties, which were to secure the compliance of administering authorities with Regulations and The Pension's Regulator's Guidance and to ensure efficient and effective governance and administration. The Board's only role in relation to pooling was to consider whether there was effective governance and administration of it by the Avon Fund. The Board should form an opinion on whether the Committee had considered the relevant issues, and, at an appropriate time in the future, on whether the governance structure for Project Brunel complied with the Regulations in force at that time. The Board could receive

an update at its meeting in May, but could only begin serious scrutiny after the final submission in July.

The Head of Business, Finance and Pensions drew attention to another issue facing all funds: the EU's Markets in Financial Instruments Directive (MIFID II). This was concerned with the classification of different types of investors and required investors to be properly qualified and/or experienced. LGPS funds would be classified as retail investors, which could pose the problems identified in Minute 46 of the 11th December meeting. The implementation of the Directive had been deferred for a year.

RESOLVED

- (i) To note the minutes of the meetings of the Avon Pension Fund Committee held on 11th December 2015 and 3rd February 2015.
- (ii) To record that the Board is satisfied that the Committee followed a rigorous process in relation to the pooling proposals.

42 MINUTES OF AVON PENSION FUND COMMITTEE INVESTMENT PANEL 18TH NOVEMBER 2015

RESOLVED to note the minutes of the Avon Pension Fund Committee Investment Panel of the 18th March 2015.

43 LOCAL GOVERNMENT PENSION FUND UPDATES AND DEVELOPMENTS

The Head of Business, Finance and Pensions presented the report. He drew attention to proposals for regulations on a Public Sector Exit Cap and on recovery of Public Sector exit payments. It was not certain how these were to be applied in practice and the Fund had responded to the Government that the proposals were not very robust. In response to a question from a Member he explained that these regulations would apply to any Public Sector employment. The Fund would be responsible for checking whether a new employee had been previously employed in the Public Sector and was subject to the regulations.

RESOLVED to note the report and latest developments.

44 BENCHMARKING UPDATE

The Chair introduced this item by reminding Members that benchmarking was an important tool for assessing the efficiency and effectiveness of the Avon Fund. The Board needed to understand how the Avon Fund compared with others.

The Head of Business, Finance and Pensions presented the report. He emphasised that the Avon Fund had a lower administration cost per member than other similar funds and lower than the average. This was to be expected, as the Fund was larger than average and should be achieving economies of scale. The Fund spent more than average on communications, but this was a conscious policy choice. Payroll costs were also higher because the Fund had decided to separate its payroll from that of the Council. Accommodation costs were also a little higher. The Fund was

below average in qualified staff; in the past few years there had been a trend in staff joining, being trained and then leaving for more lucrative employment. Salaries were not competitive with the private sector, which was a problem across the public sector.

The Chair noted that there were more deferred than active members, which was significant for the future of the Fund. The Head of Business, Finance and Pensions confirmed that the Fund was now in negative cash flow. A Member noted that there were also more leavers than joiners.

The Chair asked whether the Fund was protected against austerity or economy measures implemented by the Council. The Head of Business, Finance and Pensions said that the Fund determined its own expenditure and was not subject to external controls.

The Chair said that the information provided reflected well on the Fund at present and that the Board should focus on trends in the Fund's benchmarking results. He informed Members of a benchmarking exercise on public service pensions schemes by The Pensions Regulator, which he would arrange to be copied to Members. TPR would repeat the survey in March or April this year, focussing on how Pension Boards had been scrutinising communication by funds. The Local Government Pension Scheme Advisory Board had also done some benchmarking around key performance indicators, which might be published this year. There would also be benchmarking results coming from the valuation and league tables relating to investment returns. The Board should look at some form of benchmarking information at each meeting.

RESOLVED to note the report and plans for future benchmarking of the LGPS by TPR and the National Scheme Advisory Board.

45 COMPLIANCE REPORT

The Acting Pensions Manager presented the report. He said this was a combined report containing performance indicators and information required by The Pensions Regulator. He drew attention to paragraph 6.1 and said that the figure for outstanding cases at 31st January should be 4,500 rather than the 6234 cases reported. He circulated updates to Appendices 2 and 3A. He emphasised the impact on workload of the increase in part-time employees and of the number of employers in the Fund. He said that the low figure of 54% of leaver cases completed on target reported in Appendix 3 was due to the unusually high volume.

The Head of Business, Finance and Pensions said that ongoing changes in the public sector had a direct impact on the work of Pensions Administration. One example was the conversion of schools to Academies, which was one driver behind the increase of employers in the Fund. Smaller employers did not necessarily understand their pensions obligations and required training and guidance from Pensions staff. Another factor increasing pressure on Pensions Administration was staff concerns about their job security, which was leading to an increase in pension enquiries.

Members discussed differences between the Fund's performance targets and those set by The Pensions Regulator and whether the Fund should bring its targets in line with those of the Regulator by lowering them where the Regulator's targets were lower and raising them where the Regulator's were higher.

The Chair said that it was important for the Board to understand its role in relation to the monitoring of Fund performance against internal standards and regulatory compliance targets. The Committee was reviewing the former in depth at each of its meetings, so where could the Board add value? It seemed odd that the Board was reviewing the same information as the Committee. Since the duty of the Board was to ensure regulatory compliance, he suggested that it needed to focus more on this and exceptions and, if there were problems, to confirm that there were action plans and timetables for addressing them, and to monitor progress with those action plans. There were many areas where the Fund was close to achieving the regulatory targets; the Board might focus on those areas it considered regulatory compliance priorities and encourage actions to achieve the regulatory targets. In this way the Board could add extra help and support. The Board should view performance from a higher-level exception reporting basis. The Board should revisit this issue at the next meeting.

RESOLVED:

1. To note the Performance Indicators and Customer Satisfaction feedback for 4 months to 31 January 2016.
2. Progress on the Data Improvement Plan.
3. The Board would consider its regulatory compliance reporting at a future meeting.

46 RISK REGISTER AND INTERNAL AUDIT UPDATE

The Acting Pensions Manager presented the report.

The Head of Finance, Business and Pensions said that many risks could not be eliminated, but could be mitigated. He drew attention to the management of the different kinds of investment risk including the management of long-term risks through the investment strategy. In its efforts to reduce risk the Committee engaged with investment managers and was supported by investment advisers.

A Member asked how the Committee engaged with the risk register. The Head of Business, Finance and Pensions replied that a report including the top ten risks was considered by the Committee at each quarterly meeting.

The Chair said that the Board could be satisfied that the Fund had a risk management system in place: there was a risk register, risk monitoring, risk reporting and mitigating actions. He suggested that the Board, in accordance with its duty to ensure compliance, should focus on regulatory compliance risks and governance risks. He noted that some LGPS funds do not have a risk register.

After discussion Members agreed to focus on the top 10 risks as perceived by the Committee and risks relating to regulatory compliance, governance and communications.

The Head of Audit West commented on Internal Audit work on the Avon Pension Fund. He drew attention to the summary of work in Appendix 3. In broad terms about 30 days of Internal Audit work a year were dedicated to the Fund, which allowed 1-3 areas to be reviewed each year, depending on the nature and scale of the reviews. Appendix 4 contained the full draft report of the review of contributions and member records finished in February 2016. The Audit Team Leader commented on the report. The Head of Audit West noted that the assessment for the control framework was 4, "good". Five issues were detailed in the action plan. The Chair said that the Board would want to check that these actions had been implemented within the specified timescale and requested that an update be provided at an appropriate future meeting.

The Head of Audit West explained that there was no separate Internal Audit plan for the Pension Fund. Work scheduled in relation to the Fund was included in the Council's audit plan. Work planned for the future included the remaining aspects of the CIPFA 2014 pensions governance review (there were about 3 or 4 modules to be completed) and a review of payroll. The Chair asked why payroll was being reviewed so soon after the last review in 2014. The Head of Audit West replied that payroll was normally reviewed every three years.

The Chair suggested that one area that should be reviewed was the accuracy of benefit calculations. The Head of Audit West responded that this had been reviewed previously.

The Chair requested that the reports of the External Auditor should be included on the next agenda.

RESOLVED to note

1. The Internal Audit report and that a report on the completion of the recommended and agreed actions would come to a future meeting.
2. The Risk Register.
3. The Audit Plan for 2016/17.
4. The External Audit Plan would be considered at the next meeting.

47 BREACHES PROCEDURE

The Head of Business, Finance and Pensions presented the report. He said that the policy had been redrafted in the light of the comments made by the Board at the previous meeting. One of the issues raised by the Board had been materiality.

He said that it was inevitable that with 250 employers in the Fund something would go wrong from time to time through inadvertence or staff turnover. The initial response would be to help employers to fulfil their obligations to the Fund by

providing advice and training. A tougher approach would be adopted if breaches were repeated.

A Member suggested that under “Material Breaches by the Admin Authority” the sentence “the investigation will be carried out by internal audit section or referred to police as required” should be amended to indicate that the matter would only be referred to the police if evidence had come to light as a result of the audit investigation.

The Chair noted that procedure provided that, in the case of breaches by employers and the administering authority, the Pensions Regulator should be notified as soon as reasonably practicable, whereas TPR guidance indicated that in the case of serious breaches TPR should be notified within one month at the latest. Serious fraud had to be reported immediately. He requested that the procedure be amended accordingly. He also requested that a paragraph on how material significance was to be assessed as per the TPR guidance be included.

The Chair suggested that the Committee might have training about breaches before they were asked to approve the procedure.

RESOLVED to recommend the Breaches Procedure for Avon Pension Fund (with the amendments recommended by the Board) to the Pensions Committee for approval.

48 PENSION BOARD BUDGET

The Head of Audit West presented the report.

The Chair said that when the Board published its first annual report there would be actual costs available that could be used in setting budgets in future.

RESOLVED to recommend the proposed budget for approval by the Avon Pension Fund.

49 TRAINING UPDATE

The Head of Audit West presented the report.

Members reported the training they had undertaken since the last meeting.

The Chair was pleased to note Members’ progress with training.

The Chair said that Members training needed to be recorded in a systematic way, as it had to be recorded and disclosed in the Board’s statutory annual report. He suggested that there should be a template for recording Members’ training in 2015-16 and beyond and that Members’ training records should be held centrally by BANES officers.

Members requested that consideration be given for training on the following subjects:

- the meaning of “proper advice” by investment manager investment decision making
- how investment managers are chosen
- academies
- property

The Chair suggested it was more appropriate that the Members should receive training on the valuation and the governance arrangements for pooling. He also requested that Members should complete their training needs self-assessment templates and training log and that the results be collated before the May meeting of the Board.

RESOLVED:

1. To note the report and comments of Members on future training requests.
2. To complete the training needs self-assessment and annual training log for collation and presentation to the next meeting.

50 WORKPLAN UPDATE

The Head of Audit West presented the report.

The Chair noted that the Statement of Investment Principles (page 176) was to be replaced with a new type of statutory statement and so it made more sense for the Board to look at the new requirement later in 2016-17. He also felt it would be appropriate for the Board to begin to consider at the May meeting topics that might go into the Board’s annual report.

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

51 CHAIRMAN'S REVIEW OF MEETING

The Chair said that he was extremely pleased with the progress achieved by the Board to date. Today’s meeting had generated a very full agenda for the next meeting. It was agreed there was no other business and that the next meeting of the Board would be 10:30am on 19th May.

The meeting ended at 12.59 pm

Chair(person)

Date Confirmed and Signed

Prepared by Democratic Services

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Bath and North East Somerset Council

AVON PENSION FUND COMMITTEE

Minutes of the Meeting held

Friday, 18th March, 2016, 2.00 pm

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

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

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

Advisors: Tony Earnshaw (Independent Advisor) and James Giles (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))

64 EMERGENCY EVACUATION PROCEDURE

The Democratic Services Officer read out the procedure.

65 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Apologies were received from Cheryl Kirby.

66 DECLARATIONS OF INTEREST

There were none.

67 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

There was none.

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

Councillor Lin Patterson made a statement urging the Fund to divest from fossil fuels. A copy of her statement is attached to these Minutes.

The following members of the public made statements urging the Fund to divest from fossil fuels:

Jack Lloyd (Fossil Free Bristol)
Holly Templer (Fossil Free Bristol)
Elaine Ashley (Fossil Free Bristol)
David Searby (Fossil Free B&NES)
Simon Griffiths (Fossil Free B&NES)

The Chair thanked Councillor Patterson and the members of the public for their statements and assured them that they would be given due consideration. He asked the members of the public if they could email copies of their statements to the Democratic Services Officer, so that they could be attached to the minutes. Statements from Fossil Free Bristol, David Searby and Simon Griffiths are attached to these minutes.

69 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

There were none.

70 MINUTES: 3RD FEBRUARY 2016

The public and exempt Minutes of the meeting of 3rd February 2016 were approved as a correct record and signed by the Chair.

71 AUDIT PLAN 2015/16

The Finance & Systems Manager (Pensions) introduced the report. He invited Members to note the Audit Plan 2015/16, which was attached as Appendix 1 to the report. He introduced Julie Masci from Grant Thornton, who commented in detail on the plan.

A Member noted the reference to Level 3 investments as a significant risk. He said that some of the Fund's investment managers would be open to this type of risk and wondered how this would be reported by the external auditors. He said that this type of risk would arise in the case of fossil fuels and he that he would like to know how it was possible to have confidence in the valuations put on these investments by the markets and by managers. Similar issues applied to other types of investment. The risk might not always be material, but was something of which the Fund should be aware. In his response the Head of Business, Finance and Pensions noted that the public speakers had stated that some fossil fuel assets were overpriced and that this represented a risk to the Fund. But there were valuation risks associated with all asset classes. What the external auditors would be focussing on was the process of risk assessment and whether valuations were reasonable in the light of that risk

assessment and of advice received. The Member said that he disagreed. He thought the whole point of active management was to buy shares when you thought they were undervalued and to sell them when you thought they were overpriced.

A Member said that one of the biggest risks now facing the Fund was pooling, involving the transfer of substantial assets to a collective investment vehicle, yet this was not included in the plan. Ms Marci responded that pooling of investments had been mentioned in the plan as part of the background to the business of the Fund in 2015/16, but no transfers had taken place in 2015/16 and the timing of the commencement of transfers was uncertain, so it was not possible to predict the impact on the 2016/17 accounts.

A Member asked about the level of the audit fee (£28,000). He wondered whether this was enough to do allow the auditor to do all the work that needed to be done. Ms Marci replied that external auditors had very specific responsibilities and that the level of fee was based on the national scale set by Public Sector Audit Appointments Limited.

RESOLVED to note the Audit Plan for the accounts for the year ended 31st March 2016.

72 SEPARATE IDENTIFICATION OF PENSION FUND TRANSACTIONS AND BALANCES

The Finance & Systems Manager (Pensions) presented the report. He invited Members to note the steps to be taken to comply with the recommendation of the external auditors in their audit of the 2014/15 accounts that it should be easier to identify Pension Fund transactions and balances separately from those of the Council. In reply to questions from Members he said:

- The external auditors had confirmed that they were satisfied with the proposal to address the issue by creating a separate journal identifier for Pension Fund transactions.
- The cash balances of the Fund were held and invested separately from those of the Council.

RESOLVED to note the additional controls to be set up in the Council's Financial Management System to more easily identify Avon Pension Fund journal transactions as outlined in the report.

73 LGPS POOLING OF INVESTMENTS - UPDATE

A Member spoke against the motion to take this item in exempt session. He said that he did not think the contents of the report justified this, and he felt very strongly that members of the Fund had a right to know what it was proposed to do with their money. He thought that Fund members should have free access to this information.

After Members had debated the motion, it was **RESOLVED** by 8 votes in favour, 1 vote against and with 2 abstentions that

the Committee having been satisfied that the public interest would be better served by not disclosing relevant information, in accordance with the provisions of section 100(A)(4) of the Local Government Act 1972 the public shall be excluded from the meeting for this item of business, and the reporting of this item shall be prevented under section 100A(5A), because of the likely disclosure of exempt information as defined in paragraphs 1 and 2 of Part 1 of Schedule 12A of the Act as amended.

After discussion, it was **RESOLVED** to agree the recommendations in the report.

74 BUDGET AND SERVICE PLAN 2016/19

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

He said that the some of the key issues facing the Fund in the next three years were:

- pooling – the Committee had already agreed to provide additional resources, but there were the as-yet-unknown costs of implementation, which were not reflected in the Budget and Service Plan
- following the 2016 Budget, an acceleration in the Academies programme, resulting in the possible creation of 293 additional Academies, each of which could be a separate employer; there would be additional work in securing administrative compliance and in training; recruitment for additional posts would take place this year. It would help the Fund if schools becoming Academies joined Multi Academy Trusts.
- the valuation

It was proposed to create specific member and employer focussed services within the Administration team.

Staff turnover had been, and was likely to remain, a serious concern.

Members discussed the report and made comments and asked questions, to which officers responded

Staff retention

Could retention allowances be paid to staff?

There would need to be discussion with the Council's Human Resources Team. In the meantime attention will be given to job grading and flexibility.

How many apprentices are working in the Administration Team?

There are two at present, which will be doubled to four.

Increase in employers

The admission of Academies and the increase in employers will raise costs for the Fund. The Fund should investigate whether there were best practice models for dealing with Academies. A higher quality of data is demanded by the CARE scheme.

0.4% of employer contributions are earmarked for administration costs. This might not be enough, and will have to be examined as part of the valuation process. A great deal more is now being spent on compliance and regulation. In accordance with the Administration Policy, charges will be levied on employers who impose excessive additional administrative burdens. Efforts will be made to identify more efficient practices that employers could adopt, and consideration given to charging them supplementary fees if they fail to adopt them. As for best practice, administration staff visit schools about to become Academies and give training and help with the pensions software systems. The Fund needs smarter technology; discussions are ongoing with software suppliers about how to manage the increase in employers. All funds are facing the same issue. 53% of smaller employers are now sending data electronically. Member self-service needs to be encouraged to free up staff resources. Currently 10,000 scheme members are signed up for self-service; this needs to be increased to at least 80,000. The new member website will be launched next week.

Investment Strategy

The review of the Investment Strategy has been delayed because of work on pooling. The original target date was September 2016. There was a suggestion that there would be no new investments until the new Strategy had been agreed. There are serious issues in relation to the new Strategy that might not be resolved for many months. Would it be possible to agree an interim Investment Strategy?

The review of Responsible Investing Policy is due to complete as planned. Following the valuation the Investment Strategy will need to be reviewed for the change in the liability profile and this is due to take place early in 2017. The review of Responsible Investing Policy must be done thoroughly and cover all aspects and needs to take into account of what may be possible from pooling.

Transfer of Fire Rescue Service funding from DCLG to Home Office and merger of Police and Fire Service

The Fire Brigade Pension Scheme is an entirely separate scheme; Avon only administers it. Avon could continue to administer it, or the administration could be transferred to another organisation.

RESOLVED to approve the 3-year Service Plan and Budget for 2016-19 for the Avon Pension Fund.

75 TREASURY MANAGEMENT POLICY

The Finance & Systems Manager (Pensions) presented the report. He said there were no changes to the policy in Appendix 1, which was last approved by the Committee in July 2015. The Committee was not being invited to approve the list of counterparties in Appendix 2, which is simply a list of counterparties which meet the current criteria.

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

76 REPORT ON INVESTMENT PANEL ACTIVITY

The Assistant Investments Manager presented the report. He said that the Panel had made no recommendations to the Committee. The Committee was invited to the note the minutes of the latest meeting of the Panel on 24th February.

RESOLVED to note the minutes of the Investment Panel meeting on 24th February 2016 at Appendix 1.

77 INVESTMENT PERFORMANCE AND STRATEGY MONITORING REPORT- PERIOD ENDING 31ST DECEMBER 2015

The Assistant Investments Manager summarised the key information in the report.

Mr Giles commented on Mercer's Investment Performance Report.

A Member asked Mr Giles whether he had any view on the assumptions made in the Fund's Investment Strategy. He was concerned about the Fund setting targets that were not achievable. Mr Giles referred to agenda page 119, which tabulated Strategy Assumed Returns against the 3-year Index Returns with comments. The Investment Manager said that return expectations would be considered in the valuation process.

RESOLVED:

1. To note the information set out in the report.
2. To note the LAPFF Quarterly Engagement Report.

78 BUDGET AND CASHFLOW MONITORING REPORT - PERIOD ENDING 31ST DECEMBER 2015

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

RESOLVED:

1. To note administration and management expenditure incurred for 10 months to 31 January 2016.
2. To note the Cash Flow Forecast to 31 March 2016.

79 PENSION FUND ADMINISTRATION - PERFORMANCE INDICATORS FOR QUARTER ENDING 31ST DECEMBER 2015 AND RISK REGISTER

The Acting Pensions Manager presented the report.

RESOLVED to note:

1. Summary Performance Report to 31 January 2016;
2. Performance Indicators and Customer Satisfaction feedback for 4 months to 31 January 2016;
3. Progress on the Data Improvement Plan;
4. Risk Register.

80 BREACHES PROCEDURE

The Acting Pensions Manager presented the report.

The Head of Business, Finance and Pensions said that the draft Breaches Procedure had been considered by the Pensions Board. The Chair of the Board had suggested that second paragraph on page 198 should require serious breaches to be reported to the Pensions Regulator “immediately” rather than “as soon as practicable”. He, however, suggested that the current wording should be retained, because it would not be known what precisely was to be reported until an investigation had taken place.

RESOLVED to approve the Breaches Procedure as outlined in the report.

81 LGPS UPDATE: ADMINISTRATION AND PROPOSED LEGISLATION CHANGES

The Acting Pensions Manager presented the report.

RESOLVED to note:

1. The current position regarding the potential changes that would affect the administration of the Fund;
2. The information regarding HM Treasury consultations.

82 WORKPLANS

The Investments Manager presented the report.

She requested Members to complete and return the training self-assessment form by the end of the month.

RESOLVED:

1. To note the workplans.
2. That Members will undertake a self-assessment of their knowledge to inform the training plan 2016-2018.

The meeting ended at 4.44 pm

Chair(person)

Date Confirmed and Signed

Prepared by Democratic Services

In my first statement before this committee, I wish to do something a little unusual. I am not speaking to you in your heavy role as responsible to your fiduciary pledge to profit or to your loyalty to a party rationale, but to the part of you which is that of God. If you prefer a substitute word, (Spirit, Higher power, Source of Life, Love, etc,) call it what you will. Whether you care to know it or not, as a Quaker, I know there is that of God in each of you which may or may not be reached.

And I do not envy you in a role with extreme tension between the still, small callings of that and your obligations enmeshed in a system which puts other values above it. The clear path consistent with that of God, or good, in you is one which strenuously begins the divestment process from fossil fuels. As Bill McKibben says, "If it is wrong to wreck the climate, it is wrong to profit from it."

As you will hear from others, it is not a risk to profits to choose to disinvest. But if you say it is, I answer that if we choose to focus on profit as the "bottom line" we ignore the humanising purpose of God as discerned by those closest to God through history. This is a capitalist heresy, not heresy to a written dogma, but to the depths of truth within us. Profit is not the "bottom line." As creatures of God, we have as our divine vocation the achievement of human well-being, and the well-being of other life facing extinction, not existing for ourselves, but belonging to the God who ordains sufficiency for all.*

I know this is peculiar language in these surroundings. We all compartmentalise in order to adapt to a disjointed and diseased system based on profit for the few which impacts so cruelly on so many, as well as the whole of the planet. But other organisations are now divesting and surviving, and they will be the survivors who align with a future consistent with the welfare of all, as the emerging truth insists. In a quiet moment, please remember this call to your finest self and turn towards divestment as your greatest contribution in your capacity on the Pension Fund Committee.

*This paragraph draws on the work of Walter Wink in *The Powers That Be*, *Theology for a new Millennium*, page 50

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Statement presented by Fossil Free Bristol to APF committee on the 18th March 2016

Paris

In Paris at the COP21, world leaders agreed that we need to hold global warming below 2°C. We can only achieve this if we stop burning fossil fuels - we need to leave 80% of it unburned if we are to have even a 75% chance of staying within that limit.

You know the share prices of these fossil fuel companies are based on them extracting and burning ALL of their reserves, which they simply cannot do if we are to have a liveable planet. Therefore these shares are hugely overinflated - a carbon bubble' - and if we don't act soon, we could be left with stranded assets. We've already seen oil, gas and coal prices drop dramatically, and the Bank of England has warned investors of the risks. A recent Citibank report stated that the fossil fuel industry will 'bottom out' in 2016. Your members savings are at risk if you do not divest from fossil fuels. Don't delay the decision.

Fossil fuel share prices can only be negatively impacted by the growing world wide divestment movement and recent NASA data detailing record rises in the average global surface temperatures

(<https://www.theguardian.com/science/2016/mar/14/february-breaks-global-temperature-records-by-shocking-amount>)

Divestment Updates

More than 500 different institutions around the world have now divested over \$3.4 trillion from fossil fuels. That includes 50 pension funds. In the UK, Haringey and South Yorkshire local government pension funds have now joined the Environment Agency pension fund in making divestment commitments.

The South Yorkshire Pension Fund has acknowledged that 'there should be a long term tilt towards a low carbon economy within its portfolios' and 'agreed to monitor carbon risk.' It has also formally confirmed that it has divested from 'pure' coal and tar sands companies, noting that coal is the 'most polluting' fossil fuel.

In January, Haringey Council Pensions Committee pledged to invest £200 million of their equity funds into a Low Carbon Fund. This means that the council will no longer have any investments in coal industries anywhere in the world, and also comes with an agreement to explore making specific investment in the low carbon economy, such as renewable energy.

Our petition

We have listened to your concerns that you cannot make a formal “divestment commitment” but we disagree. By selling your direct investments in coal, oil and gas extraction companies, and instead investing in the solutions to climate change you could achieve full and transparent divestment. Later this month your advisor’s Mercers are releasing their research into investments that tackle climate change.

There is not just our voice behind the divestment plea; many other fund members and citizens in the Avon area support our concerns. As testament to this we can report that a petition is ongoing which calls on the fund management to

Immediately freeze any new investments in fossil fuels

Divest from direct ownership and any commingled funds that include fossil fuel public equities and corporate bonds within 5 years.

We would request that this statement is taken into consideration in the ongoing review of the Responsible investment policy.

As an addition to what was said at the committee meeting, we would like to make one further comment. If there was any hesitation from the investment managers to sell oil stocks at a time when share prices are so low, we ask the committee to consider the predictions of Ian Taylor, the CEO of Vitol Oil (the world’s largest energy trader). Mr. Taylor stated that he foresees a price band of crude oil between \$40 and \$60 a barrel and that he “can see that band lasting for five to ten years”. With this in mind, it seems even more pertinent to include immediate divestment in fossil fuels in Avon Pension Fund’s Responsible Investment Policy.

Citation:

<http://www.bloomberg.com/news/articles/2016-02-08/world-s-largest-energy-trader-sees-a-decade-of-low-oil-prices>

Fossil free B&NES – presentation to Avon Pension Fund - 18th March – David Searby

Ladies and gentlemen, thank you for this opportunity to address the committee

Fossil Free B&NES maintains that there is a strong case for APF to divest from fossil fuels on financial as well as moral grounds.

As the concepts of climate risk, the ‘carbon bubble’ and ‘stranded assets’ become more widely understood and fossil-free funds can be shown to outperform more conventional ones, the perception that fossil fuel investments are a sound choice for pension funds is being broken.

STRANDED ASSETS

- Pioneering work by the Carbon Tracker Initiative in their ‘**Unburnable Carbon**’ report identified that proven fossil fuel reserves (2,795 gigatons of CO₂) exceed the total carbon budget we are able to burn (565 gigatons) by a factor of 5.
<http://carbontracker.live.kiln.digital/Unburnable-Carbon-2-Web-Version.pdf>
- Because these ‘proven’ reserves have been factored into the share price of the fossil fuel companies already, this represents a serious overvaluing of these companies’ share prices.
- These 80% of ‘unburnable’ fossil fuel reserves run a high risk of becoming a ‘stranded’ or worthless asset and a poor investment.
- The size of this ‘Carbon Bubble’ has been estimated at \$27tr.
- At a speech to Lloyds of London in September last year, the governor of the Bank of England issued a stark warning that investors face “potentially huge” losses from climate change legislation that could make vast reserves of oil, coal and gas “literally unburnable”. He said: “The exposure of UK investors, including insurance companies, to these shifts is potentially huge,”
<http://www.bankofengland.co.uk/publications/Pages/speeches/2015/844.aspx>
<http://www.theguardian.com/environment/2015/sep/29/carney-warns-of-risks-from-climate-change-tragedy-of-the-horizon>
- While climate legislation that limits fossil fuel extraction is a considerable driver for stranding these assets, there are economic and physical as well as regulatory factors.
- For example the falling price of oil contrasts with the increasing cost of extraction through more extreme environments or extraction techniques and the rise and rise of renewable energy.
- A report by Carbon Tracker in May 2014 showed that, over the next decade, oil companies could invest \$1.1tr in projects that require market oil prices of \$95/bbl or more to earn a decent return.

COAL

- The coal industry is understood to be in terminal decline, with US coal industry losing 76% of its value in the last 5 years. <http://www.theguardian.com/environment/2015/mar/24/us-coal-sector-in-terminal-decline-financial-analysts-say>
- Wall Street banking giant JPMorgan Chase recently announced that it would avoid financing new coal projects in advanced economies due to their contribution to global warming.
<http://www.nation.co.ke/business/corporates/JPMorgan-to-avoid-financing-coal-projects/-/1954162/3107626/-/ukmb1jz/-/index.html>

OIL AND GAS

- The gas industry is also increasingly under criticism, despite often being framed as the 'safest' of the fossil fuels. This [new report from Carbon Tracker](#) shows that gas prices are likely to stay depressed and in particular there is oversupply of LNG into the European market which is likely to depress the spot price over the next few years.
- A recent report by [Chatham House](#) has also highlighted the high levels of uncertainty in oil investments due to the unknown potential impacts of changing demand and legislation to address climate change. The report stated "As long as the uncertainty over policy prevails, oil is in limbo and investment in it remains risky" <https://www.chathamhouse.org/publication/oil-and-gas-mismatches-finance-investment-and-climate-policy>

PERFORMANCE OF FOSSIL FREE FUNDS

- While historically fossil fuel investments have been highly profitable and considered a safe bet, there is now a significant body of evidence that fossil-free funds are performing much better.
- MSCI, who run global indices used by 6000 pension and hedge funds, found that investors who divested from fossil-fuel equities would have earned an average return of 13% a year since 2010, compared to the 11.8%-a-year return earned by "conventional investors."
https://www.msci.com/resources/factsheets/index_fact_sheet/msci-acwi-ex-fossil-fuels-index-gbp-gross.pdf
- Insurance giant Aviva recently announced plans to invest £500m a year for the next five years in low-carbon infrastructure. <http://www.businessgreen.com/bg/news/2419204/aviva-commits-to-gbp25bn-low-carbon-investment-push#>
- [Solar power](#) costs are tumbling so fast the technology is likely to fast outstrip mainstream energy forecasts. That is the conclusion of Oxford University researchers, based on a new forecasting model [published in Research Policy](#).

The UK's biggest energy lobbying group, Energy UK, has recently shifted its position on green energy and will start campaigning for low-carbon alternatives for the first time, in what environmental campaigners are describing as a watershed moment. The group, which represents big six providers, says it now supports phasing out coal-fired stations, after years of defending use of fossil fuels.

So we have is a happy coincidence of what is morally right and fiscally prudent.

Email: Fossilfreebanes@gmail.com

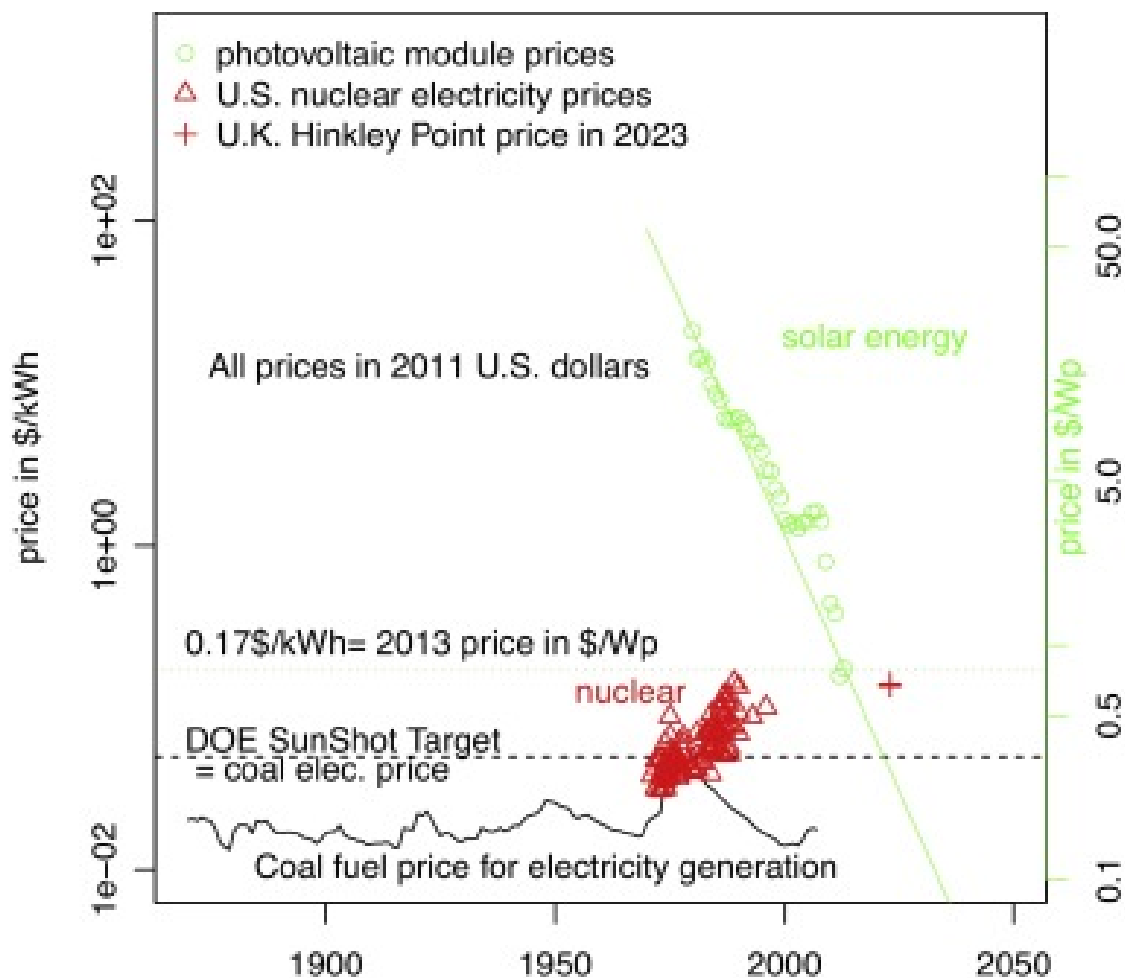


Fig. 1.

A comparison of long-term price trends for coal, nuclear power and solar photovoltaic modules. Prices for coal and nuclear power are costs in the US in dollars per kilowatt hour (scale on the left) whereas solar modules are in dollars per watt-peak, i.e. the cost for the capacity to generate a watt of electricity in full sunlight (scale on the right). For coal we use units of the cost of the coal that would need to be burned in a modern US plant if it were necessary to buy the coal at its inflation-adjusted price at different points in the past. Nuclear prices are Busbar costs for US nuclear plants in the year in which they became operational (from [Cooper \(2009\)](#)). The alignment of the left and right vertical axes is purely suggestive; based on recent estimates of levelized costs, we took $\$0.177/\text{kW h} = \$0.82/\text{Wp}$ in 2013 (2013\$). The number $\$0.177/\text{kW h}$ is a global value produced as a projection for 2013 by the International Energy Agency (Table 4 in [International Energy Agency \(2014\)](#)). We note that it is compatible with estimated values (Table 1 in [Baker et al. \(2013\)](#), Fig. 4 in [International Energy Agency \(2014\)](#)). The red cross is the agreed price for the planned UK Nuclear power plant at Hinkley Point which is scheduled to come online in 2023 ($\pounds 0.0925 \approx \$0.14$). The dashed line corresponds to an earlier target of $\$0.05/\text{kW h}$ set by the U.S. Department of Energy.

Simon Griffiths - Fri 18th March - Avon Pension Fund

I address this committee as a resident of Bath, one whose partner has a pension with the Avon Pension Fund.

While you are no doubt aware of your responsibilities in the administration of this fund, I ask you to consider these duties within the context of resilient investment portfolios, ones which are able to withstand the long-term challenges posed by climate change.

Historically, fossil fuel investments have been highly profitable, however, given that the link between fossil fuel use and climate change is now a scientifically and politically accepted reality, we can no longer assume that fossil fuels are a sound investment.

The tendency of asset managers to look at historic returns is especially wrong in the context of climate change. We are moving to a very different, low-carbon world. In this new world fossil fuel companies will end up with stranded reserves and over-valued shares.

We need to ask how such companies are addressing the challenges of this low-carbon world, and whether they are companies we really want to hold over a 5 to 20 year period?

This new world, and the new normal of extreme weather conditions are clearly visible in the flooding of Bath city centre, and the Somerset levels, over the Christmas of 2013.

While the council is to be congratulated on it's vision with the Bath Quays Waterside Project, which acknowledges and responds to the new reality of climate change, it's also worth noting the fact that planning policy requires this project to take into account the increased risk of flooding due to climate change.

So, in order for the redevelopment of the Lower Bristol Road area to proceed, the project must reduce the risk of flooding from a 1 in 50 chance to a 1 in 100 chance.

Is there not, however, an inherent contradiction in building flood defences that acknowledge and mitigate the worst effects of climate change, while also exposing this pension fund to the risks now associated with fossil fuel investments?

I do not believe we have the luxury to both acknowledge and deny the reality of climate change. I believe that such cherry picking will prove to be financially irresponsible.

A major reallocation of the Avon Pension fund, away from fossil fuels, and into climate resilient sectors, is both necessary and possible. I ask that today you show such vision and begin this reallocation.

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

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AVON PENSION FUND COMMITTEE - INVESTMENT PANEL

Minutes of the Meeting held

Wednesday, 24th February, 2016, 2.00 pm

Members: Councillor David Veale, Ann Berresford, Councillor Mary Blatchford and Shirley Marsh

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

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

22 EMERGENCY EVACUATION PROCEDURE

The Democratic Services Officer read out the procedure.

23 DECLARATIONS OF INTEREST

There were none.

24 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Apologies were received from Councillor Chris Pearce and Councillor Cherry Beath.

25 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

There was none.

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

There were none.

27 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

There were none.

28 MINUTES: 18 NOVEMBER 2015

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

29 REVIEW OF INVESTMENT PERFORMANCE FOR PERIODS ENDING 31 DEC 2015

The Assistant Investments Manager presented the summary report. He highlighted the following:

- After a fall in the previous quarter, the Fund's assets increased by £104m in the quarter ending 31st December 2015. However since the end of the quarter there had been significant volatility in markets.
- JP Morgan Hedge Fund mandate was now fully funded.
- The agreed changes to the bond portfolio were being implemented and it was hoped that this would be completed by the end of the current quarter, subject to market conditions.
- Two managers were rated as amber: Schroder Global Equity, though their relative performance had continued to improve during the quarter and Partners Group. Partner's IRR return was 8.8% p.a., compared to their IRR target of 10%. They were thus within their tolerance for a green rating on the basis of IRR returns. They were rated amber because they were behind the cash + 4% benchmark over 3 years. It was expected that over time that the IRR and cash + 4% performance would converge. The IRR figure was probably a truer measure of performance of this type of mandate.

Members agreed to focus on IRR returns versus IRR target in future reporting of Partners performance.

- Two allocations were outside the normal range under the new rebalancing policy. Developed market equities were overweight pending the drawdown of investments for the infrastructure mandate. Emerging market equities were underweight; because of the recent volatility in emerging markets officers were monitoring the position closely.
- As requested at the previous meeting Mercer had provided the ESG rating for each manager.
- The implementation of MIFID II had been delayed until January 2018.

Mr Turner introduced the Mercer performance report. He said that the performance of equity markets so far this year had probably been the worst ever, though they had rallied recently. Overall they were down about 7%. Developing markets had done a bit better than developed markets. The fall in equities had as usual encouraged a move into gilts. Gilt yields, which had been low, had consequently fallen further. Index-linked gilts were the best proxy for the Fund's liabilities. The result was that the liabilities of the Fund had probably risen about 6%, while the value of its assets had dropped about 5%. This was in the context of the actuarial valuation taking place on 31st March this year. However, the liabilities might not be as great as they appeared on a gilt basis, because of the changes in the way they would be valued.

Mr Giles commented on the performance of managers and asset classes. He said that the majority of managers had outperformed over the longer term and that Schrodors were improving. The allocation to JP Morgan Hedge Fund was now fully in place. There were still some illiquid assets with Man Group that needed to be phased out over time. He drew attention to the summary of manager performance on agenda pages 27 and 28.

Members asked about the ESG ratings. Mr Turner explained that 1 was the highest rating, and that an N in the ESG column meant that Mercer had not formally tested that manager. A Member was disappointed to note that Invesco was only rated 4. The Assistant Investments Manager said that Invesco's investment style did not give them scope for achieving high ratings, but that over the past few years Invesco had employed an engagement overlay service to engage with companies through correspondence rather than face-to-face, but it was an improvement on their previous practice.

Members discussed the SRI mandate. Mr Turner replied that Mercer would not positively rate a manager simply because of investment exclusions, e.g. not investing in armaments or nuclear power. Mercer was looking for best practice. A Member suggested that there was a difference between ESG and SRI; ESG was about processes, not about the nature of the assets in which investments were made. The Member, however, agreed with the suggestion that ESG had to be taken account of in assessing SRI. Mr Turner said that the demand for SRI mandates was not high. Jupiter was performing well and it was hard to say whether this was down to skill or their exclusion criteria.

Members and officers discussed how the performance of managers should be taken into account in decisions about pooling. The following points were made:

- Pooling could mean reducing the number of managers currently employed by the participating funds to manage a particular asset class from 10 to 2 or 3. We would not wish to disinvest from managers who were performing well.
- Transaction costs had to be minimised.
- There was no manager so bad that that Members would want to disinvest from them in the next three to six months.

The Head of Business, Finance and Pensions said that pooling would be implemented over a period of years and a series of decisions about investment managers would have to be taken. Other funds in the pool would have to input into these decisions. However, the timetable for pooling was not entirely in the control of funds; the Government expected funds to pool their assets, and at some point would start having conversations with funds which appeared slow in doing so.

There was discussion about opportunities for investment in energy companies and in debt.

Mr Turner distributed a set of slides on current topics in investment and commented on them. The slides reviewed 2015 and identified key themes for 2016. The review of 2015 identified things that worked as:

- diversification
- style factor investing
- property
- equity options

Things that did not work were:

- emerging market debt and equity
- hedge funds
- commodities

Key themes identified for 2016 were;

- reduced market liquidity
- a maturing credit cycle
- tilt from alpha to beta
- need to think long term
- EU referendum and “Brexit”

Mr Turner said that Mercer believed that the impact of a vote for Brexit would be less than that of major market events, e.g. a sharp fall in the markets in China. He did not believe that the Fund should alter its portfolios in anticipation of the outcome of the referendum. The Head of Business, Finance and Pensions said that even if there was a vote for Brexit, the impact would only be felt over the longer term, because of the time it would take to reconfigure the UK’s international relationships.

Mr Giles commented on the section of the document dealing with the impact of going cashflow negative. The Head of Business, Finance and Pensions noted that the Fund was facing a “double whammy” with a maturing scheme and a shrinking payroll base. In reply to a comment from a Member the Assistant Investments Manager explained that local government funds would not be pooling their liabilities. The Head of Business, Finance and Pensions said that the exit cap would be a serious deterrent against leaving the Fund early and could lead to an increase in the age profile of members.

RESOLVED

- (i) to note the information as set out in the report;
- (ii) that there are no issues to be notified to the Committee.

The meeting ended at 3.51 pm

Chair(person)

Date Confirmed and Signed

Prepared by Democratic Services

Bath & North East Somerset Council	
MEETING:	LOCAL PENSION BOARD
MEETING DATE:	19th May 2016
TITLE:	LGPS Update – Latest Developments
WARD:	ALL
AN OPEN PUBLIC ITEM	
List of attachments to this report:- Appendix 1 Summary of Consultations and Surveys	

1 THE ISSUE

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

2 RECOMMENDATION

That the Pension 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 February the Board was updated on key national developments regarding the future of Local Government Pension Funds and 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 in Appendix 1.

5. RISK MANAGEMENT

5.1 A proportionate risk assessment has been undertaken and no significant issues 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 S151 Officer.

Contact person	Tony Bartlett; Head of Business Finance & Pensions 01225 477302 Liz Woodyard; Investments Manager 01225 395306 Alan South; Technical & Compliance Manager 01225 395283 Jeff Wring; Head of Audit West 01225 477323
Background papers	Various Statistical Records
Please contact the report author if you need to access this report in an alternative format	

List of recent Consultations / Surveys and Issues expected to affect Scheme Administration
(Appendix 1)

MAY 2016

Body Involved	Subject	Description	Current Position	APF Response	Follow up
H M Treasury	Consultations on a Public Sector Exit Payments Cap	Recovery of exit payment if member is re-employed within public sector within 1 year where earning on leaving exceeded £80,000	Originally to be operational from 1 4 2016 but regulations not in place so date delayed	Closed Jan 2016	Await legislation
		To set out maximum cap for the total cost of all forms of exit payments available to individuals leaving employment at £95,000. Comment requested on suggested possible changes to	Amendments to LGPS incorporated with the Enterprise Act [Royal assent given on 4/5/2016] Consultation closed 3 May 2016	Yes	Communicate amendments to LGPS Await government response to comments
DCLG	Amendment regulations	Changing anomalies from scheme Changing the way service is aggregated between LGPS Employers	As specified in regs	When regulations To be issued	Awaiting DCLG to issue draft regs soon Draft regulations and guidance still awaited
	Consultation on Best Value and staff transfer direction Order	The government published guidance for Fair Deal on outsourcing from public Sector schemes excluding local government in Oct 2013 DCLG are to set out how this will affect Best Value employers	Awaited as part of amendment regulations		
LGA Pensions	The Markets in Financial Instruments Directive (MiFID II)	its impact on LGPS investments	Implementation delayed by 12 months due to complexity of processes required by managers to comply. All fund managers to be contacted in 2017.	To be reported to committee following response from Fund Managers	New expected operative date 03/01/2018.

List of recent Consultations / Surveys and Issues expected to affect Scheme Administration
(Appendix 1)

MAY 2016

			Implications of pooling will also have to be considered		
DCLG Page 46	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.	Government still to respond to consultation.	Yes Having been presented to Committee & sent by 15/02/2016 Deadline	Initial Proposal submitted 19/02/2016 Final proposal by 15/07/2016
DCLG	Local Government Pension Scheme: Investment Reform Criteria and Guidance	Guidance on Pooling investments: this provided the criteria to LGPS funds on the government's expectations for pooling assets. There was no formal consultation by government.	Avon one of 10 funds submitted proposal as part of Brunel Pension Partnership (BPP) BPP developing final proposal for July deadline.	Committee being briefed regularly on developments	Shadow Oversight Board, comprising the Chairs of local committees, established to provide oversight to the project

Bath & North East Somerset Council		
MEETING:	AVON PENSION FUND – LOCAL PENSION BOARD	
MEETING DATE:	19 MAY 2016	AGENDA ITEM NUMBER
TITLE:	EXTERNAL AUDIT PLAN FOR THE YEAR ENDING 31 st MARCH 2016	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report: Appendix 1 Audit Plan		

1. THE ISSUE

- 1.1. The Pension Fund External Audit Plan, attached as **Appendix 1** was prepared by the external auditors Grant Thornton.
- 1.2. The plan was presented and approved at the Pension Fund Committee and is being distributed to the Pension Board as part of raising awareness of the role of the External Auditor with regard to key governance requirements.
- 1.3. The External Auditor will explain their role to the Board and describe their planned work at the meeting.

2. RECOMMENDATION

That the Board notes

- 2.1 The Audit Plan for the financial year ended 31 March 2016 and agrees what further reporting it requires of the External Auditor related to the work plan of the Board.**

3. FINANCIAL IMPLICATIONS

- 3.1. The financial implications of the audit report are primarily related to the fees for the external audit which are within existing resources

5. AUDIT PLAN

- 5.1 The audit plan sets out the work which Grant Thornton intend to carry out for the 2015/16 audit of the Pension Fund accounts. The Plan is compiled from a risk based approach to

audit planning and the document sets out the key risks which may potentially impact on the auditors work and the dates for its completion.

5.2 The indicative fee for the 2015/16 audit is £30,116. This is made up of the £28,805 quoted in the Audit Plan plus £1,311 variation reflecting the additional assurances that the auditors are required to provide to the auditors of third party organisations. The indicative rate for the 2014/15 audit was £30,116 but was later reduced by a rebate.

5.3 The External Auditor will brief the Board on their role and the Board is requested to consider this in relation to the work plan of the Board.

6. RISK MANAGEMENT

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

7. EQUALITIES

7.1 An equalities impact assessment is not necessary.

8. CONSULTATION

8.1 N/A

9. ADVICE SOUGHT

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

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

The Audit Plan for Avon Pension Fund

Year ending 31 March 2016

18 February 2016

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Audit Manager

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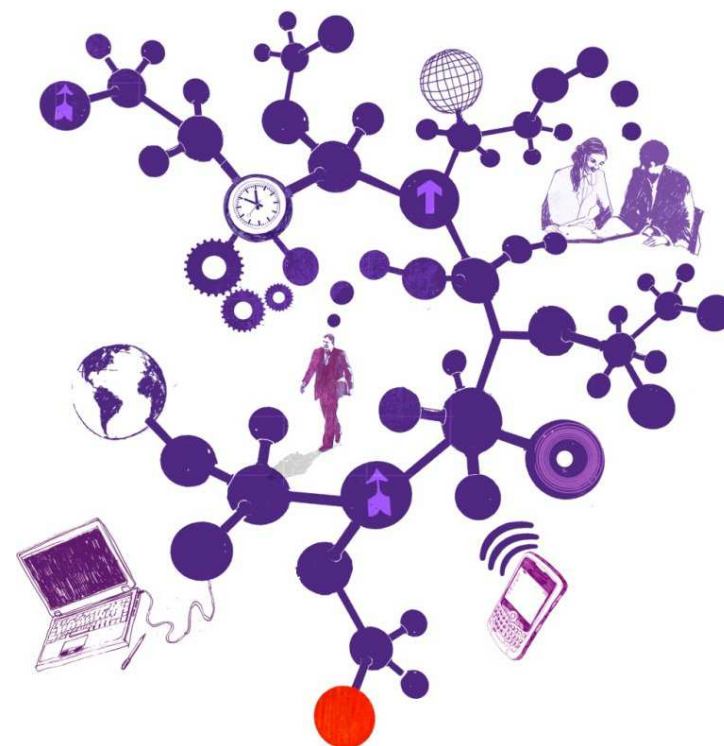
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Pension Fund or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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18 February 2016

Dear Members of the Avon Pension Fund Committee

Audit Plan for Avon Pension Fund for the year ending 31 March 2016

The Audit Plan sets out for the benefit of those charged with governance (in the case of Avon Pension Fund, the Pension Fund Committee), an overview of the planned scope and timing of the audit, as required by International Standard on Auditing (UK & Ireland) 260. This document is to help you understand the consequences of our work, discuss issues of risk and the concept of materiality with us, and identify any areas where you may request us to undertake additional procedures. It also helps us gain a better understanding of the Pension Fund and your environment. The contents of the Plan have been discussed with management.

We are required to perform our audit in line with the Local Audit and Accountability Act 2014 and in accordance with the Code of Practice issued by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General in April 2015.

Our responsibilities under the Code are to:

- give an opinion on the Fund's financial statements
- give an opinion on the Pension Fund Annual Report.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Yours sincerely

Julie Masci
Associate Director

Chartered Accountants

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Understanding your business

In planning our audit we need to understand the challenges and opportunities the Pension Fund is facing. We set out a summary of our understanding below.

Challenges/opportunities

1. Pooling of Investments

- As part of the summer budget 2015 the government has invited LGPS administering authorities to submit proposals for investing their assets through pools of at least £25 billion, with the intention of reducing investment management costs and potentially improving returns.
- The government anticipates that this will improve both capacity and capability to invest in large scale infrastructure projects.
- Initial proposals are to be submitted to DCLG by mid February, with final plans agreed by 15 July 2016.

2. Changes to the investment regulations

- In November 2015, DCLG published draft proposals in relation to the investment regulations governing LGPS funds.
- The proposals seek to remove some of the existing prescribed means of securing a diversified investment strategy and instead give funds greater responsibility to determine the balance of their investments and take account of risk.

3. Governance arrangements

- Local pension boards have been in place since April 2015, and were introduced to assist with compliance and effective governance and administration of the scheme.
- There remains a continued focus on the affordability, cost and management of the scheme, and as such it remains critical that appropriate governance arrangements are in place for the fund.

4. Local Government Outsourcing

- As many Councils look to outsourcing and the set up of external companies as a more cost effective way to provide services, the impact on the LGPS fund needs to be considered.
- Funds need to carefully consider requests for admission to the scheme and where possible mitigate any risks to the fund.
- An increased number of admitted bodies may increase the risks for the fund in the event of those bodies failing. It is also likely to increase the administration costs of the scheme overall.

5. Earlier closedown of accounts

- The Accounts and Audit Regulations 2015 require funds to bring forward the approval of draft accounts and the audit of financial statements to the 31 May and 31 July respectively by the 2017/18 financial year.



Our response

- We will continue to discuss with officers their plans for asset pooling and the implications that this will have on both the investment policy and governance arrangements of the fund.

- We will discuss with officers their plans to respond to these changes and consider the impact on the fund's investment strategy and its risk management approach to investments.

- We will continue our on-going dialogue with officers around their governance arrangements, particularly in light of their proposals for pooling investments.
- We will continue to share emerging good practice with officers.

- Through our regular liaison with officers we will consider the impact of any planned large scale TUPE transfers of staff and the effect on the fund.

- We will work with you to identify areas of your accounts production where you can learn from good practice in others.
- We aim to complete all substantive work in our audit of your financial statements by mid August 2016 this year, in line with previous years.

Developments and other requirements relevant to your audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice and associated guidance.

Developments and other requirements

1. Financial Pressures

- Pension funds are increasingly disinvesting from investment assets to fund cash flow demands on benefit and leaver payments that are not covered by contributions and investment income.
- Pension fund investment strategies need to be able to respond to these demands as well as the changing nature of the investment markets.

2. Financial Reporting

- There are no significant changes to the Pension Fund financial reporting framework as set out in the CIPFA Code of Practice for Local Authority Accounting (the Code) for the year ending 31 March 2016, however the Pension Fund needs to ensure ongoing compliance with the Code.

3. LGPS 2014

- Funds have implemented the requirements of LGPS 2014 and moved to a career average scheme.
- This will continue to increase the complexity of the benefit calculations and the arrangements needed to ensure the correct payment of contributions.
- In addition, this places greater emphasis on the employer providing detailed information to the scheme administrator, while also requiring the scheme to have enhanced information systems in place to maintain and report on this data.

4. Accounting for Fund management costs

- There continues to be a spotlight on the costs of managing the LGPS, and in particular investment management costs.
- Last year CIPFA produced guidance aimed at improving the transparency of management cost data and suggested that funds should include in the notes to the accounts a breakdown of management costs across the areas of investment management expenses, administration expenses and oversight and governance costs.
- This guidance is currently being updated.



Our response

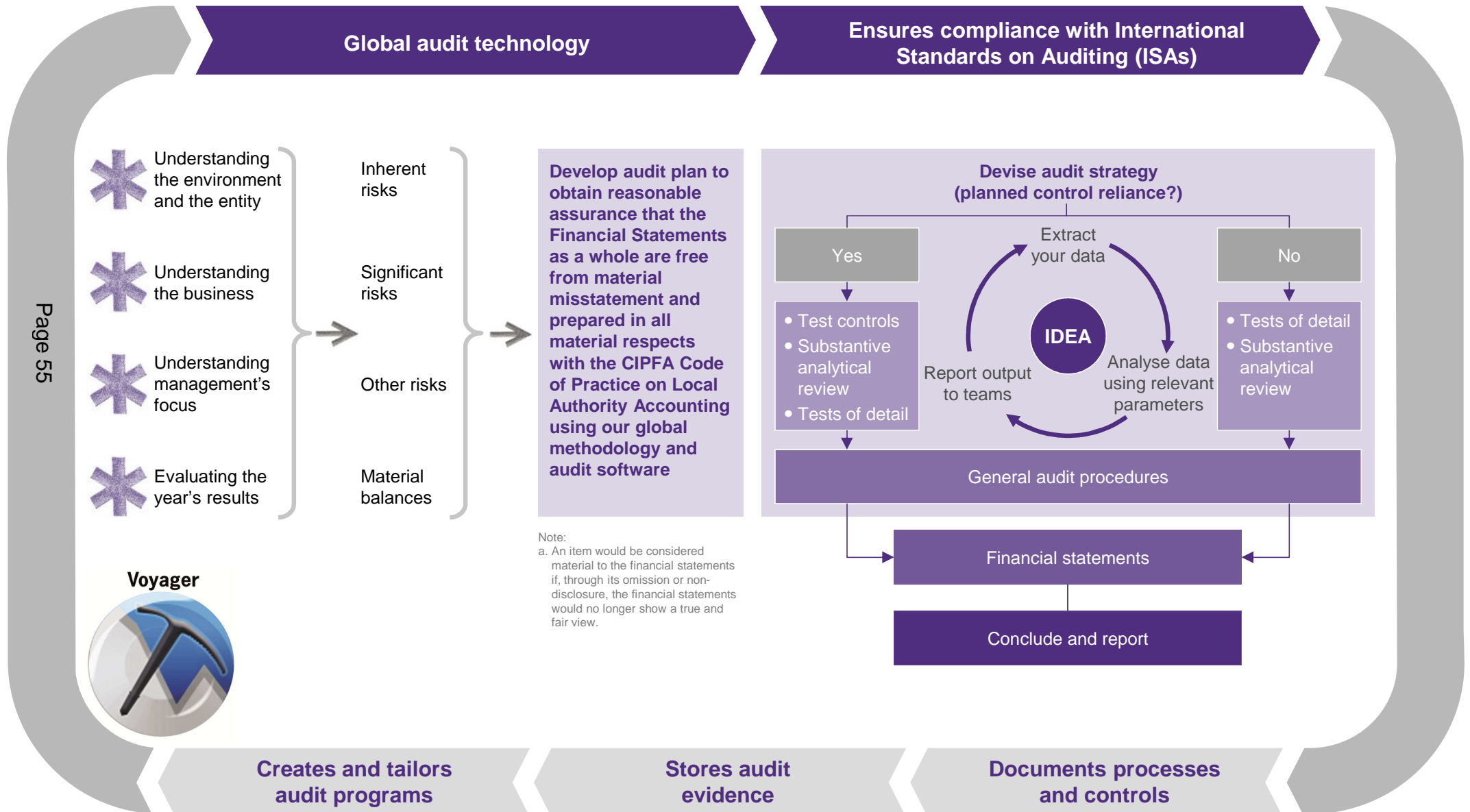
- We will monitor any changes to the Pension Fund investment strategy through our regular meetings with management.
- We will consider the impact of changes on the nature of investments held by the Pension Fund and adjust our testing strategy as appropriate.

- We will ensure that the Pension Fund financial statements comply with the requirements of the Code through our substantive testing.

- We will continue to review the arrangements that the fund has in place for the quality of its membership data.

- We will continue to discuss with officers their plans for increasing the level of transparency associated with the costs of managing the fund.

Our audit approach



Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit.

The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As is usual in pension schemes, we have determined materiality for the statements as a whole as a proportion of net assets for the fund. For purposes of planning the audit we have determined overall materiality to be £38.348m (being 1% of net assets). We will consider whether this level is appropriate during the course of the audit and will advise you if we revise this.

In the previous year, we determined materiality to be £38.393m (being 1% of net assets).

Under ISA 450, auditors also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulation of such amounts would have a material effect on the financial statements. "Trivial" matters are clearly inconsequential, whether taken individually or in aggregate and whether judged by any criteria of size, nature or circumstances. We have defined the amount below which misstatements would be clearly trivial to be £1.917m.

ISA 320 also requires auditors to determine separate, lower, materiality levels where there are 'particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users'.

We have identified no items where separate materiality levels are appropriate.

Significant risks identified

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA 315). In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing - ISAs) which are listed below:

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions Page 57	Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Avon Pension Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: <ul style="list-style-type: none">• there is little incentive to manipulate revenue recognition• opportunities to manipulate revenue recognition are very limited• the culture and ethical frameworks of local authorities, including Bath & North East Somerset Council as the administering authority, mean that all forms of fraud are seen as unacceptable.
Management over-ride of controls	Under ISA 240 it is presumed that the risk of management over-ride of controls is present in all entities.	Work completed to date: <ul style="list-style-type: none">• Review of accounting estimates, judgments and decisions made by management• Commencement of journals testing• Review of unusual significant transactions Further work planned: <ul style="list-style-type: none">• Completion of the testing of journal entries to year end• Review of unusual significant transactions to year end

Significant risks identified (continued)

Significant risk	Description	Substantive audit procedures
Level 3 Investments – Valuation is incorrect	Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.	<p>Work completed to date:</p> <ul style="list-style-type: none">• We have updated our understanding and discussed the cycle with relevant personnel from the team during the interim audit. <p>Further work planned:</p> <ul style="list-style-type: none">• To perform walkthrough tests of controls.• For a sample of investments, test valuations by obtaining and reviewing the audited accounts at latest date for individual investments and agreeing these to the fund manager reports at that date. Reconciliation of those values to the values at 31st March with reference to known movements in the intervening period.• To review the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments.

Other risks identified

"The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures"(ISA (UK & Ireland) 315).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other risks	Description	Audit approach
Investment purchases and sales	Investment activity not valid. Investment valuation not correct	Further work planned: <ul style="list-style-type: none"> We will review the reconciliation of information provided by the fund managers, the custodian and the Pension Fund's own records and seek explanations for variances.
Investment values – Level 2 investments	Valuation is incorrect (Valuation net)	Further work planned: <ul style="list-style-type: none"> We will review the reconciliation of information provided by the fund managers, the custodian and the Pension Fund's own records and seek explanations for variances.
Contributions	Recorded contributions not correct (Occurrence)	Further work planned: <ul style="list-style-type: none"> Controls testing over occurrence, completeness and accuracy of contributions, We will rationalise contributions received with reference to changes in member body payrolls and numbers of contributing pensioners to ensure that any unexpected trends are satisfactorily explained.
Benefits payable	Benefits improperly computed/claims liability understated (Completeness, accuracy and occurrence)	Further work planned: <ul style="list-style-type: none"> Controls testing over, completeness, accuracy and occurrence of benefit payments, Test a sample of individual pensions in payment by reference to member files. We will rationalise pensions paid with reference to changes in pensioner numbers and increases applied in the year to ensure that any unusual trends are satisfactorily explained.
Member Data	Member data not correct. (Rights and Obligations)	Further work planned: <ul style="list-style-type: none"> Sample testing of changes to member data made during the year to source documentation

Other risks identified (continued)

Other material balances and transactions

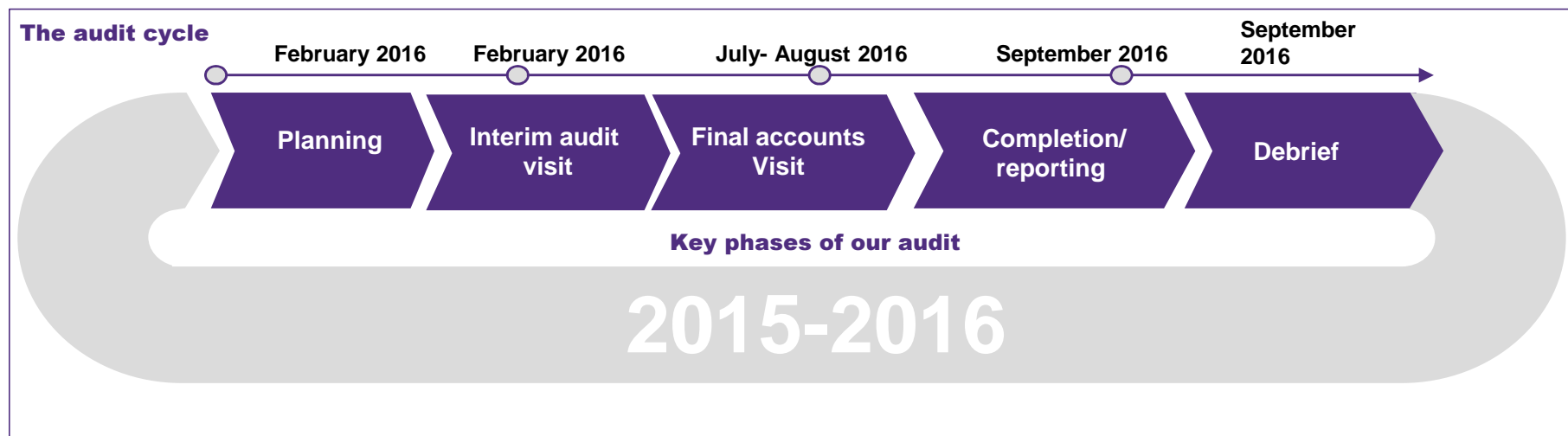
Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in the previous section but will include :

- Actuarial Valuation and Actuarial Present Value of Promised Retirement Benefits
- Financial Instruments

Interim audit work

We have commenced our interim audit and we shall be reporting the results of this work to the next pension fund committee.

Key dates



Date	Activity
February 2016	Planning
February 2016	Interim site visit
18 March 2016	Presentation of audit plan to Pension Fund Committee
July- August 2016	Year end fieldwork
August 2016	Audit findings clearance meeting with Avon Pension Fund Finance & Systems Manager
27 September 2016	Report audit findings to those charged with governance (B&NES Corporate Audit Committee)
27 September 2016	Sign financial statements opinion

Fees and independence

Fees

	£
Pension Fund Scale Fee	28,805
Proposed fee variation – IAS 19 Assurances	-
Total audit fees (excluding VAT)	28,805

Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list.
- The scope of the audit, and the Fund and its activities, have not changed significantly.
- The Fund will make available management and accounting staff to help us locate information and to provide explanations.
- The accounts presented for audit are materially accurate, supporting working papers and evidence agree to the accounts, and all audit queries are resolved promptly.

Fees for other services

Service	Fees £
Audit related services	Nil
Non-audit services	Nil

Fees for other services

Fees for other services reflect those agreed at the time of issuing our Audit Plan. Any changes will be reported in our Audit Findings Report and the Annual Audit Letter of the Administering Authority.

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings Report at the conclusion of the audit.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

Communication of audit matters with those charged with governance

International Standards on Auditing (UK & Ireland) (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings Report will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to those charged with governance.

Respective responsibilities

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (<https://www.psaa.co.uk/appointing-auditors/terms-of-appointment/>)

We have been appointed as the Administering Authority's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO and includes nationally prescribed and locally determined work (<https://www.nao.org.uk/code-audit-practice/about-code/>). Our work considers the fund's key risks when reaching our conclusions under the Code.

It is the responsibility of the fund to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the fund is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓



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Bath & North East Somerset Council			
MEETING:	LOCAL PENSION BOARD		AGENDA ITEM NUMBER
MEETING DATE:	19 MAY 2016		
TITLE:	AVON PENSION FUND SERVICE PLAN		
WARD:	'ALL'		
AN OPEN PUBLIC ITEM			
List of attachments to this report:			
Annex 1: 2016 – 19 Service Plan and Budget (including 5 Appendices)			

1 THE ISSUE

- 1.1 The purpose of this report is to present to the Board the 3 Year Service Plan and Budget for the Pension Fund for the period 1 April 2016 to 31 March 2019.
- 1.2 The Service Plan was presented and approved by the Pension Fund Committee in March and is focussed on improving performance and overall quality of service to its stakeholders.

2 RECOMMENDATION

- 2.1 That the Board notes the 3 Year Service Plan and Budget for 2016-19 for the Avon Pension Fund.

3 FINANCIAL IMPLICATIONS

- 3.1 The administrative and management costs incurred by the Avon Pension Fund are recovered from the employing bodies through the employers' contribution rates.
- 3.2 The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 provide that any costs, charges and expenses incurred administering a pension fund may be paid from it.
- 3.3 Financial implications are contained within the body of the Report.

4 SERVICE PLAN 2016-19

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

4.2 The main focus of this plan is as follows:

- (i) To fully engage in the development of pooled funds in the interest of the Avon Pension Fund
- (ii) to strengthen the resources available to cope with future demand pressures and manage risk and compliance
- (iii) to continue implementation of the IT strategy to achieve a digital step change in service delivery and to mitigate service demand growth;
- (iv) to deliver the valuation and revised funding strategy
- (v) to continue work on Liability Driven Investment and undertake an asset liability review to ensure the Fund manages its cashflows effectively.
- (vi) to continue to support the introduction of Pension Boards

The later years will focus on consolidation, realising efficiencies and embedding partnership working with stakeholders.

4.3 Full details of the 2016-19 Service Plan are included in the Annex. Appendix 3 of the Service Plan shows the new medium term targets for 2016-19.

5 BUDGET FOR 2015-18

5.1 The Service Plan includes details of the proposed budget and cash flow forecast over this period. The three-year budget and cash flow forecast commencing 1 April 2016 are included as **APPENDIX 4A** to the Service Plan. A commentary on the budget is given in **APPENDIX 4B**.

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

5.3 The budget approved for Administration in 2015/16 was £2,412,100. In the proposed budget for 2016/17 this has been increased to £2,657,200. The budget includes gross savings of £80,000 that have been made through changes in working arrangements and the greater adoption of digital technology. These savings have contributed to the additional costs included to meet the pressures of dealing with the increasing number of employers. The other major additional cost pressure arises from the government's change in the system of making NI contributions. Year on year savings approved in the 2015/16 budget will continue to be invested in the three year IT Strategy that will further develop use of digital technology resulting in further future reductions in costs. Wherever possible

inflation has been absorbed. Appendix A includes a table of the main “one off” expenditure items and ongoing savings over the three years of the budget period.

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

6 RISK MANAGEMENT

- 6.1 This is an information report so a proportionate risk assessment has taken place and no significant issues to report.

7 EQUALITIES

- 7.1 An equalities impact assessment is not necessary.

8 CONSULTATION

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

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THE AVON PENSION FUND

SERVICE PLAN

2016 - 2019

PREPARED BY:

TONY BARTLETT, GEOFF CLEAK, MARTIN PHILLIPS and LIZ WOODYARD

MARCH 2016

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APPENDIX 3	KEY OBJECTIVES & TARGETS 2016-19 PLAN
APPENDIX 4A	BUDGET & CASHFLOW FORECAST 2016-19
APPENDIX 4B	BUDGET COMMENTARY 2016-19

AVON PENSION FUND SERVICE PLAN 2016-2019

1. BACKGROUND

In the 2015 Service plan, the Pensions Committee agreed a clear direction of travel for the three key Fund Strategies namely Administration, Funding and Investment. This recognised that the Fund would come under greater scrutiny from the Pensions Regulator and the then soon to be created Pensions Board. The plan recognised the difficult economic outlook and continued austerity that would create difficulties for employers with a valuation fast approaching and agreed to continue with the development of the investment strategy to better align liabilities and cash flows whilst recognising that issue of government prescription over investment strategy had not gone away!

Since the election in May 2015 there have been two announcements that will have a significant operational impact on the Fund going forward;

- The requirement that funds pool their assets to create super pools of £25b
- The requirement that all schools will become academies by the end of the current parliament

Pooled Funds

Whilst the Committee have agreed to work with the Southwest Funds to produce a pooling proposal for submission to government by 16th July, the work involved in unwinding assets particularly liquid funds will take many years and it is unlikely that savings will emerge until this work is near completion. Indeed for a number of years the Fund will have to operate on a two tier basis holding pooled and non-pooled assets. Provision has already been agreed by Committee to support this work to the July submission, but undoubtedly there will be more upfront costs as the implementation plan for pooling unfolds.

New governance structures will need to be put in place for the Pools and the impacts on the Investment Panel and Committee's own governance structure and terms will have to be considered appropriately.

Academies

Whilst there has been a steady flow of schools converting to academy status over the past few years, there are already signs of increasing numbers preparing to convert since the government announced its intention that all schools should become academies. It is anticipated that this could happen as early as the end of 2018. Clearly this creates a lot of work in respect of Fund admissions for fund officers and actuaries alike, but this is an evolving scenario with ongoing school mergers into Multi Academy Trusts and outsourcing of support functions presenting further complications. It is likely that the number of employers within the fund will rise to around 450 over the next two years and the administration therefore needs to be

resourced effectively to deal with not only the flows of member information but the ongoing training and compliance matters that continually arise.

Austerity

Public sector organisations have been planning for the impact of ongoing austerity to different degrees, but the impacts on resources are not necessarily fully developed, which is compounded by the direction of travel for schools. What is clear is that it is impacting the Fund in three key areas;

- The need to support employers and their members through the process of downsizing which is set to continue for the next few years
- The need to support ongoing outsourcing and alternative service delivery arrangements through management of the admissions process
- The need to protect the Fund and minimise future financial risk.

Given this direction of travel, the need to ensure the Pensions Regulators compliance requirements are met and to properly manage fund risk, greater attention must be paid to Employer Services not at a cost to member services but in addition to it. During the last valuation the Fund Actuary recognised the increasing costs arising from compliance and fragmentation of the employer base but did not raise the administration contribution rate which has been static for almost a decade. This will have to be seriously considered in 2016 in order to maintain an effective administration and fully compliant service.

It is therefore proposed to restructure the Administration function to create specific member and employer focused services and strengthen the Actuarial service within the Investment Function to enable it to more effectively manage employer risk. The Administration Strategy will also be reviewed to examine further opportunities for direct charging of services.

Staff Retention

Of increasing concern is the Funds inability to retain staff with 15 staff leaving the organisation over the past 18 months. This is the result largely of higher paying competitors and is unlikely to change with continued low levels of public sector pay awards. In order to combat this trend, it is proposed to build upon the successful apprentice scheme and to examine opportunities for role redesign – which is necessary anyway - as part of the structural review.

Valuation and Funding Strategy

Ongoing austerity and low bond yields will present significant challenges in setting the Funding strategy this year and it is unlikely that the Government will use the cost sharing mechanism in 2016 to adjust the balance of liabilities. Maintaining a robust

funding position is key to the Funds' deficit management but equally important will be the need to review the asset/liability position once the Actuary has completed the valuation. This will ensure that the Fund is able to manage the ongoing call on cash as the Fund continues to mature and examine opportunities to enhance the investment strategy. Similarly further examination of opportunities to minimise liability risk will be explored.

Compliance

The Fund will continue to support the work of the Pensions Board and it is anticipated that both the Pensions Regulator and Scheme Advisory Board will increase their scrutiny of LGPS activities focusing on specific areas, with any resourcing or service impacts reported as they arise.

2. KEY OBJECTIVES 2016-19

The Fund's three core strategies, Investment, Funding and Administration are designed to maximise the efficiency and sustainability of the Fund and the success of these is critical. In particular diversification of investments has been a key strength in recent turbulent times but has been resource and governance intensive; the emergence of Pooled funds will impact on this position but not immediately and is likely to incur one off upfront costs initially. The Funding Strategy has been developed to ensure there is flexibility to manage affordability but will be severely challenged going forward in the continued period of austerity; the Administration Strategy has set a direction of travel which is perfectly aligned to the developing operating environment and has to some extent reflected the increasing governance requirements, however it is the growing demands of employers which now have to be addressed. **Appendix 2** sets out progress made against the key objectives in the 2015-18 service plan.

The **Key Objectives** for the Fund during the 2016-19 Service Plan period will be as follows:

Administration Strategy:

1. To continue to implement the agreed published Administration Strategy to ensure the requirements of the Pensions Regulator are properly addressed in respect of both the Fund and Employers responsibilities in accordance with TPR code of practice.
2. To continue to implement planned IT Strategy designed to achieve a digital step change in service delivery and mitigate service demand growth.
3. To undertake a review of the charging basis for Fire Scheme Pension. Current charge does not reflect complexity of Fire Schemes administration or volume of work and resource involved in supporting the service. Develop revised service offer and SLA.
4. To provide ongoing "as required" support to the local LGPS and Fire Service Pension Boards.

5. To complete redesign development of website services and information for employers which is fully integrated with self-service provision.
6. To complete the rollout of Employer self-service and i-Connect to achieve 99% pension data receipt in 2016.
7. To continue GMP data reconciliation exercise as required by DWP to ensure the fund is not at risk of pension overpayment or erroneous pension liability.
8. To undertake review of pensioner member 'pots' to identify potential commutation opportunity in line with Government Budget announcement. Trivial commutations
9. To complete the move towards electronic delivery of Scheme communications to active members.
10. To continue to improve the quality of member data held to meet The Pension Regulator's minimum legal requirements as agreed within the Data Improvement Plan.
11. To complete the review support service arrangements to ensure the fund receives value for money services
12. To put in place the necessary structural changes to support the evolving operating arrangements and the growing need of employers within the fund

Funding Strategy:

13. To complete covenant assessment analysis for incorporating into the funding strategy and funding plans.
14. To set the Funding Strategy Statement that protects the solvency of the Fund but is affordable for employers.
15. To investigate options for insuring ill-health retirement costs for smaller employers or employer clusters within the Fund.
16. To continue to mitigate the risks to small employers of funding variations.

Investment Strategy:

17. To develop and agree the pooling of assets proposal for DCLG and implementation of the transition plan.
18. Review strategic allocation to ensure
 - it meets long term objectives post 2016 valuation
 - the pooling arrangements can deliver the strategy over time.
19. To implement any changes to the Investment Strategy in line with the principles set out in the Statement of Investment Principles.
20. To examine the risks and benefits of Liability Driven Investment as a mechanism for reducing future liabilities.
21. Review the Responsible Investing Policy to ensure it addresses emerging risks and opportunities.
22. Agree the new Investment Strategy Statement in line with new regulations.

Governance:

23. Review governance arrangements following the pooling of assets and creation of Pensions Board.
24. To ensure the relationship between the Committee and the Pensions Board operates effectively and in the best interests of the Fund.

25. To ensure the new committee and the Pensions Board is fully briefed on current strategies and operations and in position to scrutinise and make decisions effectively.
26. Ensure effective engagement with Committee on the proposal to pool assets and its implementation.
27. Appoint independent member to Committee when current term expires in May 2017.

3. RESOURCE IMPLICATIONS

It will be apparent from the preceding paragraphs that the Fund continues to undergo significant changes to its investment structure, risk management and regulatory compliance operations, a situation which is further fuelled by the growing demands of employers who are still coming to terms with their own pension's responsibilities.

Addressing these issues requires not only increasing resources but some different skills requirements to ensure that the combined operations of employers and the Fund result in compliant and relevant services for Fund members. The Fund will continue to invest in the training and development of its staff and increase its level of professional training undertaken.

However given the level of demand and staff turnover, the Fund now needs to not only increase resources in key areas but needs to prepare for future demand and continuing turnover. In the circumstances structural changes will be undertaken to reorganise the administration into member and Employer focused teams strengthening the later by 3.5 FTE's and in addition extend the pool of apprentices/trainees from 2 to 4 which will be essential to sustain operations. On the investments team there is an increase in resources to deal with the growing actuarial workload relating to scheme admissions and risk management and the proposal is to increase this by 1FTE.. To some extent the building blocks for some of these changes were put in place last year, but since May 2015 the dynamic has completely changed. It is also intended to review some of the higher risk support functions to examine alternative methods of delivery and where possible work in conjunction with other Funds to share and mitigate risk. The full financial impact of these changes will not be apparent until 2017/18.

In respect of investments, the development of Pooled Investment Funds will have impacts on investment operations but given that the focus will be on establishment and then transition, the full implications are unlikely to materialise for some time. That said there is clearly an initial upfront cost to establishing the pool and its operating arrangements and changes over and above what the Committee has already agreed will be notified as they materialise.

4. BUDGET & CASHFLOW FORECAST 2016 – 19

Budget:

The current service plan includes the reinvestment of savings in the IT Strategy to 2017/18 and further savings have been achieved in areas of support services and accommodation, the latter as a result of increasing flexible working arrangements. In the areas of Governance and Compliance and Investment Management, where expenditure cannot be directly controlled the budget reflects the expected volumes of work and fees. Wherever possible the effect of inflation has been absorbed.

Estimated costs of increased staffing requirements to meet current and future demands are £293,000 in 2016/17. This includes one off additional funding that has been agreed to support Project Brunel but has been reduced to reflect the fact that it is unlikely that the recruitment will all be achieved until 2017/18.

The budget level (excluding investment costs) proposed for 2016/17 is £3,633,000 including current expenditure levels, one off costs, new savings and growth.

Within the directly controlled budget for Administration there is a proposed increase in net expenditure of £245,000. This increase includes the resources approved during 2015/16 for the 2016/17 costs of pooling and actuarial support. A further £158,000 is being invested in the IT Strategy funded from the ongoing savings identified in the 2015/16 budget.

The Investments budget reflects savings that have been achieved following changes in Investment mandates that have led to lower fee rates. These are partially offset by the anticipated growth in asset values and the consequent increase in Investment management fees. Actual expenditure will clearly depend on the level of this growth. The higher investments budgets in 2017/18 and 2018/19 result from the cost of performance fees relating to earlier years that will become payable.

The Pension Fund is required to meet the costs of the Pensions Board that became operational in July 2015. The estimated full year costs for 2016/17 to 2018/19 have been added to the overall cost to the Fund for the three year budget. .

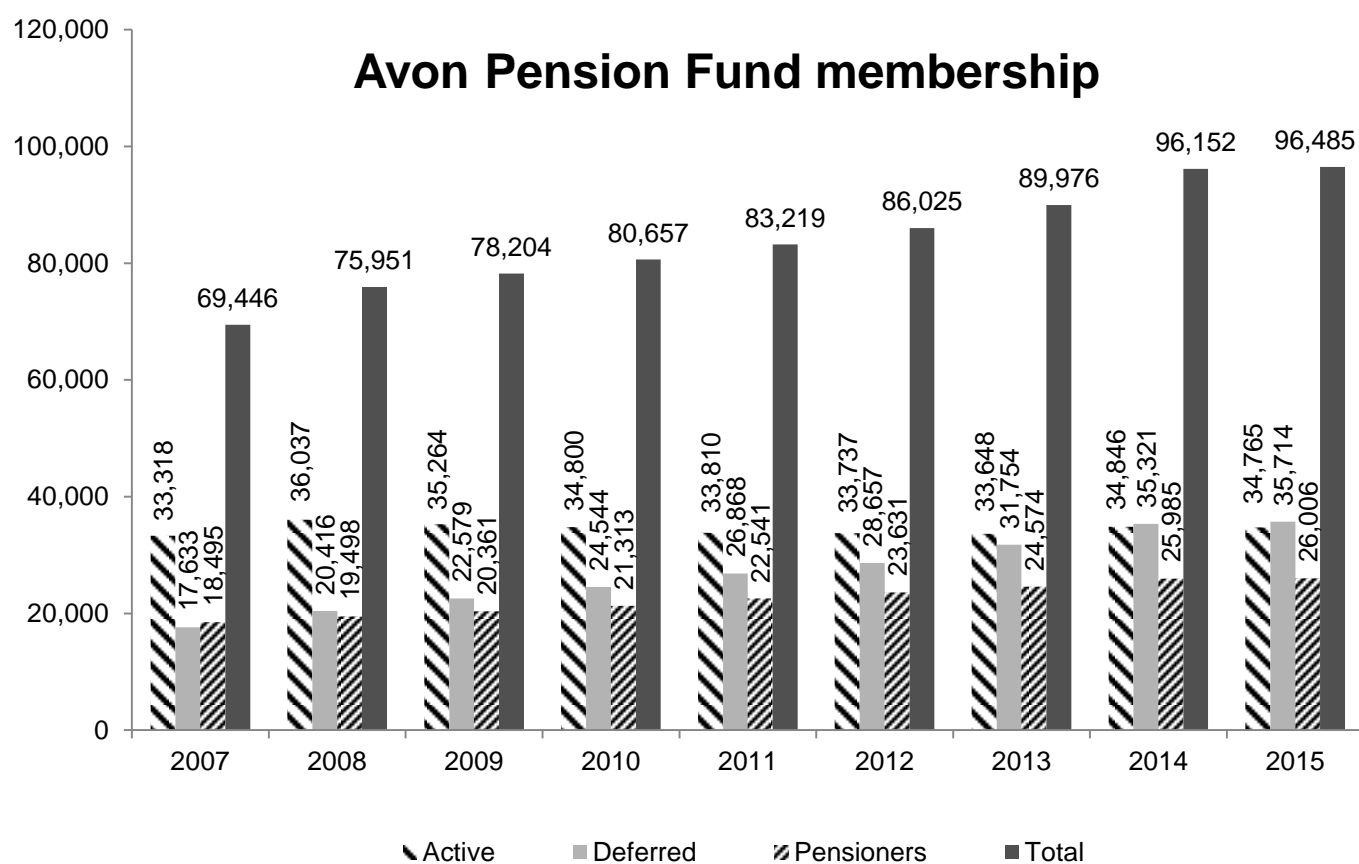
Cash flow:

In recognition of the increasing importance of cash flow monitoring the Fund prepares a three year cash flow forecast. In recent years the Fund has changed from being cash flow positive (accumulating cash from contributions at a greater rate than paying out cash in benefits and expenses) to being cash flow negative. This is part of the normal life cycle of a pension fund. The cash flow is currently monitored on a monthly basis and reported quarterly to Committee. As a result of the advance lump sum deficit payments made by the major employers in April 2014 the Fund had large cash in-flows. However the consequent absence of the deficit payments that will continue throughout 2016/17 has exacerbated the negative annual cash flows. The

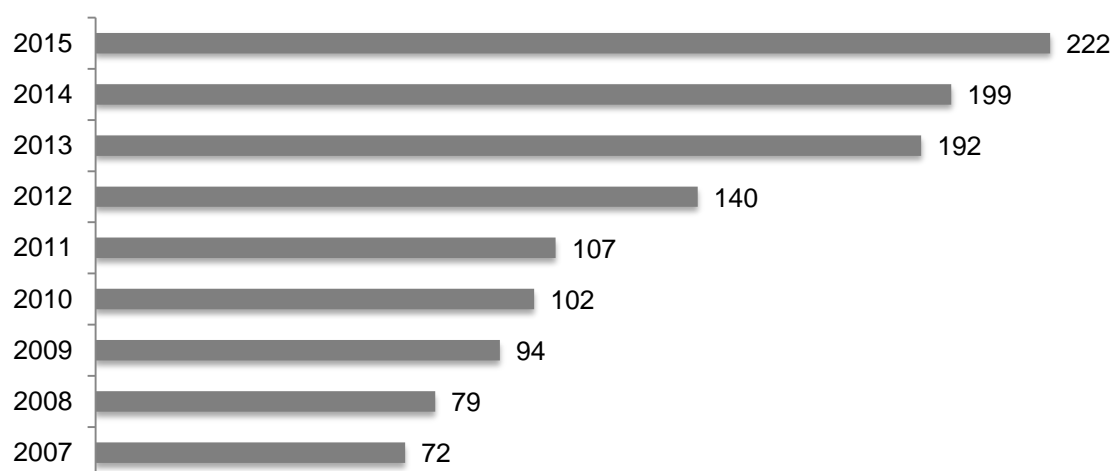
negative cash flows will be managed by using income from the investment portfolio and divestments (of the lump sums already invested) if required.

Full details of the budget between 2016-17 and 2018-19 together with a cash flow forecast for the payment of benefits and the receipt of contributions are given in **Appendix 4A**. A commentary on the budget changes between 2015 -16 and 2016-17 is given in **Appendix 4B**.

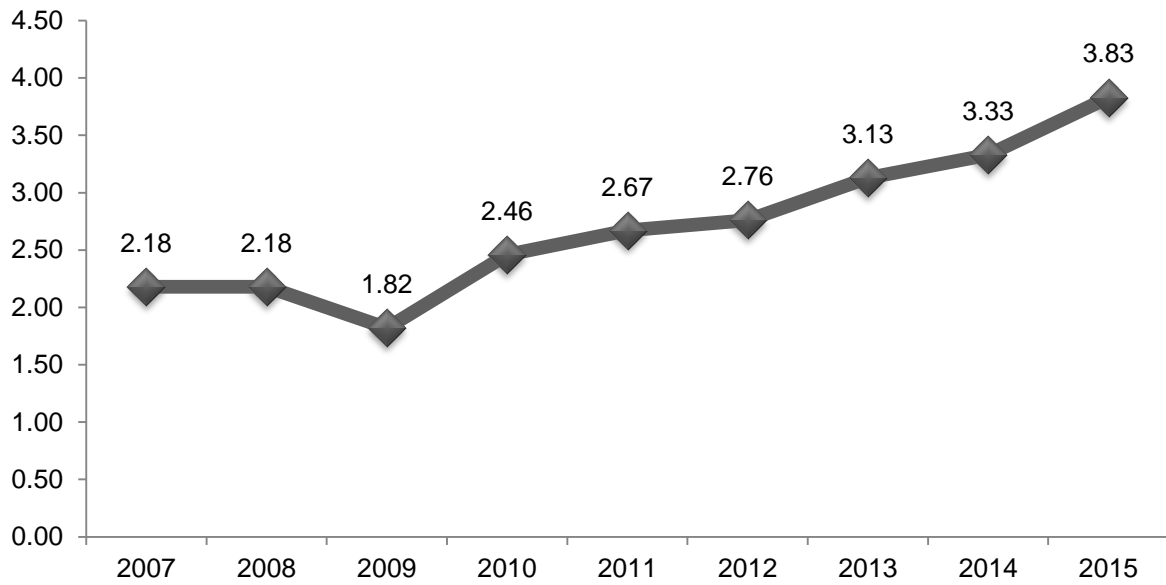
Appendix 1 – Scope of Avon Pension Fund (at 31 March 2015)



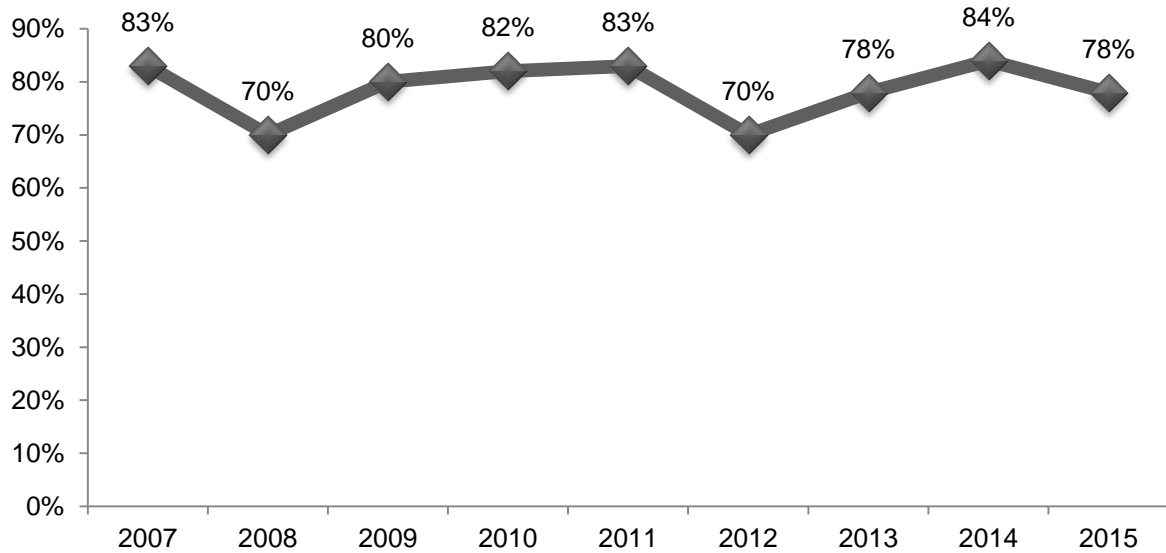
Participating employers



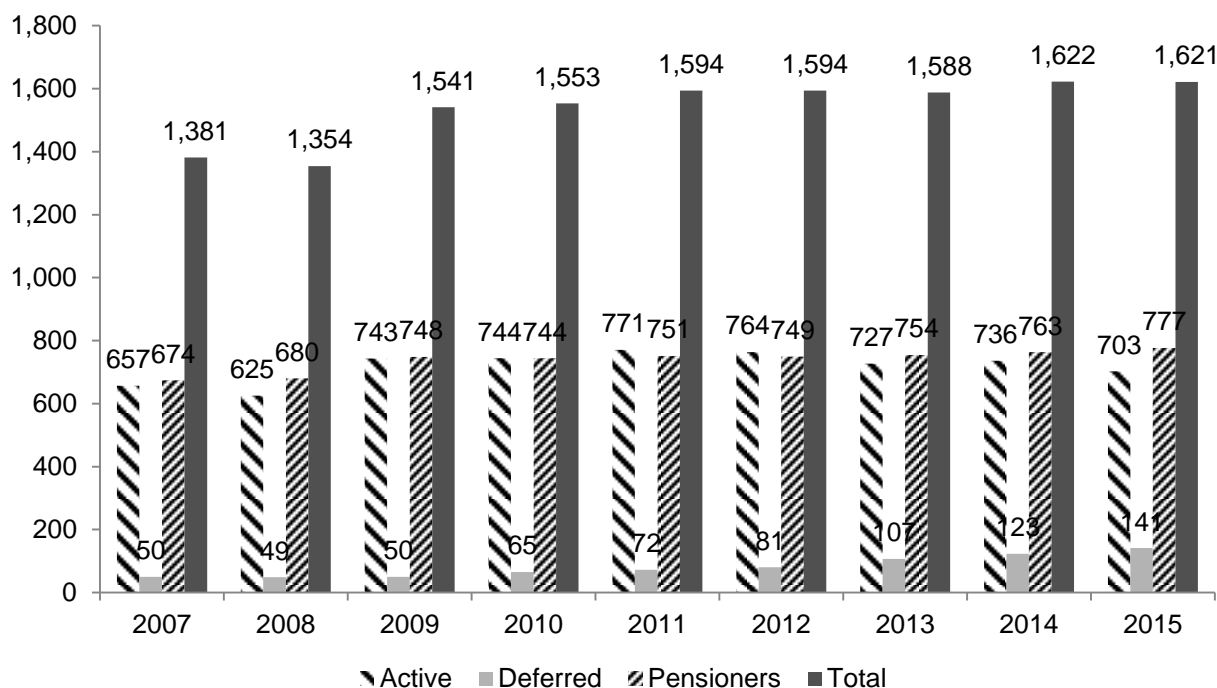
Fund assets (£billion)



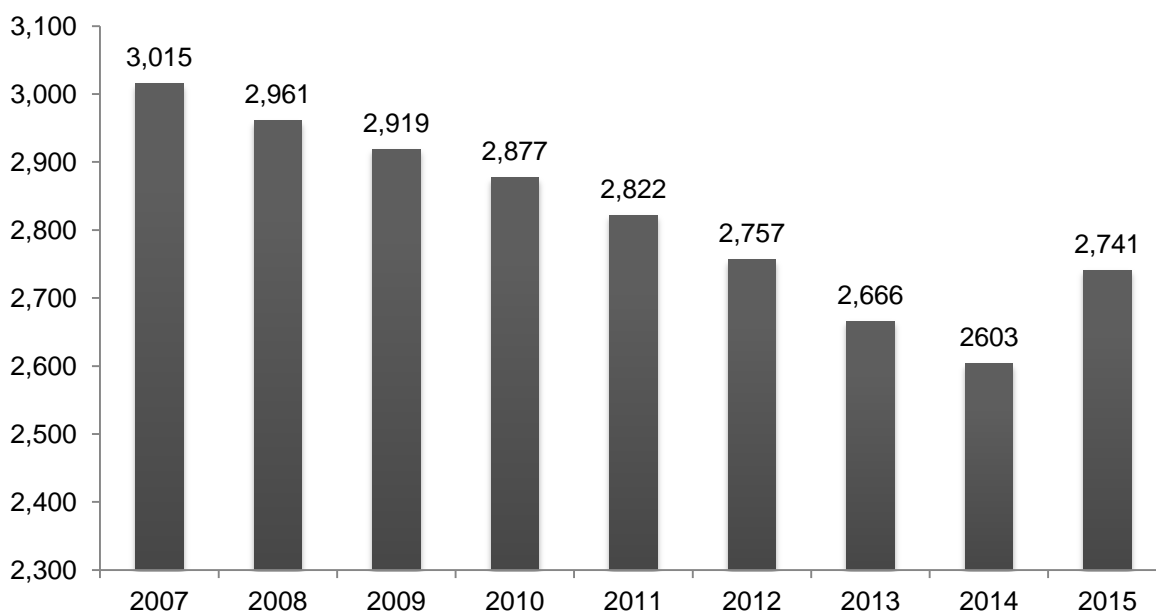
Funding level



Fire Fighters' Scheme - membership



Teachers Compensatory Added Years - number of pensions in payment



Progress against Key Objectives & Targets in 2015-2018 Plan

	Key Objective	Tasks	Progress
Administration Strategy			
1	Implement IT Strategy to increase efficiency of ...	Workstreams: <ol style="list-style-type: none"> 1. Establish necessary IT support structure 2. Create Shared Dev'ment Agenda <ul style="list-style-type: none"> • Use the actuary's online valuation modelling tools • Develop Document Management System 3. Progress employer electronic data delivery 4. Develop employer & member website and member services 	GREEN Completed Ongoing Ongoing GREEN On Track GREEN (member website completed February). Member services on track & in development
2	Review and revise Fire Service charging model	<ul style="list-style-type: none"> • Review of cost basis • Undertake consultation exercise with Fire Service • Develop revised service offer and SLA 	Amber Commence March July 2016 July 2016
3	Embrace partnership and collaborative opportunities as they arise at both regional and national level	<ul style="list-style-type: none"> • Pilot communications opportunities within region • Use of national and regional frameworks for services 	Ongoing Ongoing
4	Implement new SLAs	<ul style="list-style-type: none"> • Revise employer SLA document and reporting suite incorporating TPR Improvement Plan 	GREEN On Track Completion August 2016
5	Revise Administration Performance reporting and TPR Improvement plan	<ul style="list-style-type: none"> • Develop reporting data to reflect membership mix, workload, performance and employer profiling 	GREEN Commenced Due June 2016
6	GMP data reconciliation project	<ul style="list-style-type: none"> • Data match exercise with DWP to mitigate risk of pension overpayment/erroneous pension liability 	GREEN Ongoing 2015/16 up to Dec 2018
7	Trivial Commutation	<ul style="list-style-type: none"> • Review pensioner member pension pots to identify potential commutation opportunity following 2014 Gov't Budget announcement. 	AMBER Review on Hold Re-visit post 2016 Valuation exercise

Funding Strategy			
8	Further development of covenant assessment process to support valuations	<ul style="list-style-type: none"> Review current process and develop further using input from advisors Agree framework for ongoing monitoring by employer/ groups of employers 	GREEN Framework in place for 2016 assessment
9	Investigate ill –health insurance options	<ul style="list-style-type: none"> Commission actuary report on options, costs and funding implications 	GREEN Initial work completed
10	Interim Valuation 2015	<ul style="list-style-type: none"> Commission inter-valuation assessment of funding position at whole fund level as at 31/3/15 Use outcome to develop medium term funding strategy for 2016 & 2019 valuations 	GREEN Completed
11	Review AVC arrangements	<ul style="list-style-type: none"> Review range of investment choices for members 	AMBER Review on hold
12	2016 Triennial Valuation	<ul style="list-style-type: none"> Initial outcome at Fund level Disseminate individual outcomes to employers 	GREEN On track
Investment Strategy			
13	Implement changes to the Investment strategy maintaining compliance with the Fund's Investment Principles and Policies	Potential projects <ul style="list-style-type: none"> Liability Driven Investing Use of tactical allocation ranges Review decision to hedge foreign exchange exposure 	GREEN Commenced Completed Completed
14	Retender Vote Monitoring contract	<ul style="list-style-type: none"> Re-tender contract for start 1 Feb 2016 	GREEN Will tender once National Framework established
Governance			
15	Review governance arrangements following creation of Pension Board	<ul style="list-style-type: none"> Review appointment of Independent Investment Advisor 	2015/16
16	Ensure Committee members have knowledge and skills required	<ul style="list-style-type: none"> Training for new members Committee training <ul style="list-style-type: none"> Liability driven investing Interim valuation TPR Codes of Practice & Improvement Plan 	GREEN Commenced Due 1Q16 Completed Completed

17	Potential changes to the structure of LGPS funds	<ul style="list-style-type: none"> Engage in any consultations Assess implications for the Fund if any proposals put forward 	GREEN ongoing
18	Reporting to Avon Pension Fund Pension Board and Fire Service Pension Board	<ul style="list-style-type: none"> Determine reporting requirement for both boards Support education and training needs as required 	GREEN In progress
19	Independent Members on Committee	<ul style="list-style-type: none"> Current term of the two Independent Members ends 31 May 2017 Appoint at least one new independent member 	GREEN Start October 2016

Key Objectives & Targets in 2016-2019 Plan

	Key Objective	Tasks	Target Date
Administration Strategy			
1	Delivery of IT Strategy to increase efficiency of ...	Workstreams: <ol style="list-style-type: none"> 1. Create Shared Dev'tment Agenda <ul style="list-style-type: none"> • Use the actuary's online valuation modelling tools • Develop Document Management System 2. Progress full employer electronic data delivery 3. Develop employer website and member services 	March 2017 March 2017 By end 2016 Ongoing
2	Review and revise Fire Service charging model	<ul style="list-style-type: none"> • Review of cost basis • Undertake consultation exercise with Fire Service • Develop revised service offer and SLA 	Commenced July 2016 September 2016
3	Embrace partnership and collaborative opportunities as they arise at both regional and national level	<ul style="list-style-type: none"> • Pilot communications opportunities within region • Use of national and regional frameworks for services 	Ongoing Ongoing
4	Implement new SLAs	<ul style="list-style-type: none"> • Revise employer SLA document and reporting suite incorporating TPR Improvement Plan 	By August 2016
5	Revise Administration Performance reporting and TPR Improvement plan	<ul style="list-style-type: none"> • Develop reporting data to reflect membership mix, workload, performance and employer profiling 	Commenced due completion August 2016
6	GMP data reconciliation project	<ul style="list-style-type: none"> • Data match exercise with DWP to mitigate risk of pension overpayment/erroneous pension liability 	Commenced 2015/16 due completion Dec 2018
7	Trivial Commutation	<ul style="list-style-type: none"> • Review pensioner member pension pots to identify potential commutation opportunity following 2014 Gov't Budget announcement. 	By end 2016
8	Administration Structure Change	<ul style="list-style-type: none"> • Review administration structure to support the Funds increasing employer portfolio and evolving operational arrangements and growing needs of employers within the Fund 	2016/2017
Funding Strategy			
9	Covenant assessment of employers to support 2016 valuation	<ul style="list-style-type: none"> • Analyse covenants for incorporation into Funding Strategy • Explore options with employers to mitigate covenant risks 	By September 2016

10	2016 Triennial Valuation	<ul style="list-style-type: none"> • Approve Funding Strategy Statement • Initial outcome at Fund level • Disseminate individual outcomes to employers 	September 2016 4Q16 4Q16/1Q17
11	Investigate ill –health insurance options	<ul style="list-style-type: none"> • Commission actuary report on options, costs and funding implications 	By September 2016
12	Review AVC arrangements	<ul style="list-style-type: none"> • Review range of investment choices for members 	Recommence once corporate changes at Friends Life finalised (merging with Aviva)
Investment Strategy			
13	Pooling of assets	<ul style="list-style-type: none"> • Develop and agree final proposal for DCLG • Work with pool to implement proposals 	July 2016 Commence July 2016
14	Implement investment strategy projects maintaining compliance with the Fund's Investment Principles and Policies	Agreed projects <ul style="list-style-type: none"> • Liability Driven Investing • Review Responsible Investing Policy 	ongoing by end 2016
15	Agree Investment Strategy Statement in line with new regulations	<ul style="list-style-type: none"> • Replaces Statement of Investment Principles 	By October 2016
16	Review Investment Strategy to ensure it meets long term objectives and takes pooling arrangements into consideration	<ul style="list-style-type: none"> • Review strategic allocation to ensure the pooling arrangements can deliver the strategy over longer term • Review strategy post 2016 valuation 	By March 2017
17	Retender Vote Monitoring contract	<ul style="list-style-type: none"> • Re-tender contract once National ESG framework in place 	Framework expected to be in place in 2016
Governance			
18	Review governance arrangements following the pooling of assets and creation of Pension Board	<ul style="list-style-type: none"> • Review ToR of Committee and Investment Panel • Review appointment of Independent Investment Advisor 	2016/17
19	Ensure Committee members have knowledge and skills required	<ul style="list-style-type: none"> • Training for new members • Committee training <ul style="list-style-type: none"> ○ Liability driven investing ○ Funding Strategy & valuation 	Start after May 2015 1&2Q16 Through 2016
20	Pooling of assets	<ul style="list-style-type: none"> • Engage with Committee on proposal for July 2016 • Engage with committee on 	2Q16 Ongoing once

		implementation	proposal approved
21	Reporting to Avon Pension Fund Pension Board and Fire Service Pension Board	<ul style="list-style-type: none"> • Determine reporting requirement for both boards • Support education and training needs as required 	By end 2016 Ongoing
22	Independent Members on Committee	<ul style="list-style-type: none"> • Current term of the two Independent Members ends 31 May 2017 • Appoint at least one new independent member 	Start October 2016

Three Year Budget	Budget for 2015/16 £	Forecast 2015/16 £	Budget 2016/17 £	Budget 2017/18 £	Budget 2018/19 £
Investment Expenses	68,400	68,400	63,100	61,200	61,800
Administration Costs	68,400	73,400	83,900	82,100	83,300
Communication Costs	67,800	47,800	56,700	57,200	57,800
Payroll Communication Costs	76,600	42,400	39,000	39,500	40,000
Information Systems	268,200	302,400	271,400	276,800	282,400
Salaries	1,534,800	1,451,200	1,827,700	1,887,000	1,874,700
Central Allocated Costs	402,100	392,100	371,100	371,100	371,100
IT Strategy	147,600	147,600	158,600	87,200	0
Recharges: Administration	(221,800)	(222,200)	(214,300)	(218,600)	(222,800)
Total Administration	2,412,100	2,303,100	2,657,200	2,643,500	2,548,300
Governance Costs	295,500	295,700	418,300	293,000	291,100
- Members' Allowances	40,000	40,000	40,000	40,400	40,800
- Independent Members' Costs	19,300	19,300	45,300	25,600	25,800
Compliance Costs	428,000	423,300	681,500	489,300	437,100
Compliance Costs recharged	(250,000)	(250,000)	(250,000)	(252,500)	(255,000)
Governance & Compliance	532,800	528,300	935,100	595,800	539,800
Pensions Board	37,400	34,400	40,600	41,100	41,700
	2,982,300	2,865,800	3,632,900	3,280,400	3,129,800
Global Custodian Fees	84,100	84,200	87,500	89,300	91,000
Investment Manager Fees	18,532,300	17,179,200	17,229,100	18,611,400	18,797,500
Investment Fees	18,616,400	17,263,400	17,316,600	18,700,700	18,888,500
TOTAL COST TO FUND	21,598,700	20,129,200	20,949,500	21,981,100	22,018,300

The 2015/16 budget includes additional approvals made during 2015/16

The 2016/17 - 2018/19 Budget includes the following Savings and One Off expenditure			
	2016/17	2017/18	2018/19
One Off Expenditure			
IT Strategy	158,600	87,200	
Pooling	80,000	20,000	
Independent Member Recruitment	25,800		
Triennial valuation	250,000	50,000	
Savings			
Payroll and Communications -	47,400 -	39,000 -	32,300
Central Services -	33,000 -	30,100 -	30,100

Cash Flow Forecast		Estimated			
(Excluding Administration and Investment costs)		Out-turn 2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
Benefits Outflows					
Benefits	Pensions	(128,904)	(129,664)	(135,654)	(141,920)
	Lump sums	(25,796)	(34,568)	(35,260)	(35,965)
Total Benefits Outflows		(154,700)	(164,232)	(170,913)	(177,885)
Contributions Inflows					
Deficit recovery		23,514	14,109	94,719	17,071
Future service Contributions		114,399	121,262	128,538	136,250
Total Contributions		137,912	135,371	223,258	153,322
Net Cash Flow (excluding Administration & Investment costs)		(16,787)	(28,861)	52,344	(24,563)
Investment income received as cash		14,954	14,954	14,954	14,954
Net Pension Transfers In / Out		(4,818)	0	0	0
Cost of administering the Fund		(3,545)	(3,545)	(3,545)	(3,545)
Net Cash Flow (Out-Flow)		(10,197)	(17,452)	63,753	(13,155)

Note : Transfers in and out forecast assumed to net to zero

SERVICE PLAN 2016 – 2019: BUDGET COMMENTARY

A three year budget for 2016 to 2019 is in Appendix 4A. It shows for comparison the budget for 2015/16 including approvals made during the year and the forecast out-turn for 2015/16. Major one off expenditure and new ongoing savings are also shown.

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

Administration Budget

The increased expenditure budgeted for 2016/17 reflects the Funds response to the increasing pressure of dealing with the continued growth in the number of employers, the anticipated cost of the triennial valuation and the costs involved in the pooling of investments (Project Brunel). Savings have been made through changes in working arrangements and the adoption of digital technology to promote efficiency while maintaining the level of service. Wherever possible the effect of inflation has been absorbed. Ongoing savings made in 2015/16 are to be invested in the IT Strategy that will realise further savings and or mitigate cost pressures in future years.

Scheme Administration**1. Salaries**

The 2016/17 increase in salary costs reflects the need for additional resources to maintain the standards of data quality and to manage the continued increase in the number of employers. The 2016/17 cost is partially reduced to reflect the likely timing of recruitments. The subsequent years show the full year costs, but these will coincide with the completion of the IT Strategy and the consequent reduction in expenditure in that area. The increased costs of salaries also allows for the change in the system of paying employer's National Insurance, increments and the expected pay award.

2. Investment Expenses and Administration

The reduction in the Investment Expenses budget is due to the redefinition of governance related subscriptions as Consultants fees. The increase in the Administration Costs budget is due to the increase in the training budget. This will be used to provide the necessary training relating to the increased resources required to maintain the standards of data quality and to manage the continued increase in the number of employers.

3. Communications

The increased use of electronic means of delivery and new arrangements for the distribution of newsletters has allowed further savings to be made in Communications.

4. Information Systems and Payroll Communication Costs

The completion of the development of Information Systems relating to changes in the Fire Fighters scheme and the new LGPS 2014 scheme has allowed a reduction in the budget. All costs relating specifically to the Fire Fighters pensions are recharged to Avon Fire and Rescue (see Administration Recharges below).

5. Central Allocated Costs

Central Allocated Costs for Accommodation, IT, Financial Management etc. have been reduced by £33,000 when compared with the 2015/16 budget level. The savings are largely a result of flexible working.

6. IT Strategy

2016/17 is the second year of the three year IT Strategy funded from ongoing savings largely identified in the 2015/16 budget. Costs include the use of consultants, systems set up, development support and maintenance, training, and the cost of additional support staff salaries.

7. Administration Recharges

The budget for income has been reduced reflecting the end of the secondment of a Senior Projects Officer to Bristol City Council and the completion of work changes in the Fire Fighter's scheme. These have been partially offset by the proposed recharging of a dedicated post to the Fire Service.

Governance and Compliance

8. Governance

The budget has been increased by £123,000 to provide for consultants fees mainly relating to

- (i) advice for Liability Driven Investing,
- (ii) advice for the Asset Liability Review,
- (iii) the expenditure on Responsible Investing Review moving from 2015/16 to 2016/17
- (iv) Project Brunel.

The budget also includes an additional £25,000 provision for the cost of recruiting an Independent Member (term expires 2017).

9. Compliance costs and Compliance costs recharged

The budget includes an additional £250,000 to meet the actuarial costs of the triennial valuation. The budget also includes provision for any other Actuarial Fees incurred either for the Fund or for the benefit of specific employers. Wherever these fees can be recharged they are and the recharges include an allowance for the time spent by the Fund in preparing data for the actuarial work.

Additional Legal fees have been included to provide the Fund with investment related advice as a result of Project Brunel.

Investment Fees

10. Investments fees

Expenditure on investment management fees is subject to the performance of the investment assets. In addition the Fund incurs performance fees which are subject to various arrangements which are usually phased over a number of years following the performance period. The budget includes savings that have been achieved following the appointment of new investment managers.

The Pensions Board

The Pension Fund is required to fund the costs of the Pensions Board. The Board became operational in July 2015. An initial budget for the operation of the Board of £37,400 was set. The budget for 2016/17 is set out below. The budget has been increased to allow for a full year of operation. This increase is partially offset by the reduced need for member training and by the reduction in communications costs following the completion of the required new developments.

Pensions Board

	2016/17
Chairman's Allowance & Member's Expenses	12,000
Training	3,000
Meetings	8,000
Officer Support	17,000
Communications	600
	40,600

Bath & North East Somerset Council		
MEETING:	LOCAL PENSION BOARD - AVON PENSION FUND	
MEETING DATE:	19 th May 2016	AGENDA ITEM NUMBER
TITLE:	Risk Management Update	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendix 1 Pension Fund Risk Register		

1 THE ISSUE

- 1.1 The purpose of this report to update the current position of the Avon Pension Fund Risk Register and its top risks. A summary risk register is attached at Appendix 1 and will be supplemented by a presentation at the meeting.

2 RECOMMENDATION

That the Board

- 2.1 Notes the report and comment on the Risk Register.

3 FINANCIAL IMPLICATIONS

- 3.1 There are no direct implications related to the Pension Board in connection with this report.

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 top risks from the register are attached at Appendix 1 and will be supplemented by a presentation at the meeting.

5 RISK MANAGEMENT

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

Pensions

Top 10 Risk Summary

Liz Woodyard/Geoff Cleak

Date now: ###

TOP TEN	Risk Nr	Description	Date Entered on Register	Risk or Opportunity?	Risk Owner	Category	Corporate Or Service Action Plan	Details of Links to Corporate or Service Action Plan	Current Risk Score										Trend			Strategy Avoid / Accept/ Transfer/ Treat/ Defer	Current Status of Actions RAG	Commentary on Current Status of Action Plans	Final Implementation Date	Financial Impact	Scale of Financial Impact		
									Likelihood					Impact					This Period	Periods Ago									
									1	2	3	4	5	1	2	3	4	5		1	2							3	
L	M	H	L	M	H	1	2	3				1	2	3															
1	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																Treat	On Target	Risk updated Jan 2015. Lower likelihood; impact higher		Not Funded	Greater than £1m	
2	R25	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).	01-Jul-08	Risk	Pensions Investments Manager	People	Service Action Plan																Treat	On Target	Risk updated Jan 2015. Higher likelihood; impact unchanged		Not Funded	Greater than £1m	
3	R26	The Avon Pension Fund fails to achieve 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.	01-Jul-08	Risk	Pensions Investments Manager	Resources	Service Action Plan																Treat	On Target			Not Funded	Greater than £1m	
4	R45	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.	30-Sep-15	Risk	Pensions Investments Manager	Service	Service Action Plan																Treat	On Target	New risk Dec 2014; updated 9 May 2016 on evidence of very low uptake.. Likelihood reduced.		Not Funded	Greater than £1m	
	R51	Risk of Fund retaning 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	10-Aug-15	Risk	Pensions Manager	Resources	Service Action Plan	Link to TRP Control															Treat	On Target	new risk - action plan to be fully implemented		Not Funded	£100,001 to £1m	
6	R05	Non compliance with Data Protection Act (including TPR's codes and standards). Implication: Fines imposed, criminal/civil prosecutions, data processing suspended, adverse publicity	01-Jul-08	Risk	Pensions Manager	Legal & Compliance	Service Action Plan																Treat	On Target			Not Funded	£100,001 to £1m	
7	R10	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	12-Sep-13	Risk	Finance & Systems Manager (Pensions)	Resources	Service Action Plan																Treat	On Target	risk updated Sept 2013. Higher impact score		Not Funded	£100,001 to £1m	
8	R19	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	12-Sep-13	Risk	Pensions Manager	Service	Service Action Plan																Treat	On Target	new Sept 2013		Not Funded	£10,000 to £100,000	
9	R23	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 lines	01-Jul-08	Risk	Pensions Investments Manager	Resources	Service Action Plan																Treat	On Target	Risk updated Jan 2015. Higher likelihood; impact lower		Not Funded	Greater than £1m	
10	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																Treat	On Target	Risk updated Jan 2015. Higher likelihood; impact lower		Not Funded	Greater than £1m	
TOTAL																				85	88	81	79						

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Bath & North East Somerset Council	
MEETING:	LOCAL PENSION BOARD
MEETING DATE:	19th May 2016
TITLE:	Benchmarking Update
WARD:	ALL
AN OPEN PUBLIC ITEM	
List of attachments to this report:- Appendix 1 TPR Benchmarking Summary Report 2015 Appendix 2 TPR Compliance Review – April 2016	

1 THE ISSUE

- 1.1 The purpose of this report is to update the Board on the results of a benchmarking exercise facilitated by the Pensions Regulator and outline the high level assessment on compliance with the Pension regulator (tPR) Code of Practice No.14 undertaken by officers of Avon Pension Fund.

2 RECOMMENDATION

That the Pension Board

- 2.1 Notes the outcome of the benchmarking exercise and review of TPRs Code of Practice No 14.

3 FINANCIAL IMPLICATIONS

- 3.1 There are no direct financial costs from undertaking this exercise and review.

4 BACKGROUND

- 4.1 From 1st April 2015 TPR have assumed responsibility for the governance and administration of all public sector schemes. To assist schemes in understanding TPR's expectations they have issued a Code of Practice - No. 14 - that applies specifically to the governance and administration of public service pension schemes setting out the legal requirements in these specific matters. It also provides practical guidance and sets out standards of conduct and practice expected of those who exercise functions in relation to those requirements. This guidance can be viewed on the following link:

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

- 4.2 The practical examples in the Code are only guidance, although Funds must ensure the legal requirements are met.

5. REPORT

5.1 In July 2015 officers completed a Public Service Governance & Administration Survey issued by TPR. Results from this survey were published in December 2015 (Appendix 1 attached) and set the direction of travel in the short term of ensuring all public sector schemes attain a basic level of compliance as well as looking at the effectiveness of processes in areas identified as being of greatest risk, including scheme record keeping, internal controls and high quality communications.

5.2 Officers have now carried out a further assessment of each area of the Code of Practice in terms of both the legal requirements and the practical guidance. Appendix 2 summarises this assessment and where identified proposes further actions to be undertaken to mitigate any risks of non-compliance with the Code.

5.3 All public sector pension schemes should be assessing their compliance with TPR Code of Practice and this review provides an initial evaluation and actions identified to ensure the Fund achieves this.

6 EQUALITIES

6.1 An equalities impact assessment is not necessary.

7 CONSULTATION

7.1 Report has been subject to consultation with S151 Officer.

Contact person	Geoff Cleak; Acting Pensions Manager 01225 395277 Alan South; Technical & Compliance Manager 01225 395283 Jeff Wring; Head of Audit West 01225 477323
Background papers	<i>Scheme data, Officers Analysis of TPR Code of Practice</i>
Please contact the report author if you need to access this report in an alternative format	

Public service governance and administration survey

Summary of results and commentary

Foreword

The Public Service Pensions Act 2013 (NI 2014) introduced a number of changes for public service pension schemes, which provide pensions for the armed forces, local government, NHS, teachers, civil servants, the police force, firefighters and the judiciary.

Between them these schemes represent around 13 million members and approximately 28,000 employers, and we recognise they face a significant challenge in implementing the reforms to benefit design alongside new governance arrangements.

High standards of governance and administration are essential to ensure that schemes operate effectively and efficiently, and provide the right benefits to the right person at the right time.

A well run scheme should provide members with a high standard of service and a clear understanding of the benefits they will receive, allowing them to plan for their future. Good governance and administration also help government and the public to have confidence that the cost of public service schemes is correctly accounted for.

Between July and September 2015, we conducted a survey of all public service schemes to baseline the standard to which they are being run. I am pleased to introduce this report which sets out our thoughts on the results of the survey and our priorities for action.

The results tell us that progress is being made – nine in ten respondent schemes have established their pension boards, and schemes have done well in setting up new processes. However, the governance and administration standards of some schemes still fall short of standards we expect, and we urge schemes to take immediate action to identify gaps and put plans in place to resolve issues.

In the next year, part of our focus will be to ensure that every scheme reaches a basic level of compliance, having registered with us and published information about their pension boards. We also expect all schemes to have assessed themselves against the law and our code of practice, and we will be launching a self-assessment tool to help schemes achieve this.

We will work to understand how well schemes are addressing the three areas we judge to be of greatest risk in the current landscape – internal controls, scheme record-keeping, and the provision of accurate, timely and high quality communications to members.

We will continue to work with scheme managers, pension boards, and others involved in running public service schemes and provide a range of educational tools to support them in their duties.

I would like to thank all schemes who took part in the survey, as you have helped us gain a good understanding of the landscape. We aim to work openly and collaboratively with schemes and we will engage further with schemes who did not take part to ensure their lack of engagement does not reflect a lack of compliance.

Thank you for taking the time to read this report – I hope you find it useful and informative.



Andrew Warwick-Thompson
Executive Director for Regulatory Policy

Background

The Public Service Pensions Act 2013 (PSPA13) and Public Service Pensions Act (Northern Ireland) 2014 (PSPANI14) introduced new requirements for the governance and administration of public service pension schemes. In April 2015, we commenced our expanded role to regulate these schemes.

Our role is to regulate the in relation to governance and administration of public service pension schemes to improve standards and drive compliance with legal requirements. Our focus is to work with scheme managers, pension boards and others involved with public service schemes to help them become compliant. Our approach generally is to educate and enable in the first instance, but where a scheme manager or pension board member (or other person responsible) fails to comply with their duties we will consider using our powers.

The survey

In summer 2015, we conducted a survey of all public service schemes to assess how they are meeting the governance and administration legal requirements and the standard to which they are being run. The survey reflected the key tools and processes we consider to be benchmarks for good practice, as set out in the 'practical guidance' sections of our code, and could be used as a tool for the schemes to identify areas where action may be needed.

This report accompanies the full research report which sets out the responses to all survey questions.

Participation in the survey was voluntary, with 48% of schemes responding. This translates to approximately 85% of public service scheme members, and provides us with a good overview of the public service pensions landscape.

Information collected through the survey will be used for regulatory purposes where responses were not provided anonymously. We will use these to develop individual scheme risk profiles. Where schemes did not participate in the survey, we will consider there is a risk of non-compliance until we have collected information about the progress they have made.



Our role is to regulate public service pension schemes to improve standards and drive compliance with legal requirements.

Overview of results

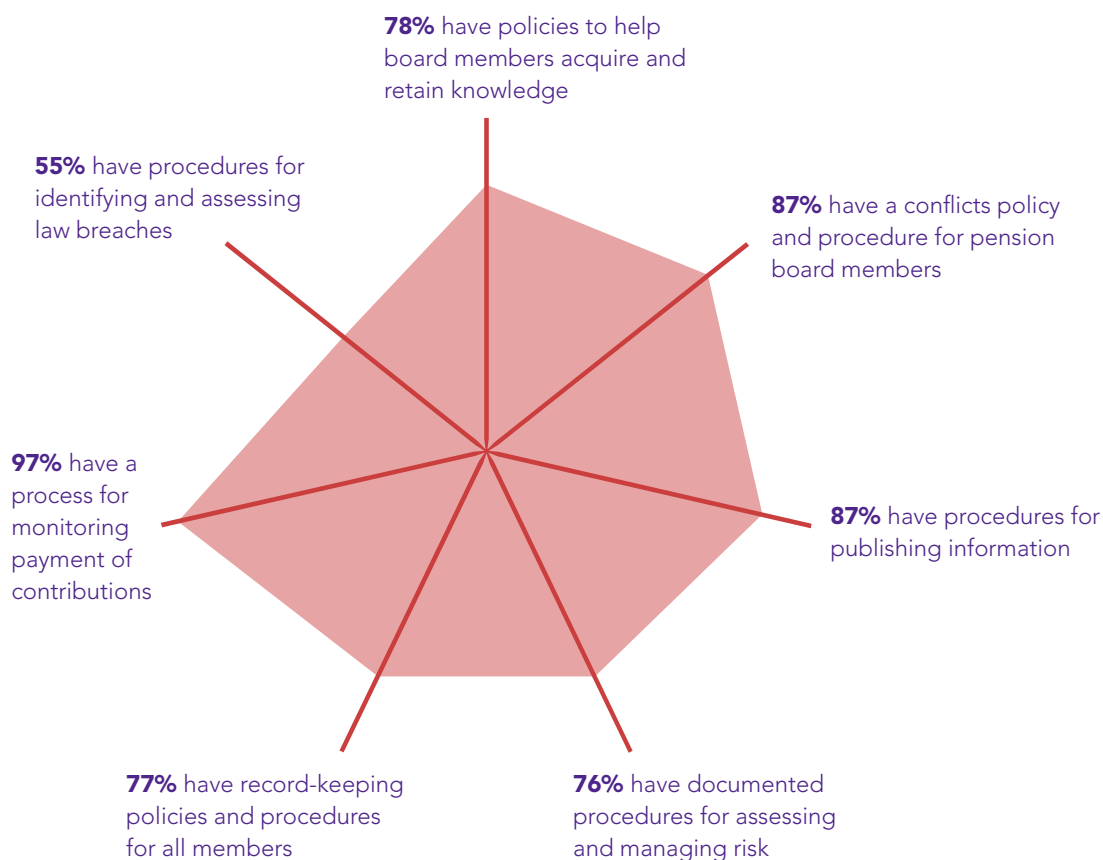
Progress on processes

The results of the survey show that, on the whole, public service schemes are progressing well in terms of understanding the new requirements and setting up processes. Respondents to the survey reported high levels of awareness and understanding of both the governance and administration requirements introduced by the Acts and our code of practice:

- ▶ 97% reported high awareness of the requirements in the Acts, and 87% reported good understanding.
- ▶ 93% reported high awareness of our code, and 84% reported good understanding.

There were also high levels of reported processes in place against most areas of the code.

Results overview



- ▶ 78% of schemes reported having developed policies and arrangements to help pension board members fully understand their roles, responsibilities and duties.
- ▶ 87% of schemes have a conflicts policy and procedure in place for pension board members.
- ▶ 87% of schemes reported having procedures in place to ensure that information about the pension board which must be published is published and kept up to date.
- ▶ 76% had documented procedures for assessing and managing risk.
- ▶ 77% had policies and processes in place to monitor data on an ongoing basis to ensure that it is accurate and complete in relation to all relevant member and beneficiary categories.
- ▶ 97% had a method or process for monitoring the payment of contributions to the scheme.

The lowest result in terms of processes was around reporting breaches, where only 55% of schemes reported having procedures in place to enable the scheme manager, pension board members, and others who have a duty to report, to identify and assess breaches of the law.

Identifying and assessing breaches of the law is critical both in terms of fulfilling the legal duty to report breaches to us and in reducing risk, so it is important that schemes address this issue. Whilst we will strive to regulate proactively and investigate issues we consider to be high risk, reporting breaches is a key means by which we are made aware as soon as possible when things are going wrong. Accordingly, we urge schemes to establish and operate appropriate and effective procedures to help them meet their legal obligation. Our code provides guidance on this matter.

In addition, we expect well-run schemes to have in place appropriate tools and processes for all nine areas addressed in our code – but only 43% of schemes reported having all the processes outlined above in place.

We also expect schemes to ensure that any processes developed are kept under regular review to ensure they remain effective and fit for purpose. According to the survey, only 72% of schemes review/will review the effectiveness of their risk management and internal control systems at least annually, and over 10% of schemes report they never review their internal dispute resolution arrangements.

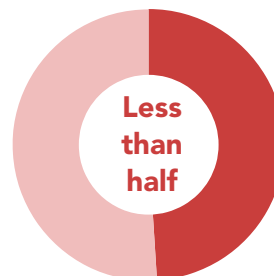
Need to take action

In contrast to the good progress made on setting up processes, the survey shows that schemes are slow or have yet to take action in key governance and administration areas and are still in the early stages of assessing themselves against the legal requirements and standards in the code.



9/10

have established a pension board



have reviewed their scheme against the standards



Less than a third

have a plan in place to ensure compliance with the Public Service Pensions Act 2013



- ▶ 44% have measured against the record-keeping requirements
- ▶ just over a quarter have done data cleansing



76% of schemes have procedures in place to manage risk

82% have a risk register

Only **56%** assess their risks at least quarterly

- ▶ While over nine in ten schemes have established a pension board, only 28% of schemes have a plan in place and are addressing key issues to ensure compliance with the new requirements.
- ▶ Only 44% have reviewed their scheme against the practical guidance and standards set out in our code of practice.
- ▶ Only 45% of schemes have measured themselves against the requirements of the record-keeping regulations.
- ▶ Only 27% have as a result undertaken a data cleansing exercise. More generally, only 71% have conducted a data review exercise in the last year.
- ▶ While 76% of schemes have procedures in place to manage risk, and 82% report having a risk register, only 56% assess their risks either quarterly or monthly.



We recognise the complexity and diversity of the landscape.

Differences between schemes

Though the data in this commentary are presented at an aggregate level for all public service schemes, we recognise the complexity and diversity of the landscape. Schemes vary in their governance structures, employer profiles, size and funding arrangements and each scheme will have its own needs and capabilities, and face its own challenges in implementing the reforms.

This is supported by the findings which show differences between scheme cohorts. In particular, the survey suggests that fire and rescue schemes have not made as much progress in taking steps to meet the new requirements as other schemes, whether in setting up processes or taking specific action. Over the next year, we will engage with these schemes' managers, pension board members, and other stakeholders to identify barriers to progress and support them in meeting their duties.

Next steps

This research draws out the continuing significant task faced by schemes in implementing the major reforms. However, schemes need to ensure they comply with the legal requirements and should strive to deliver better outcomes for members.

Over the next year, we will be looking to ensure that every scheme reaches a basic level of compliance, as well as looking at the effectiveness of processes in areas we have identified as being of greatest risk in the current landscape: internal controls, scheme record-keeping and the provision of accurate and high quality communications to members.

In terms of basic compliance, it is critical that all schemes have:

- ▶ fulfilled their requirement to register with us
- ▶ established their pension board
- ▶ published information about the board, which will provide more transparency to members on the governance of the scheme

Schemes also need to have:

- ▶ assessed themselves against the requirements set out in legislation
- ▶ assessed themselves against the standards set out in our code
- ▶ identified any gaps
- ▶ begun to put plans in place to address any issues

In addition to the code and our public service toolkit, we would like schemes to use this survey to assess themselves. We will also be launching a self-assessment tool in 2016. We urge schemes to use these tools to help them identify any problems and take swift action to make improvements. We are concerned that the failure of 52% of schemes to engage with the survey may reflect a lack of compliance, and we will be engaging with these schemes to determine their compliance profile. We expect all schemes to respond to our requests for information.

We plan to look at schemes' processes in the key risk areas over the next year, focusing on:

- ▶ the effectiveness of these processes and actions in driving good outcomes
- ▶ the efficiency and reliability of these processes
- ▶ how good practice in one scheme can help inform others with poorer practices

Public service schemes have complex governance structures, where responsible authorities and scheme advisory boards will also have a role in helping scheme managers achieve compliance. We will be working throughout the year with these various bodies to ensure that our respective efforts are applied in the most effective way and to minimise the burden on schemes.

In spring 2016, we will check how schemes are doing and we expect them to have made significant progress. Looking ahead, we plan to publish an annual assessment of governance and administration standards and practices in public service schemes in order to bring greater transparency to the progress being made.

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Free online learning for trustees

www.pensionseducationportal.com
Free online learning for those running public service schemes

Public service governance and administration survey Summary of results and commentary

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**The Pensions
Regulator**

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No.	TPR Requirement	Notes from TPR Code	Officer Assessment	Action	Due Date
A1	Is your scheme registered with the Pension Regulator?	<p>Managers of public service pension schemes that are 'registerable schemes' must register their scheme with the Pensions Regulator (TPR). A 'registerable scheme' is an occupational or personal pension scheme which is registered with HMRC and has more than one member.</p> <p>HMRC have indicated that the new arrangements for the 2014 LGPS in England and Wales and the 2015 LGPS in Northern Ireland will not be treated by them as new pension schemes, but as part of the schemes that were already in place. Where a scheme doesn't need to be registered further with HMRC, no further registration of that scheme with TPR is required, as existing schemes should already be registered with TPR.</p> <p>However, the managers of these schemes (which may be the local administering authorities) should ensure that their scheme (or part of the scheme for which they are responsible) is properly registered with us. They must also let us know of any changes to their scheme's (or part of the scheme's) 'registerable information' and provide up-to-date information as soon as possible.</p> <p>Managers must provide 'registerable information' when they register with TPR. 'Registerable information' includes details about:</p> <ul style="list-style-type: none"> - the scheme - the managers of the scheme - employers. 	Yes the PSR number is 10079156		

No.	TPR Requirement	Notes from TPR Code	Officer Assessment	Action	Due Date
A2	Is the information held on the Pensions Regulator's website about the scheme up-to-date?	It is a legal requirement for managers of a scheme to notify TPR of changes to their scheme's registerable information as soon as possible, and they can be fined if they don't do so. In the future the TPR's Exchange online service will be available to view and update schemes' registerable information online. In the meantime, if you need to update information you should contact TPR directly.	Yes		
A3	Have you completed this latest Scheme Return in the required timescale?	Also in the future the TPR will issue bespoke scheme returns for public service schemes to complete. These will ask for registerable and other information on a regular basis (at least every three years). This is in addition to the ongoing duty for managers to notify TPR of changes to registerable information as soon as possible. In the private sector, these are required for TPR on an annual basis and include membership, employer, asset, valuation and contact details. These are issued for completion in around January of each year.	This return has been completed at the request of LPB.		
A4	Have you responded to the latest TPR public service pension scheme survey /questionnaire?	TPR also intends to issue periodic surveys to gather information in relation to how schemes demonstrate best practice. An initial (sample) survey was issued in March 2013 and a further survey is expected during 2015.	Yes - latest TPR request for information was received in July 2015 and submitted in September 2015		
B1	Are there policies and arrangements in place to support pension board	38 - Schemes should establish and maintain policies and arrangements for acquiring and retaining knowledge and understanding to support their pension board members.	Yes - A Members Training plan continues to be		

No.	TPR Requirement	Notes from TPR Code	Officer Assessment	Action	Due Date
	members in acquiring and retaining knowledge and understanding?		developed for the Local Pension Board.		
B2	Has a person been designated to take responsibility for ensuring the framework is developed and implemented?	38 - Schemes should designate a person to take responsibility for ensuring that a framework is developed and implemented	Yes - Head of Audit West		

No.	TPR Requirement	Notes from TPR Code	Officer Assessment	Action	Due Date
B3	Is the Fund providing assistance to pension board members to determine the degree of knowledge and understanding required?	<p>48 - Schemes should assist individual pension board members to determine the degree of knowledge and understanding that is sufficient for them to effectively carry out their role, responsibilities and duties as a pension board member</p> <p>40 - Being 'conversant' means having a working knowledge of the scheme regulations and policies, so that pension board members can use them effectively when carrying out their duties</p> <p>49 - Pension board members must have a working knowledge of their scheme regulations and documented administration policies. They should understand their scheme regulations and policies in enough detail to know where they are relevant to an issue and where a particular provision or policy may apply</p> <p>50 - Pension board members must have knowledge and understanding of the law relating to pensions (and any other prescribed matters) sufficient for them to exercise the functions of their role. Pension board members should be aware of the range and extent of the law relating to pensions which applies to their scheme, and have sufficient understanding of the content and effect of that law to recognise when and how it impacts on their responsibilities and duties.</p> <p>52 - Pension board members' breadth of knowledge and understanding should be sufficient to allow them to understand fully and challenge any information or advice they are given. They should understand how that information or advice impacts on any issue or decision relevant to their responsibilities and duties.</p> <p>53 - Pension board members should ensure that they have the appropriate degree of knowledge and understanding of funding and investment matters relating to their scheme to enable them to effectively carry out their</p>	<p>Yes - the Local Pension Board have agreed an approach to its training of board members. Induction training was provided to all new members, and a self-assessment requested to establish areas of training that informed the Members Training Plan. Future training will be aligned with that of the Pension Fund Committee. Members are encouraged to attend relevant conferences and seminars. Briefing notes are provided on relevant topics</p>		

No.	TPR Requirement	Notes from TPR Code	Officer Assessment	Action	Due Date
		<p>role. This includes having a working knowledge of provisions in their scheme regulations and administration policies that relate to funding and investment, as well as knowledge and understanding of relevant law relating to pensions.⁵⁴ - All board members should attain appropriate knowledge so that they are able to understand the relevant law in relation to their scheme and role. The degree of knowledge and understanding required of pension board members may vary according to the role of the board member, as well as the expertise of the board member. For example, a board member who is also a pensions law expert (for instance, as a result of their day job) should have a greater level of knowledge than that considered appropriate for board members without this background.</p>	<p>and all members are required to complete the TPR trustee toolkits. Budget has been allocated to allow the full implementation of these training plans.</p>		

No.	TPR Requirement	Notes from TPR Code	Officer Assessment	Action	Due Date
B4	Are the roles and responsibilities of pension boards and members of pension board clearly set out in scheme documentation?	47 - The roles, responsibilities and duties of pension boards and their individual members will vary between pension schemes. Matters for which the pension board is responsible will be set out in scheme regulations. Clear guidance on the roles, responsibilities and duties of pension boards and the members of those boards should be set out in scheme documentation.48 - Schemes should assist individual pension board members to determine the degree of knowledge and understanding that is sufficient for them to effectively carry out their role, responsibilities and duties as a pension board member.	Yes - this is outlined in the Terms of Reference and role specifications.		
B5	Are pension board members aware of their legal responsibility in terms of Knowledge and Understanding?	39 - It is the responsibility of individual pension board members to ensure that they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of the pension board.	Yes - this has formed the basis of the induction training and reinforced within two papers to the Board.		

No.	TPR Requirement	Notes from TPR Code	Officer Assessment	Action	Due Date
B6	Have all pension board members got access to copies of the scheme rules and relevant Fund documentation?	<p>40 - Pension board members must be conversant with their scheme rules, which are primarily found in the scheme regulations, and documented administration policies currently in force for their pension scheme. 42 - The following are examples of administration policies which the regulator considers to be particularly pertinent and would expect to be documented where relevant to a pension scheme, and with which pension board members must therefore be conversant where applicable. This list is not exhaustive:- any scheme-approved policies relating to:</p> <p>A) conflicts of interest and the register of interests B) record-keeping C) internal dispute resolution D) reporting breaches E) maintaining contributions to the scheme F) the appointment of pension board members- risk assessments/management and risk register policies for the scheme- scheme booklets, announcements and other key member and employer communications, which describe scheme policies and procedures- the roles, responsibilities and duties of the scheme manager, pension board and individual pension board members - terms of reference, structure and operational policies of the pension board and/or any sub-committee- statements of policy about the exercise of discretionary functions- statements of policy about communications with members and scheme employers- the pension administration strategy, or equivalent, and- any admission body (or equivalent) policies.43 - Documents which record policy about the administration of the scheme include those relating to funding and investment matters. For example, where relevant they must be conversant with the statement of</p>	Yes - members have been made aware of the scheme rules and relevant Fund documentation through the induction training.		

No.	TPR Requirement	Notes from TPR Code	Officer Assessment	Action	Due Date
		<p>investment principles and the funding strategy statement.⁴⁴</p> <p>- Pension board members must also be conversant with any other documented policies relating to the administration of the scheme. For example, where applicable, they must be conversant with policies relating to:- the contribution rate or amount (or the range/variability where there is no one single rate or amount) payable by employers participating in the scheme- statements of assurance (for example, assurance reports from administrators)- third party contracts and service level agreements- stewardship reports from outsourced service providers (for example, those performing outsourced activities such as scheme administration), including about compliance issues- scheme annual reports and accounts- accounting requirements relevant to the scheme- audit reports, including from outsourced service providers, and- other scheme-specific governance documents.⁴⁵</p> <p>- Where DC or DC AVC options are offered, pension board members should also be familiar with the requirements for the payment of member contributions to the providers, 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.</p>			

No.	TPR Requirement	Notes from TPR Code	Officer Assessment	Action	Due Date
B7	Is there an up-to-date list of the Fund specific documents with which pension board members need to be conversant in?	46 - Schemes 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.	A list has been provided and access and each Board Member has been given a secure sign-one to a specific part of the Council's network to review and access relevant information.		
B8	Are all pension board members investing sufficient time in their learning and development?	55 - Pension board members should invest sufficient time in their learning and development alongside their other responsibilities and duties. Schemes should provide pension board members with the relevant training and support that they require. Training is an important part of the individual's role and will help to ensure that they have the necessary knowledge and understanding to effectively meet their legal obligations.	Budget is allocated to ensure the implementation of training plans. All training records will be monitored and summarised as part of the Boards Annual Report. All Board Members are aware of their obligations to allocate sufficient time and this is reviewed at each meeting.		

No.	TPR Requirement	Notes from TPR Code	Officer Assessment	Action	Due Date
B9	Does the Fund offer pre-appointment training for new pension board members or mentoring by existing members?	<p>56 - 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. Therefore, they should immediately start to familiarise themselves with the scheme regulations, documents recording policy about the administration of the scheme and relevant pensions law. Schemes should offer pre-appointment training or arrange for mentoring by existing pension board members.</p> <p>This can also ensure that historical and scheme-specific knowledge is retained when pension board members change.</p>	Yes - induction training was provided when the Board was set up and will be repeated when new members are re-appointed. For new members joining after these sessions, one to one sessions are held with the Head of Pensions. The self-assessment process also tracks whether learning needs have been met and will be re-evaluated every 3 years.		
B10	Is there a process in place for regularly assessing the pension board members' level of knowledge and	57 - Pension board members should undertake a personal training needs analysis and regularly review their skills, competencies and knowledge to identify gaps or weaknesses. They should use a personalised training plan to document and address these promptly.	Yes - Self Assessments training is carried out on appointment to identify areas of		

No.	TPR Requirement	Notes from TPR Code	Officer Assessment	Action	Due Date
	understanding is sufficient for their role, responsibilities and duties?	58 - Learning programmes should be flexible, allowing pension board members to update particular areas of learning where required and to acquire new areas of knowledge in the event of any change.	weakness. These will be reviewed every 3 years. Board member are encouraged to undertake further training and attend relevant courses.		
B11	Are records of learning activities being maintained?	60 - Schemes should keep appropriate records of the learning activities of individual pension board members and the board as a whole. This will help pension board members to demonstrate steps they have taken to comply with legal requirements and how they have mitigated risks associated with knowledge gaps. A good external learning programme will maintain records of the learning activities of individuals on the programme or of group activities, if these have taken place.	A members training log is maintained by the Head of Pensions.		
B12	Have the pension board members completed the Pension Regulator's toolkit for training on the Code of Practice number 14?	59 - The regulator has provided an e-learning programme to help meet the needs of pension board members, whether or not they have access to other learning. If schemes choose alternative learning programmes they should be confident that those programmes:- cover the type and degree of knowledge and understanding required- reflect the legal requirements, and- are delivered within an appropriate timescale.	Members have been asked to complete this by July 2016 which will be 12 months from appointment.	All Members to complete TPR trustee toolkit.	Jul-16

No.	TPR Requirement	Notes from TPR Code	Officer Assessment	Action	Due Date
C1	Does the Fund have a conflict of interest policy and procedure, which include identifying, monitoring and managing potential conflicts of interest?	<p>76 - Schemes should ensure that there is an agreed and documented conflicts policy and procedure, which includes identifying, monitoring and managing potential conflicts of interest. They should keep this under regular review. Policies and procedures should include examples of scenarios giving rise to conflicts of interest, how a conflict might arise specifically in relation to a pension board member and the process that pension board members and scheme managers should follow to address a situation where board members are subject to a potential or actual conflict of interest.</p> <p>86 - Schemes should establish and operate procedures which ensure that pension boards are not compromised by potentially conflicted members. They should consider and determine the roles and responsibilities of pension boards and individual board members carefully to ensure that conflicts of interest do not arise, nor are perceived to have arisen.</p> <p>Toolkit module - The policy should:</p> <ul style="list-style-type: none"> - outline the steps to be followed by pension board members and scheme managers to address a situation where board members have a potential or actual conflict of interest - include a three-stage process to identify, monitor and manage potential conflicts of interest - include examples of scenarios giving rise to conflicts 	Yes - a conflict of interest policy and procedure was agreed by the Board.		

No.	TPR Requirement	Notes from TPR Code	Officer Assessment	Action	Due Date
C2	Do pension board members have a clear understanding of their role, the circumstances in which they may have a conflict of interest and how to manage potential conflicts?	78 - Schemes should cultivate a culture of openness and transparency. They should recognise the need for continual consideration of potential conflicts. Disclosure of interests which have the potential to become conflicts of interest should not be ignored. Pension board members should have a clear understanding of their role and the circumstances in which they may find themselves in a position of conflict of interest. They should know how to manage potential conflicts.	Yes - training has been provided to Board members and declaration of interest is a standing agenda item		
C3	Have all Pension Board members provided appropriate information for the Administering Authority to determine whether a conflict exists (on appointment and from time to time)?	79 - Pension board members, and people who are proposed to be appointed to a pension board, must provide scheme managers with information that they reasonably require to be satisfied that pension board members and proposed members do not have a conflict of interest.	Prospective candidates are made aware of the responsibility to disclose potential interests upon appointment.		

No.	TPR Requirement	Notes from TPR Code	Officer Assessment	Action	Due Date
C4	Does the appointment process for pension board members require disclosure of interests and responsibilities which could become conflicts of interest?	<p>80 - Schemes should ensure that pension board members are appointed under procedures that require them to disclose any interests, including other responsibilities, which could become conflicts of interest and which may adversely affect their suitability for the role, before they are appointed.</p> <p>81 - All terms of engagement, for example appointment letters, should include a clause requiring disclosure of all interests, including any other responsibilities, which have the potential to become conflicts of interest, as soon as they arise. All interests disclosed should be recorded. See the section of this code on 'Monitoring potential conflicts'.</p> <p>82 - Schemes should take time to consider what important matters or decisions are likely to be considered during, for example, the year ahead and identify and consider any potential or actual conflicts of interest that may arise in the future. Pension board members should be notified as soon as practically possible and mitigations should be put in place to prevent these conflicts from materialising.</p>	Prospective candidates are made aware of the responsibility to disclose any potential interests upon appointment via the Board Terms of Reference. Board members are updated on forthcoming agenda items and the process for managing potential conflicts of interest is outlined in the Authority's Conflict of Interest Policy for Board Members.		
C5	Is the conflicts policy regularly reviewed?	76 - The conflicts policy and procedure should be regularly reviewed.	Yes and at least annually as part of considering the annual report.		

No.	TPR Requirement	Notes from TPR Code	Officer Assessment	Action	Due Date
C6	Does the Fund have a conflicts register and it is circulated for ongoing review and published?	83 - As part of their risk assessment process, schemes should identify, evaluate and manage dual interests which have the potential to become conflicts of interest and pose a risk to the scheme and possibly members, if they are not mitigated. Schemes should evaluate the nature of any dual interests and assess the likely consequences were a conflict of interest to materialise.84 - A register of interests should provide a simple and effective means of recording and monitoring dual interests and responsibilities. Schemes should also capture decisions about how to manage potential conflicts of interest in their risk registers or elsewhere. The register of interests and other relevant documents should be circulated to the pension board for ongoing review and published, for example on a scheme's website.Toolkit module - When managing conflicts of interest, it is essential that all conflicts of interest are recorded and the action taken is documented. The scheme should be able to demonstrate that records of conflicts are kept and that the register is monitored and reviewed regularly.	Members are updated on forthcoming agenda items and the process for managing potential conflicts of interest is online in the Authority's Conflict of Interest Policy for Board members. Conflicts of interest and actions taken will be recorded in the minutes of the meeting.		
C7	Is appropriate information included in the register?	Toolkit module - The register should outline areas where potential conflicts may arise and include details of: - all obligations owed by pension boards - all corporate hospitality offered (whether or not it has been accepted) - personal financial interests (such as significant investments in particular organisations) - other employment (for example where a pension board works with more than one scheme or where the spouse/family member of a pension board member works	Obligations owned by the Pension Board are outlined in the Terms of Reference, and actions to be taken in the event of a potential conflict of interest		

No.	TPR Requirement	Notes from TPR Code	Officer Assessment	Action	Due Date
		for an organisation which is bidding to provide services to the scheme) - actions or mitigations taken.	are outlined in the Board's Conflict of Interest Policy, both documents to which the Register is linked. The Register includes details as indicated in the tPR toolkit.		
C8	Is there a standing item on the agenda for declaring conflicts of interest?	85 - Conflicts of interest should be included as an opening agenda item at board meetings and revisited during the meeting, where necessary. This provides an opportunity for those present to declare any interests, including other responsibilities, which have the potential to become conflicts of interest, and to minute discussions about how they will be managed to prevent an actual conflict arising. Toolkit module - At the start of all pension board meetings it is good practice for pension board members to declare whether they have any new conflicts of interest, either due to a change in circumstances, or because of a particular item that is to be considered at the meeting.	Yes		
C9	Do those involved know how to report a conflict of interest?	Toolkit module - The policy should set this out.	Yes - outlined in policy and training has been provided		
C10	Is the number of employer and member	90 - While scheme regulations must require pension boards to have an equal number of employer and member representatives, there is flexibility to design arrangements	Yes - 3 of each with an independent non-		

No.	TPR Requirement	Notes from TPR Code	Officer Assessment	Action	Due Date
	representatives on the board in line with legal requirements?	which best suit each scheme.	voting chairman		
C11	Is the board made up of the appropriate mix of representatives in order to minimise potential conflicts?	91 - Arrangements should be designed with regard to the principles of proportionality, fairness and transparency, and with the aim of ensuring that a pension board has the right balance of skills, experience and representation (for example, of membership categories and categories of employers participating in the scheme). Those responsible for appointing members to a pension board should also consider the mix of skills and experience needed on the pension board in order for the board to operate effectively in light of its particular role, responsibilities and duties.	Yes - this forms part of the recruitment process.		
D1	Does the Administering Authority publish information about the pension board?	95 - Scheme managers must publish the information required about the pension board and keep that information up-to-date. This will ensure that scheme members can easily access information about who the pension board members are, how pension scheme members are represented on the pension board and the responsibilities of the board as a whole.	Yes - on the Bath and North east Somerset Council website and by hyperlink via the Avon Pension Fund website.		

No.	TPR Requirement	Notes from TPR Code	Officer Assessment	Action	Due Date
D2	Does the Administering Authority publish other useful related information about the pension board?	<p>96 - When publishing information about the identity of pension board members, the representation of scheme members and matters for which the board is responsible, schemes should also publish useful related information about the pension board such as:</p> <ul style="list-style-type: none"> - the employment and job title (where relevant) and any other relevant position held by each board member - the pension board appointment process - who each pension board member represents - the full terms of reference for the pension board, including details of how it will operate, and - any specific roles and responsibilities of individual pension board members. 	<p>Yes - information is published on the Bath and North East Somerset Council website and by hyperlink via the Avon Pension Fund website. This includes details of members of the Board, the process for appointment, the terms of reference, the role specifications and links to all Board meeting agendas, papers and minutes.</p>		
D3	Is all the information about the Pension Board kept up-to-date?	<p>98 - Scheme managers must ensure that information published about the pension board is kept up-to-date. Schemes should have policies and processes to monitor all published data on an ongoing basis to ensure it is accurate and complete.</p>	<p>Yes - this is regularly reviewed by the Head of Business Finance and Pensions and Pensions Manager.</p>		

No.	TPR Requirement	Notes from TPR Code	Officer Assessment	Action	Due Date
D4	Does the Administering Authority public information about pension board business?	97 - Schemes should also consider publishing information about pension board business, for example board papers, agendas and minutes of meetings (redacted to the extent that they contain confidential information and/or data covered by the Data Protection Act 1998). They should consider any requests for additional information to be published, to encourage scheme member engagement and promote a culture of transparency.	Yes - links to all Board meeting agendas, papers and minutes are provided		
E1	Is there an agreed process for identifying and recording scheme risks?	106 - Before implementing an internal controls framework, schemes should carry out a risk assessment. They should begin by:- setting the objectives of the scheme- determining the various functions and activities carried out in the running of the scheme, and- identifying the main risks associated with those objectives, functions and activities.107 - An effective risk assessment process will help schemes to identify a wide range of internal and external risks, which are critical to the scheme and members. When identifying risks, schemes should refer to relevant sources of information, such as records of internal disputes and legislative breaches, the register of interests, internal and external audit reports and service contracts.108 - Once schemes have identified risks, they should record them in a risk register and review them regularly. Schemes should keep appropriate records to help scheme managers demonstrate steps they have taken to comply, if necessary, with legal requirements.	Yes - The Risk Register follows the Council's format for each service. It identifies the significant risks that could have a material impact on the Fund in terms of value, reputation, compliance or service provision and sets out the action taken to manage the riskThe Fund reviews all risks annually and the top ten risks and changes		

No.	TPR Requirement	Notes from TPR Code	Officer Assessment	Action	Due Date
			quarterly. The risk register is reported to the Pension Fund Committee on a quarterly basis.		

No.	TPR Requirement	Notes from TPR Code	Officer Assessment	Action	Due Date
E2	Does the Fund have an adequate process to evaluate risks and establish internal controls?	<p>109 - Not all risks will have the same potential impact on scheme operations and members or the same likelihood of materialising. Schemes should consider both these areas when determining the order of priority for managing risks and focus on those areas where the impact and likelihood of a risk materialising is high.</p> <p>110 - Many pension schemes will already have adequate internal controls in place, some of which may apply to a variety of the functions of the administering authority. Schemes should review their existing arrangements and procedures to determine whether they can prevent and detect errors in scheme operations and help mitigate pension scheme-related risks. For example, schemes could obtain assurance about their existing controls through direct testing or by obtaining reports on controls. Any such review should be appropriate to the outcome of the risk evaluation.</p> <p>111 - Schemes should consider what internal controls are appropriate to mitigate the main risks they have identified and how best to monitor them. For example, the scheme manager(s) for a funded scheme should establish and operate internal controls that regularly assess the effectiveness of investment-related decision making. Scheme managers for all pension schemes should establish and operate internal controls that regularly assess the effectiveness of data management and record-keeping.</p>	Yes - risks are assessed and prioritised using B&NES rating system based on impact and probability to rate them as either low, medium and high. Internal controls are annually tested by external and internal audit and reported to the Pension Fund Committee.		

No.	TPR Requirement	Notes from TPR Code	Officer Assessment	Action	Due Date
E3	Does the Administering Authority have a risk register to record all risks identified and action taken?	Schemes should use a risk register to record all risks. The risk register should contain: - details of the risks identified - the likelihood of the risk arising - the impact of the risk if it does arise - the actions taken to mitigate the risk - when mitigation action was taken - when the risk and mitigation should next be reviewed - who has responsibility for monitoring the risk, if it is not the scheme manager	Yes		

No.	TPR Requirement	Notes from TPR Code	Officer Assessment	Action	Due Date
E4	Does the Administering Authority review the effectiveness of the risk management and internal control systems of the Fund?	<p>101 - The scheme manager must establish and operate internal controls. These must be adequate for the purpose of securing that the scheme is administered and managed in accordance with the scheme rules and in accordance with the requirements of the law.</p> <p>A failure to have adequate internal controls may cause an administrative breach of the law.</p> <p>102 - For these purposes 'internal controls' means:</p> <ul style="list-style-type: none"> - arrangements and procedures to be followed in the administration and management of the scheme - systems and arrangements for monitoring that administration and management - arrangements and procedures to be followed for the safe custody and security of the assets of the scheme <p>103 - Internal controls should include:</p> <ul style="list-style-type: none"> - a clear separation of duties - processes for escalation and /decision making - documented procedures for assessing and managing risks, reviewing breaches of law and managing contributions <p>105 - The scheme's internal controls should address significant risks which are likely to have a material impact on the scheme. Scheme managers should employ a risk-based approach and ensure that sufficient time and attention is spent on identifying, evaluating and managing risks and developing and monitoring appropriate controls. They should seek advice, as necessary.</p>	Internal controls are tested annually by internal audit with recommendation made to Senior Managers. These reports are reviewed by Pension Fund Committee, Local Pension Board and the Audit Committee of Wiltshire Council. A risk register is also maintained identifying and managing risks to the Fund. This is reviewed quarterly by the Pension Fund Committee.		

No.	TPR Requirement	Notes from TPR Code	Officer Assessment	Action	Due Date
E5	Does the Administering Authority regularly review the risk register?		Yes		
E6	Is there a standing item on the Pension Board agenda to review scheme risks?	Establishing effective internal controls is not a one-off exercise and must take into account a changing environment as well as new and emerging risks. Procedures need to be in place to: - regularly monitor the effectiveness of internal control systems - ensure controls are kept up to date - ensure controls are capable of mitigating new and emerging risks	Yes		

No.	TPR Requirement	Notes from TPR Code	Officer Assessment	Action	Due Date
E7	Does the Administering Authority have adequate systems, arrangements and procedures (internal controls) in place for the administration and management of the Fund and are they documented ?	<p>101 - The scheme manager must establish and operate internal controls. These must be adequate for the purpose of securing that the scheme is administered and managed in accordance with the scheme rules and in accordance with the requirements of the law.</p> <p>A failure to have adequate internal controls may cause an administrative breach of the law.</p> <p>102 - For these purposes 'internal controls' means:</p> <ul style="list-style-type: none"> - arrangements and procedures to be followed in the administration and management of the scheme - systems and arrangements for monitoring that administration and management - arrangements and procedures to be followed for the safe custody and security of the assets of the scheme <p>103 - Internal controls should include:</p> <ul style="list-style-type: none"> - a clear separation of duties - processes for escalation and /decision making - documented procedures for assessing and managing risks, reviewing breaches of law and managing contributions <p>105 - The scheme's internal controls should address significant risks which are likely to have a material impact on the scheme. Scheme managers should employ a risk-based approach and ensure that sufficient time and attention is spent on identifying, evaluating and managing risks and developing and monitoring appropriate controls. They should seek advice, as necessary.</p>	There are documented procedures in place for all the key activities for the administration of the Fund. The administration system also uses a task management module which requires specific steps to be followed. These are kept under review by the Pensions Manager, Pension Benefits Manager, Pension Fund accountant and Technical & Compliance Manager in light of changes in regulations. Internal processes and		

No.	TPR Requirement	Notes from TPR Code	Officer Assessment	Action	Due Date
			are also regularly audited.		

No.	TPR Requirement	Notes from TPR Code	Officer Assessment	Action	Due Date
E8	Do these procedures apply equally to outsourced services, are internal controls reflected in contracts with third party providers and is there adequate reporting in relation to those controls?	119 - The legal requirements apply equally where a scheme outsources services connected with the running of the scheme. Providers should be required to demonstrate that they will have adequate internal controls in their tenders for delivering services. The requirements should be incorporated in the terms of engagement and contract between the scheme and service provider. Outsourced services may include, for example, the maintenance of records and data, calculation of benefits and investment management services. Where services are outsourced, scheme managers should be satisfied that internal controls associated with those services are adequate and effective.120 - An increasing number of service providers are obtaining independent assurance reports to help demonstrate their ability to deliver quality administration services. Schemes should ask their service providers to demonstrate that they have adequate internal controls relating to the services they provide. It is vital that schemes ensure they receive sufficient assurance from service providers. For example, the information from providers should be sufficiently detailed and comprehensive and the service level agreements should cover all services that are outsourced. Schemes should also consider including provisions in contracts for outsourced services requiring compliance with appropriate standards. This should help to ensure effective administration.	Yes - due diligence is carried out on all service providers at appointment and where appropriate. Within the investment scheme managers, all providers are assessed on appointment and reviewed annually thereafter.		

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F1	Do member records record the information required as defined in the Record Keeping Regulations and is it accurate?	<p>126 - Scheme managers must ensure that member data across all membership categories specified in the Record Keeping Regulations is complete and accurate. Member data should be subject to regular data evaluation.</p> <p>127 - Scheme managers must keep specific member data, which will enable them to uniquely identify a scheme member and calculate benefits correctly. This is particularly important with the establishment of career average revalue earnings (CARE) schemes. Scheme managers must be able to provide members with accurate information regarding their pension benefits (accrued benefits to date and their future projected entitlements) in accordance with legislative requirements, as well as pay the right benefits to the right person (including all beneficiaries) at the right time.</p>	Scheme member data is identified by a National Insurance number and unique member payroll ID.		

No.	TPR Requirement	Notes from TPR Code	Officer Assessment	Action	Due Date
F2	Does the Fund have the appropriate processes in place so employers can provide timely and accurate information?	<p>128 - Schemes should require participating employers to provide them with timely and accurate data in order for the scheme manager to be able to fulfil their legal obligations. Schemes should seek to ensure that processes are established by employers which enable the transmission of complete and accurate data from the outset. Processes will vary from employer to employer, depending on factors such as employee turnover, pay periods, number of employees who are members and the timing and number of payroll processing systems.</p> <p>129 - Schemes should seek to ensure that employers understand the main events which require information about members to be passed from the employer to the scheme and/or another employer, such as when an employee:- joins or leaves the scheme- changes their rate of contributions- changes their name, address or salary- changes their member status, and- transfers employment between scheme employers.</p> <p>130 - Schemes should ensure that appropriate procedures and timescales are in place for scheme employers to provide updated information when member data changes, for checking scheme data against employer data and for receiving information which may affect the profile of the scheme. If an employer fails to act according to the procedures set out above, meaning that they and/or scheme managers may not be complying with legal requirements, those under a statutory duty to report breaches of the law to the regulator under section 70 of the Pensions Act 2004 should assess whether there has been a relevant breach and take action as necessary.</p>	<p>The APF has implemented a Pensions Administration Strategy detailing requirements from both a Fund and employer perspective. This includes agreed SLA targets for performance monitoring and reporting. Via the APF website, employers have access to guidance for supplying information to the Fund. Comprehensive training is provided by the Fund on an ongoing basis to both new and existing scheme</p>		

No.	TPR Requirement	Notes from TPR Code	Officer Assessment	Action	Due Date
			employers on required procedures. The Fund has implemented a process to ensure employers data submissions can be monitored, reported and addressed appropriately.		

No.	TPR Requirement	Notes from TPR Code	Officer Assessment	Action	Due Date
F3	Does the Fund keep records of and reconcile transactions as required by the Record Keeping Regulations?	<p>131 - Schemes should be able to trace the flow of funds into and out of the scheme and reconcile these against expected contributions and scheme costs. In doing so, they will have clear oversight of the core scheme transactions and should be able to mitigate risks swiftly.</p> <p>132 - Scheme managers must keep records of transactions made to and from the scheme and any amount due to the scheme which has been written off. They should be able to demonstrate that they do so.</p>	<p>Reconciliations take place monthly for all key flow of funds in to the pension fund.</p> <p>Contributions are monitored and chased if not received with a escalation process in place.</p> <p>Transfers and pension strain on fund costs are reconciled on an ongoing basis.</p> <p>All amounts written off are approved in line with the current council policy.</p>		
F4	Are records kept of pension board meetings as required by the Record Keeping Regulations?	133 - Schemes must keep records of all pension board meetings. Schemes should also keep records of decisions made and key discussions, which may include topics such as compliance with policies in relation to the administration of the scheme. This will ensure there is a clear and transparent audit trail.	Yes		

No.	TPR Requirement	Notes from TPR Code	Officer Assessment	Action	Due Date
F5	Are records kept of decisions made by the pension board, outside of meetings as required by the Record Keeping Regulations?	<p>134 - Schemes must also record any decisions taken by members of the pension board other than at a pension board meeting, or by a committee/sub-committee of a pension board, including the date, time, and place of the decision and the names of board members participating in that decision.</p> <p>This will ensure that there is a clear and transparent audit trail of the decisions made in relation to the scheme.</p>	In the event of a decision made outside of a formal LPB , details of that decision, as required by the Record Keeping Regulations would be recorded and reported to the next ordinary meeting of the Board.		
F6	Are records retained for as long as they are needed?	<p>135 - Schemes should retain records for as long as is relevant for the purposes for which they are needed. It is likely data will need to be held for long periods of time. Schemes will need to keep some records for a member even after they have retired, ensuring that pension benefits can be settled for as long as they need to be paid. It is also important that schemes have in place systems and processes so they can keep records for the necessary amount of time.</p>	Yes. Member data is held on the pensions administration system, as well as a microfiche archive. In the event of system failure a DR process is in place and files are backed up daily.		

No.	TPR Requirement	Notes from TPR Code	Officer Assessment	Action	Due Date
F7	Does the Administering Authority have policies and processes to monitor data on an ongoing basis?	<p>136 - Schemes should have policies and processes that monitor data on an ongoing basis to ensure it is accurate and complete, regardless of the volume of scheme transactions. This should be in relation to all membership categories, including pensioner member data where queries may arise once the pension is being paid.</p> <p>137 - Schemes should adopt a proportionate and risk-based approach to monitoring, based on any known or historical issues that may have occurred in relation to the scheme's administration. This is particularly important for the effective administration of CARE pension schemes, which requires schemes to hold significantly more data than needed for final salary schemes.</p>	Monthly data extract and reconciliation takes place between Fund administration and four Unitary Authorities (representing 75% of scheme membership) via approved middleware solution. Data for all other membership categories is reconciled annually through the year -end process.		
F8	Does the Administering Authority carry out a data review at least annually?	138 - Schemes should continually review their data and carry out a data review exercise at least annually. This should include an assessment of the accuracy and completeness of the member information data held. Schemes should decide the frequency and nature of the review in light of factors such as the level of data quality, any issues identified and key scheme events.	Yes. The Fund carries out a thorough reconciliation of member data as part of the Year End Process. Issues with poor or incomplete		

No.	TPR Requirement	Notes from TPR Code	Officer Assessment	Action	Due Date
			data are flagged up and addressed with employers on an ongoing basis.		
F9	Is a data improvement plan in place which is being monitored with a defined end date?	141 - Where schemes identify poor quality or missing data, they should put a data improvement plan in place to address these issues. The plan should have specific data improvement measures which schemes can monitor and a defined end date within a reasonable timeframe when the scheme will have complete and accurate data.	Yes. The Fund administration carried out initial testing of core data as at 1st August 2015 identifying 99.13% completeness of data overall. Data improvement reports are updated monthly and reported to both Pensions Committee & LPB. The reports have been developed to demonstrate work undertaken on the correction of historic cases identified together	Continued reporting to LPB & Pensions Committee on quarterly basis.	Ongoing

No.	TPR Requirement	Notes from TPR Code	Officer Assessment	Action	Due Date
			with new cases identified during the reporting period.		
F10	Are processes and policies in place to reconcile scheme data with employer data?	142 - Schemes should ensure that member records are reconciled with information held by the employer, for example postal address or electronic address (email address) changes and new starters. Schemes should also ensure that the numbers of scheme members is as expected based on the number of leavers and joiners since the last reconciliation. Schemes should be able to determine those members who are approaching retirement, those who are active members and those who are deferred members.	Through agreed implemented middleware system, address changes are compared monthly and updated. New scheme starters are created and leavers are flagged. a full reconciliation accross all scheme employers is undertaken as part of the year end process.		

No.	TPR Requirement	Notes from TPR Code	Officer Assessment	Action	Due Date
F11	Do the Administering Authority's member data processes meet the requirements of the Data Protection Act 1998 and the data protection principles?	<p>143 - Schemes must ensure that member data processes meet the requirements of the Data Protection Act 1998 and the data protection principles.</p> <p>144 - In relation to data management, schemes should understand:</p> <ul style="list-style-type: none"> - the obligations of data controllers - the difference between personal data and sensitive personal data - how data is held and how responses to data requests from different parties are handled - the systems required to store, move and destroy data 	Yes - The Council supports the aims of the eight principles of the DPA and is committed to processing personal data in a manner which is compatible with these Principles.		
G1	Does the Fund have procedures and processes in place to identify payment failures?	<p>150 - The scheme manager should ensure that there are effective procedures and processes in place to identify payment failures that are – and are not – of material significance to the regulator. A 'payment failure' is where contribution payments are not paid to the scheme by the due date(s), or within the prescribed period and a 'materially significant payment failure' refers to a payment failure which is likely to be of material significance to the regulator in the exercise of its functions.</p> <p>151 - Schemes should monitor pension contributions, resolve payment issues and report payment failures, as appropriate, so that the scheme is administered and managed in accordance with the scheme regulations and other legal requirements.</p>	Payment contributions are monitored monthly, transfers are also reconciled and other outstanding payments are invoiced so that debtor recovery policy covers non payment.		

No.	TPR Requirement	Notes from TPR Code	Officer Assessment	Action	Due Date
G2	Do those processes and procedures include a contributions monitoring record to determine whether contributions are paid on time and in full?	152 - Adequate procedures and processes are likely to involve:- developing a record to monitor the payment of contributions- monitoring the payment of contributions- managing overdue contributions, and- reporting materially significant payment failures.156 - A contributions monitoring record will enable schemes to check whether contributions have been paid on time and in full, and, if they have not, provide a trigger for escalation for schemes to investigate the payment failure and consideration of whether scheme managers need to report to the regulator and, where relevant, members.157 - A contributions monitoring record should include the following information:- contribution rates- the date(s) on or before which employer contributions are to be paid to the scheme- the date by when, or period within which, the employee contributions are to be paid to the scheme- the rate or amount of interest payable where the payment of contributions is late.	Payment contributions are monitored monthly. Late payments are chased each month and a multi stage process implemented to address non payments.		

No.	TPR Requirement	Notes from TPR Code	Officer Assessment	Action	Due Date
G3	Do those processes and procedures include monitoring payments against the contributions monitoring record on an ongoing basis?	161 - Schemes should monitor contributions on an ongoing basis for all the membership categories within the scheme. Schemes should regularly check payments due against the contributions monitoring record.162 - Schemes should apply a risk-based and proportionate approach to help identify employers and situations which present a higher risk of payment failures occurring and which are likely to be of material significance and require the scheme manager to intervene.163 - Schemes should be aware of what is to be paid in accordance with the contributions monitoring record or other scheme documentation, which may be used by the pension scheme. Schemes should also have a process in place to identify where payments are late or have been underpaid, overpaid or not paid at all.164 - For schemes to effectively monitor contributions they will require access to certain information. Employers will often provide the payment information that schemes need to monitor contributions at the same time as they send the contributions to the scheme.165 - Schemes should have adequate internal controls in place to monitor the sharing of payment information between the employer, pension scheme and member. Where the necessary payment information is not automatically available or provided by employers, schemes should request the additional information they need. Schemes may not need to obtain payment information as a matter of course, only where it is required for effective monitoring.165 - Scheme managers must record and retain information on transactions, including any employer and employee contributions received and payments of pensions and benefits, which will support them	All contributions are monitored against the rates payable as per the Fund's actuary Rates & Adjustment certificate. The Fund also checks payments against the payroll data provided by the employer to ensure reasonableness and that they are paying the correct rate. Any discrepancies are then picked up with the employer.		

No.	TPR Requirement	Notes from TPR Code	Officer Assessment	Action	Due Date
		<p>in their administration and monitoring responsibilities.166 - Where the administration of scheme contributions is outsourced to a service provider, schemes should ensure that there is a process in place to obtain regular information on the payment of contributions to the scheme and a clear procedure in place to enable them to identify and resolve payment failures which may occur.</p>			

No.	TPR Requirement	Notes from TPR Code	Officer Assessment	Action	Due Date
G4	Are these procedures regularly reviewed to ensure they are effective?	171 - The regulator recognises that a monitoring process based on information provided by employers may not be able to confirm deliberate underpayment or non-payment, or fraudulent behaviour by an employer. Schemes should review current processes or develop a new process which is able to detect situations where fraud may be more likely to occur and where additional checks may be appropriate.	The process was reviewed in 2015 to be more compliant with TPR requirements and a more formal structure put in place for the chasing of late payments. The process is also subject to audit by internal and external audit.		

No.	TPR Requirement	Notes from TPR Code	Officer Assessment	Action	Due Date
G5	Do the Administering Authority's processes include managing overdue contributions in line with TPR's suggested approach?	<p>168 - When schemes identify or are notified of a problem, they should assess whether a payment failure has occurred before taking steps to resolve and, if necessary, report it. During their assessment, schemes should take into account:</p> <ul style="list-style-type: none"> - legitimate agreed payments made directly by an employer for scheme purposes, i.e. where the scheme has agreed that a contributions payment can be made late due to exceptional circumstances - legitimate agreed payment arrangements made between an employee and employer, i.e. where the employer has agreed that a contribution payment can be made late due to exceptional circumstances - contributions paid directly to a pension provider, scheme administrator or investment manager - any AVCs included with an employer's overall payment. <p>169 - Where schemes identify a payment failure, they should follow a process to resolve issues quickly. This should normally involve the following steps:</p> <ol style="list-style-type: none"> Investigate any apparent employer failure to pay contributions in accordance with the contributions monitoring record or legal requirements. Contact the employer promptly to alert them to the payment failure and to seek to resolve the overdue payment. Discuss it further with the employer as soon as practicable to find out the cause and circumstances of the payment failure. Ask the employer to resolve the payment failure and take steps to avoid a recurrence in the future. 	Yes as outlined above a process exists to address the late payments on contributions.	Reported quarterly to LPB & Pensions Committee	Ongoing

No.	TPR Requirement	Notes from TPR Code	Officer Assessment	Action	Due Date
G6	Does the Fund maintain a record of any investigations and communications with employers?	170 - Schemes should maintain a record of their investigation and communications between themselves and the employer. Recording this information will help to provide evidence of schemes' effective monitoring processes and could help to demonstrate that the scheme manager has met the legal requirement to establish and operate adequate internal controls. It will also form part of the decision of whether or not to report a payment failure to the regulator and, where relevant, members.	Correspondence is saved by responsible administration section, however not consolidated as correspondence under the same single employer. As agreed part of Pensions Admin Strategy system development required to manage employer information.	As agreed part of Pensions Admin Strategy; implement a document management system to manage employer information.	2016/2018
G7	Do employers provide sufficient information to monitor contributions and is this in accordance with the LGPS regulations?	164 - Employers will often provide the payment information that schemes need to monitor contributions at the same time as they send the contributions to the scheme, which may be required under the scheme regulations. Payment information may include:• the employer and employee contributions due to be paid, which should be specified in the scheme regulations and/or other scheme documentation• the pensionable pay that contributions are based upon (where required), and• due date(s) on or before which payment of contributions and other amounts are to be made.	Yes, employers submit monthly return electronically to allow the checking of contributions.		

No.	TPR Requirement	Notes from TPR Code	Officer Assessment	Action	Due Date
G8	Is there a satisfactory process in place to assess the materiality of any payment failures and ensure that those which are material are reported to the Regulator within a reasonable period?	<p>173 - Scheme managers must report payment failures which are likely to be of material significance to the regulator within a reasonable period, in the case of employee contributions; and as soon as reasonably practicable in the case of employer contributions</p> <p>174 - Where schemes identify a payment failure, they should attempt to recover contributions within 90 days from the due date or prescribed period having passed without full payment of the contribution.</p> <p>175 - While schemes are not expected to undertake a full investigation to establish materiality or investigate whether an employer has behaved fraudulently, schemes should ask the employer:- the cause and circumstances of the payment failure- what action the employer has taken as a result of the payment failure, and- the wider implications or impact of the payment failure.</p> <p>176 - When reaching a decision about whether to report, schemes should consider these points together and establish whether they have reasonable cause to report.</p> <p>177 - Having reasonable cause means more than merely having a suspicion that cannot be substantiated. Schemes should investigate the payment failure and use their judgement when deciding whether to report to the regulator.</p> <p>178 - Schemes may choose to take an employer's response to their enquiries at face value if they have no reason to believe it to be untrue or where their risk-based process indicates that there is a low risk of continuing payment failure. Where they receive no response, schemes may infer that an employer is unwilling to pay the contributions due.</p> <p>181 - Schemes should identify and report to the regulator, as appropriate, any payment failures that may not be of material significance taken individually, but</p>	The Fund has now implemented a Breaches Policy which feeds into the monitoring of contributions. Officers already consider the reasons for non-payment of contributions and those outstanding are reviewed monthly. The tPR guidelines now provide a framework for considering a reportable event and the Breaches Policy now outlines the process for reporting.		

No.	TPR Requirement	Notes from TPR Code	Officer Assessment	Action	Due Date
		<p>which could indicate a systemic problem. For example, an employer consistently failing to pay contributions by the due date or within the prescribed period, but paying within 90 days, may be due to inefficient scheme systems and processes. Schemes may also need to report payment failures that occur repeatedly and are likely to be materially significant to the regulator, depending on the circumstances.182 - Reporting payment failures of employer contributions as soon as 'reasonably practicable' means within a reasonable period from the scheme manager having reasonable cause to believe that the payment failure is likely to be of material significance to the regulator. Schemes should also consider whether it may be appropriate to report a payment failure of employer contributions to scheme members.183 - A reasonable period for reporting would be within ten working days from having reasonable cause to believe that the payment failure is likely to be of material significance. This will depend upon the seriousness of the payment failure and impact on the scheme. A written report should be preceded by a telephone call, if appropriate.184 - In the case of an employer failing to pay employee contributions to the pension scheme, if the scheme manager has reasonable cause to believe that the payment failure is likely to be of material significance to the regulator, the failure must be reported to the regulator and members within a reasonable period after the end of the prescribed period. A reasonable period for reporting to the regulator would be within ten working days and to members within 30 days of having reported to the regulator.</p>			

No.	TPR Requirement	Notes from TPR Code	Officer Assessment	Action	Due Date
G9	If the administration of contributions outsourced to a service provider, is there a process in place to obtain regular information on the payment of contributions to the scheme?	167 - Where the administration of scheme contributions is outsourced to a service provider, schemes should ensure that there is a process in place to obtain regular information on the payment of contributions to the scheme and a clear procedure in place to enable them to identify and resolve payment failures which may occur.	N/A		
H1	Has an annual benefit statement been provided to all active members within the required timescales?	<p>188 - Scheme regulations must require scheme managers to provide an annual benefit information statement to each active member of a DB scheme established under the 2013 Act or new public body scheme. The statement must include a description of the benefits earned by a member in respect of their pensionable service.</p> <p>189 - The first statement must be provided no later than 17 months after the scheme regulations establishing the scheme come into force (i.e. 31st August 2015). Subsequent statements must be provided at least annually after that date.</p>	Yes - The Fund has successfully implemented a 'Year End' project plan resulting in 99% of member ABS being distributed by 31 August deadline.	Year End project plan in place for 2015/16 statements	Aug-16
H2	Do these meet the legal requirements in relation to format?	190 - Statements must also comply with HM Treasury directions in terms of any other information which must be included and the manner in which they must be provided to members.	Yes - Compliant with published national guidance.	Year End project plan in place for 2015/16 statements	Aug-16

No.	TPR Requirement	Notes from TPR Code	Officer Assessment	Action	Due Date
H3	Has a benefit statement been provided to all active, deferred and pension credit members who have requested one within the required timescales?	<p>191 - Managers of a scheme must also provide a benefit statement following a request by an active, deferred or pension credit member of a DB scheme if the information has not been provided to that member in the previous 12 months before that request.</p> <p>193 - The information must be given as soon as practicable but no more than two months after the date the request is made</p>	Yes - as part of YE project plan all member categories have been issued with ABS within the required timescale.	Year End project plan in place for 2015/16 statements	Aug-16
H4	Does this meet the legal requirements in relation to format?	192 - These benefit statements must include information about the amount of benefits by reference to a particular date and how they are calculated. The full details depend on the type of member making the request.	Yes the legal requirements will be met as the LGA template was used as a model.		
H5	Has an annual benefit statement been provided to all members with AVCs within the required timescales?	194 - Managers of a scheme must provide a benefit statement to a member of a DC public service pension scheme, who is not an 'excluded person', within 12 months of the end of the scheme year. An 'excluded person' is a member or beneficiary whose present postal address and email address is not known to the scheme because the correspondence has been returned (in the case of postal correspondence) or has not been delivered (in the case of electronic correspondence).	Friends Life send the statements direct. Equitable Life send them to the Fund who mail these on. These were issued to the Fund in May 2015 and mailed out by the end of August (copies are also kept on		

No.	TPR Requirement	Notes from TPR Code	Officer Assessment	Action	Due Date
			the member records).		
H6	Do these meet the legal requirements in relation to format?	195 - The information which must be provided includes the amount of contributions (before any deductions are made) credited to the member during the immediately preceding scheme year, the value of the member's accrued rights under the scheme at a date specified by the managers of the scheme and a statutory money purchase illustration. The full detail of the information that must be provided is set out in the Disclosure Regulations 2013.	This is the responsibility of the AVC provider to ensure the statements contain all of the required information within the TPR code. Both friends Life & Equitable Life are aware of the requirements.		
H7	Is basic scheme information provided to all new and prospective members within the required timescales?	200 - Managers must disclose certain basic information about the scheme and the benefits it provides to a prospective member (if practicable to do so) or a new member. Where the manager has received jobholder information for the member or prospective member they must provide the information within a month of the jobholder information being received. Where they have not received jobholder information, they must provide the information within two months of the date the person became an active member of the scheme. 201 - Managers must also provide the information on	Each employer has been given the relevant information to issue to new and prospective members (available from APF website). The Fund currently doesn't have a process	To implement a check for employers to confirm information has been given to new and prospective members	Dec-16

No.	TPR Requirement	Notes from TPR Code	Officer Assessment	Action	Due Date
		request to a relevant person within two months of the request being made, except where the same information was provided to the same person or trade union in the 12 months before the request.	for checking that employers are providing this information		
H8	Does this meet the legal requirements in relation to format?	200 - As per Regulation 6 of the Disclosure Regulations 2013.	Unsure on this as we don't have details of each employers process	To implement a check for employers to confirm information has been given to new and prospective members and in which format	Dec-16

No.	TPR Requirement	Notes from TPR Code	Officer Assessment	Action	Due Date
H9	Is all other information provided in accordance with the legal timescales?	<p>196 - Under the Disclosure Regulations 2013, managers of a scheme must provide other information to members and others in certain circumstances (for example, on request). The Regulations set out the information which must be given, the timescales for providing such information and the methods that may be used. Not all information must be provided in respect of all public service pension schemes (there are some exemptions for specified public service schemes or according to the type of benefit offered), but information which scheme managers may need to provide includes: - information about the scheme that has materially altered - information about the constitution of the scheme- information about transfer credits- information about life styling (this requirement will not apply in respect of DB benefits in public service pension schemes)- information about accessing benefits, and- information about benefits in payment.</p> <p>197 - The detail of the information that must be provided to scheme members and others and any exemptions are set out in the Disclosure Regulations 2013. Managers must provide the required information, along with confirmation that members may request further information and the postal and email addresses to which a person should send those requests and enquiries</p>	<p>The majority of information is provided within the legal timescales however there are some enforced delays regarding transfers. Following Government Budget announcement in March 2016 - certain transfer have been put on hold pending revised transfer factors from GAD. The ability to meet the statutory timeframes is depends on the amount of work back logs. Recently there has been delays in processing</p>		

No.	TPR Requirement	Notes from TPR Code	Officer Assessment	Action	Due Date
			some leaver information due to volume of leavers reported at year End. Plans are in place to address this. There has also been delays in aggregation of benefit work mainly resulting from pending guidance nationally. Plans are now in place to address the resulting build up of outstanding work.		
H10	Is all other information provided in the format and methods required by law?	See above.	All information is currently sent to the person's last known postal address		

No.	TPR Requirement	Notes from TPR Code	Officer Assessment	Action	Due Date
H11	Where any information is only provided electronically (i.e. instead of any hard copy) does it comply with the legal requirements?	<p>203 - Generally, schemes may choose how they provide information to scheme members, including by post, electronically (by email or by making it available on a website) or by any other means permitted by the law. For benefit statements issued under the 2013 Act, HM Treasury directions may specify how the information must be provided. Where schemes wish to provide information required under the Disclosure Regulations 2013 by electronic means there are important steps and safeguards that must first be met. These include:- scheme members and beneficiaries being provided with the option to opt out of receiving information electronically by giving written notice to the scheme- managers being satisfied that the electronic communications have been designed: A) so that the person will be able to access and either store or print the relevant information and B) taking into account the requirements of disabled people- ensuring that members and beneficiaries who were members or beneficiaries of the public service pension scheme on 1 December 2010 (where the scheme had not provided information electronically prior to that date) has been sent a written notice (other than via email or website), informing them that: A) it is proposed to provide information electronically in the future and B) scheme members and beneficiaries may opt out of receiving information electronically by sending written notice.</p> <p>204 - Where schemes make information or a document available on a website for the first time, they must give notice (other than via a website) to the recipient. They must ensure that the notice includes:- a statement advising that the information is available on the website- the website address-</p>	N/a		

No.	TPR Requirement	Notes from TPR Code	Officer Assessment	Action	Due Date
		<p>details of where on the website the information or document can be read, and- an explanation of how the information or document may be read on the website.205 - When any subsequent information is made available on a website, managers of a scheme must give a notice (other than via a website) to recipients informing them that the information is available on the website. This notice will not be required where:- at least two documents have been given to the recipient by hand or sent to the recipient's last known postal address- each of those letters asks the recipient to give their electronic (email) address to the scheme and informs the recipient of their right to request (in writing) that information or documents are not to be provided electronically- a third letter has been given to the recipient by hand or sent to the recipient's last known postal address and includes a statement that further information will be available to read on the website and that no further notifications will be sent to the recipient and- the managers of the scheme do not know the recipient's email address and have not received a written request that information or documents are not to be provided to the recipient electronically.</p>			

No.	TPR Requirement	Notes from TPR Code	Officer Assessment	Action	Due Date
H12	Does the Administering Authority aim to design and deliver communications in a way that ensures scheme members are able to engage with their pension provision?	207 - Schemes should design and deliver communications to scheme members in a way that ensures they are able to engage with their pension provision. Information should be clear and simple to understand as well as being accurate and easily accessible. It is important that members are able to understand their pension arrangements and make informed decisions where required.	Yes, Officers sit on the national communications working group. The Communication Strategy outlines a range of communications from website and digital communications, newsletters, presentations and pension clinics to allow all scheme members to engage with the Fund.		
H13	Does the Administering Authority use a tracing service?	208 - Schemes should attempt to make contact with their scheme members and, where contact is not possible, schemes should carry out a tracing exercise to locate the member and ensure that their member data are up-to-date.	Yes - APF uses Trace Smart & Heirtrace as tracing agencies.		
I1	Has the Administering Authority put in place an internal dispute resolution procedure?	213 - Scheme managers must make and implement dispute resolution arrangements that comply with the requirements of the law and help resolve pensions disputes between the scheme manager and a person with an interest in the scheme.	Yes		

No.	TPR Requirement	Notes from TPR Code	Officer Assessment	Action	Due Date
12	Does the Administering Authority's process highlight or consider whether a dispute is exempt?	214 - Section 50(9) of the 1995 Pensions Act states that a dispute is exempt if: <ul style="list-style-type: none"> - proceedings have commenced in a court or tribunal - the Pensions Ombudsman has started an investigation - it is prescribed by regulations made by the Secretary of State. 	Not specifically although this is done informally. Discussions have been had with Pensions Ombudsman regarding cases. Other areas have not arisen but need to be covered	Need to review application forms to make sure applicant gives details of other actions being taken	Sep-16

No.	TPR Requirement	Notes from TPR Code	Officer Assessment	Action	Due Date
13	Does the information made available to applicants about the procedure clearly state the procedure and process to apply for a dispute to be resolved including:- who it applies to- who the specified person (stage 1) is - the timescales for making applications- who to contact with a dispute- the information that an applicant must include- the process by which decisions are reached?	215 - A person has an interest in the scheme if they:- are a member or surviving non-dependant beneficiary of a deceased member of the scheme- are a widow, widower, surviving civil partner or surviving dependant of a deceased member of the scheme- are a prospective member of the scheme- have ceased to be a member, beneficiary or prospective member or- claim to be in one of the categories mentioned above and the dispute relates to whether they are such a person.216 - Dispute resolution arrangements may require people with an interest in the scheme to first refer matters in dispute to a 'specified person' in order for that person to consider and give their decision on those matters. The specified person's decision may then be confirmed or replaced by the decision taken by the scheme manager after reconsideration of the matters.225 - If schemes decide to specify time limits, they should publish and make those time limits readily available to ensure that those with an interest in the scheme are aware that they must submit an application within a prescribed time limit.237 - Scheme managers must also provide the postal or email address and job title of the person to contact in order to make use of the internal dispute arrangements.239 - Schemes can decide what information they need from applicants to reach a decision on a disputed matter and how applications should be submitted. Schemes should ensure they make this information available to applicants.	Information is available on APF website or by request.The documentation and ewebsite details relates specifically to the requirements under the regulation as regards to who can applyThe process by which decisions are made are carried out in accordance withthe regulations.Adjudi cators are required to specify the process which will be specifically related to the case	Employers will be informed of their responsibilities in this area	Dec-16

No.	TPR Requirement	Notes from TPR Code	Officer Assessment	Action	Due Date
14	Has the Administering Authority ensured that employers who make first stage decisions also have IDRPs in place?		The IDRPs have been approved by Pension Committee Dec 15	The whole concept of Initial decisions and IDRPs cases will be explained to employers during this year	Dec-16
15	Are the timescales in the procedure adhered to including sending an acknowledgment on receipt of an application?	Note - For the LGPS, the timescales must be in accordance with the LGPS regulations.231 - Applicants must be notified of the decision made by a scheme manager and specified person (where applicable) within a reasonable time period after the decision has been made.230 - The regulator recognises that the circumstances of each dispute are different and decision times may vary. Schemes should be satisfied that the time taken to reach a decision is appropriate to the situation and be able to demonstrate this, if necessary.232 - Schemes should provide the applicant with regular updates on the progress of their investigation. They should notify the applicant where the time period for a decision is expected to be shorter or longer than the reasonable time period and let them know when they are likely to receive an outcome.239 - Schemes should send an acknowledgement once an application has been received.	Yes, a list of IDRPs cases are maintained by the Technical & Compliance Manager. The specific timescales are set out in the IDRPs. Applicants will be informed of progress and any delays with relevant explanation	All cases are monitored by APF whilst active	

No.	TPR Requirement	Notes from TPR Code	Officer Assessment	Action	Due Date
16	Does the Administering Authority notify and advertise the procedure appropriately?	<p>236 -Information about the IDR P must be communicated to:</p> <ul style="list-style-type: none"> - prospective members (if practicable) - scheme members who haven't already been given the information - members, or prospective members, when schemes receive jobholder information, or when a jobholder becomes an active member, in connection with automatic enrolment - certain people who request the information and haven't been given it in the previous 12 months <p>233 & 235 - The procedure should be:</p> <ul style="list-style-type: none"> - communicated in scheme documentation, e.g. a joining booklet - easily accessible, e.g. on the scheme website - within documents recording policy about the administration of the scheme. 	<p>Yes - on website link to complaints procedure in the contact us page. Information supplied in the brief guide to the scheme which is part of the Starter Pack and should be issued by Employer (or at least directed to the website) to all new members or employees that are auto-enrolled into the scheme</p> <p>All communications where a decision has been confirmed should give details of the procedure.</p>		

No.	TPR Requirement	Notes from TPR Code	Officer Assessment	Action	Due Date
17	Are the notification requirements in relation to TPAS and the Pensions Ombudsman being adhered to?	238 - In addition, scheme managers must provide information about TPAS and the Pensions Ombudsman at certain stages. Upon receiving an application for the resolution of a pension dispute, scheme managers (or the specified person) must make the applicant aware as soon as reasonably practicable that TPAS is available to assist members and beneficiaries of the scheme and provide contact details for TPAS. When notifying the applicant of the decision, scheme managers must also inform the applicant that the Pensions Ombudsman is available to investigate and determine complaints or disputes of fact or law relating to a public service pension scheme and provide the Pension Ombudsman's contact details.	Yes - on website All communications for decisions made by adjudicators are to include reference to both TPAS and the Pensions Ombudsman	Employers to be informed of their requirements	Dec-16
18	Does the Administering Authority regularly assess the effectiveness of its arrangements?	234 - Schemes should ensure that the effectiveness of the arrangements is assessed regularly and be satisfied that those following the process are complying with the requirements set, which includes effective decision making.	There is a review due after 1 year of the procedure being adopted to assess suitability	Undertake a review of the IDRP process	Mar-17
19	Does the Administering Authority regularly assess the effectiveness where employers carry out a stage one process?	234 - See above - this is particularly important where the arrangements require employers participating in the pension scheme to carry out duties as part of the process, for example where schemes have implemented the two-stage procedure and employers are acting as the specified person for the first stage.	Employers are given assistance on the processes where required	Part of Employer training on IDRP Once completed to then become part of any IDRP reviews carried out	Dec-16

No.	TPR Requirement	Notes from TPR Code	Officer Assessment	Action	Due Date
J1	Is the Administering Authority satisfied that those responsible for reporting reaches under the legal requirements and TPR guidance understand the requirements?	244 - Schemes should be satisfied that those responsible for reporting breaches are made aware of the legal requirements and this guidance. Schemes should provide training for scheme managers and pension board members. All others under the statutory duty to report should ensure they have a sufficient level of knowledge and understanding to fulfil that duty. This means having sufficient familiarity with the legal requirements and procedures and processes for reporting.	Yes - The Breaches Policy and Framework were approved in March 2016 by the Pension Fund Committee.		

No.	TPR Requirement	Notes from TPR Code	Officer Assessment	Action	Due Date
J2	Does the Administering Authority have appropriate procedures in place to meet their legal obligations for identifying and assessing breaches?	<p>245 - Identifying and assessing a breach of the law is important in reducing risk and providing an early warning of possible malpractice in public service pension schemes. Those people with a responsibility to report breaches, including scheme managers and pension board members, should establish and operate appropriate and effective procedures to ensure that they are able to meet their legal obligations. Procedures should enable people to raise concerns and facilitate the objective consideration of those matters. It is important that procedures allow reporters to decide within an appropriate timescale whether they must report a breach. Reporters should not rely on waiting for others to report.</p> <p>246 - Procedures should include the following features: - a process for obtaining clarification of the law around the suspected breach where needed- a process for clarifying the facts around the suspected breach where they are not known- a process for consideration of the material significance of the breach by taking into account its cause, effect, the reaction to it, and its wider implications, including (where appropriate) dialogue with the scheme manager or pension board- a clear process for referral to the appropriate level of seniority at which decisions can be made on whether to report to the regulator- an established procedure for dealing with difficult cases - a timeframe for the procedure to take place that is appropriate to the breach and allows the report to be made as soon as reasonably practicable- a system to record breaches even if they are not reported to the regulator (the record of past breaches may be relevant in deciding whether to report future breaches, for example it may reveal a systemic issue), and- a process for</p>	Yes - see policy		

No.	TPR Requirement	Notes from TPR Code	Officer Assessment	Action	Due Date
		identifying promptly any breaches that are so serious they must always be reported.			
J3	Are breaches being recorded in accordance with the agreed procedures?	246 - Procedures should include a system to record breaches even if they are not reported to the regulator (the record of past breaches may be relevant in deciding whether to report future breaches, for example it may reveal a systemic issue).	Yes - see policy		

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Bath & North East Somerset Council	
MEETING:	LOCAL PENSION BOARD
MEETING DATE:	19th May 2016
TITLE:	COMPLIANCE REPORT - PENSION FUND ADMINISTRATION (1) SUMMARY PERFORMANCE REPORT to 30 April 2016 (2) PERFORMANCE INDICATORS 3 MONTHS TO 30 April 2016 (3) TPR COMPLIANCE
WARD:	ALL
AN OPEN PUBLIC ITEM	
List of attachments to this report:- Appendix 1 Active members demographic as at 30 April 2016 Appendix 1a Employer/Member Ratio Appendix 2 Late payers report – up to 31 December 2015 Appendix 3 Balanced Scorecard : KPI's - 3 months to 30 April 2016 Appendix 3A Annex 1 & 2 Admin case workload status as at 30 April 2016 Appendix 4 Customer satisfaction – Feedback in the 3 months to 30 April 2016 Appendix 5 TPR – Data Improvement Plan – to 30 April 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 3 months to 30 April 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 3 months to 30 April 2016.
- 2.2 Progress on the Data Improvement Plan

3. Trends in Membership

3.1 **Appendix 1& 1a** 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. The increasing number of new smaller employers to the Fund as part of the fragmentation of the employer base (newly created Academies and Transferee Admitted Bodies) has a direct impact on the administration workload with increased movement between employers, especially within the education sector. Continued development of data reporting going forward will enable further understanding of the demographic nature of employer type and associated member make up as employers continue to evolve.

4. 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 period to 29th February 2016. There were a small number of late payments in the reporting period, none of which were of material significance. The Fund 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 3 Months to 30th April 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**. Reports are currently 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 September 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 30th April 2016 there were 5220 cases outstanding of which 44.06% represents actual workable cases and 55.94% 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 September 2016.

TASK WORKFLOW

- 6.2 A new member leaver form checking process has been introduced from March which will immediately flag employer data submission errors and omissions. It also addresses any issues at point of receipt enabling a prompt communication back with employers where necessary.
- 6.3 During the period to 30th April a total of 1623 leaver forms have been received with an average error rate of 35.6%. Reporting on types of errors and by employer is now possible. This will enable the Fund to analyse the data and work with employers to improve the quality of their leaver forms.
- 6.4 So far the biggest percentage of errors is from incorrect pay calculations and submitting blank leaver forms via Employer Self Service.
- 6.5 From feedback received from employers so far, the leaver form is being reviewed to improve the layout and provide more guidance notes for employers. Although a training course is already in place to teach employers how to submit leaver forms via ESS, the course is being reviewed to take employers through the leaver form in more detail and will include intensive training on pay calculations. Where necessary training at employer sites will also be offered.
- 6.6 From the data it has also been identified that some employers who have been trained to use ESS are still sending leaver forms via paper and this will be addressed with employers.

7. CUSTOMER SATISFACTION FEEDBACK IN 3 MONTHS TO 30th April 2016 – Retirements

- 7.1 **Appendix 4** reports on the customer satisfaction based on 21 questionnaires returned from members retiring from both active and deferred status (out of a total of 212 questionnaires issued in respect of the reporting period). 100% of deferred members rated the service as good or excellent, with 82% of actives rating the service as good or excellent.
- 7.2 In March the APF re-launched its member website, with an online customer service questionnaire for recent retirees. Therefore the next reporting period will begin to reflect the online survey results as the 'paper' format' is phased out.

8. 2016 YEAR END PROCESS

- 8.1 The Year End (YE) process is a statutory requirement for employers to provide the Fund with membership data. The data is used to provide members with their Annual Benefit Statement by the statutory deadline of 31st August and used by the Fund Actuary as part of the Tri-annual valuation process, which determines individual employer contribution rates.
- 8.2 The process began in November with initial communication to all employers reminding them about the process and their responsibilities. Four YE training sessions were held in January, February and March – these were well attended. These were supplemented by information factsheets, FAQs and website content. To assist employers APF produced specific data spreadsheets of their membership data that is held on our system. This was sent to employers in January. They were then asked to review and update if required. On 1 April a final updated spreadsheet was sent to employers, with a deadline of 30 April to return it with completed payroll

information. As of 30 April deadline 24 employers, from our 240+ employer base had not submitted their data.

- 8.3 A period of data cleansing is now underway. Significant dates are 30 June, for the YE data to be submitted to the Fund's Actuary, Mercers for the Triennial Valuation and 31 August for all active and deferred members to receive their Annual Benefit Statement. This year APF is also providing statements for the Avon Fire Service. Currently we are on track to fulfil these requirements.

BREACHES

- 8.4 As required under TPR Code of Practice No. 14 the Fund has implemented an approved Breaches Policy. Employers who have failed to meet set deadlines for the submission of data or for incomplete/incorrect data will be subject to further action under the policy. A detailed report will be included in the next paper to LPB and Pensions Committee

DATA PROTECTION

- 8.5 During the YE process there was a breach of data protection by the Fund administration resulting in membership data from one scheme employer being made available to another scheme employer. Details of the breach have been reported in accordance with council guidance and a full report on the breach and any subsequent outcome is currently pending with the Councils Information Officer and will be tabled at this meeting.

9 The Pensions Regulator Data Improvement Plan

- 9.1 Summary of Data Improvement Plan Data as at 30th April 2016 is shown below with a comprehensive breakdown attached in **Appendix 5**

Summary of Data Improvement Plan Data as at 30 April 2016

Data type	Cases brought forward	New cases in period	Completed in period	Outstanding	Completeness of date as % of membership
Actives	2365	233	1014	1584	99.51%
Deferred	4673	365	276	4762	98.86%
Pensioners	292	4	120	176	99.83%
Dependants	67	9	8	68	99.74%
Total	7397	611	1418	6590	99.49%

- 9.2 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. There has been a net reduction of 807 queries over the last quarter.
- 9.3 Over a 1000 errors have been corrected for active members over the period after a good response from employers resolving queries as part of their year end preparation, particularly in respect of starters and leavers from the year end exercise 2015. Work has also continued to trace deferred and pensioner members with missing addresses.
- 9.4 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.

10 EQUALITIES

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

11 CONSULTATION

- 11.1 None appropriate.

12 ISSUES TO CONSIDER IN REACHING THE DECISION

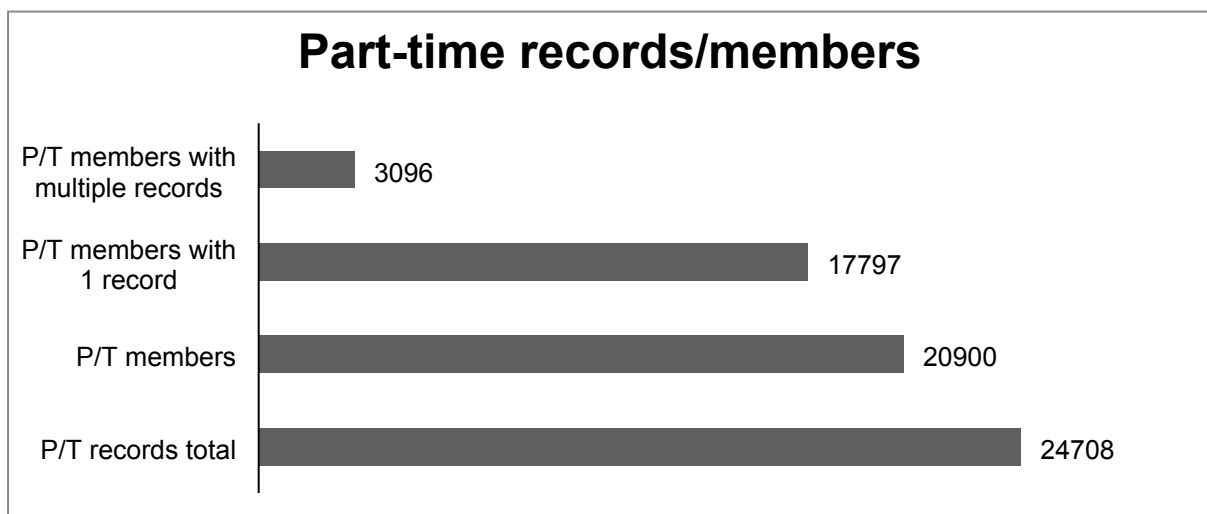
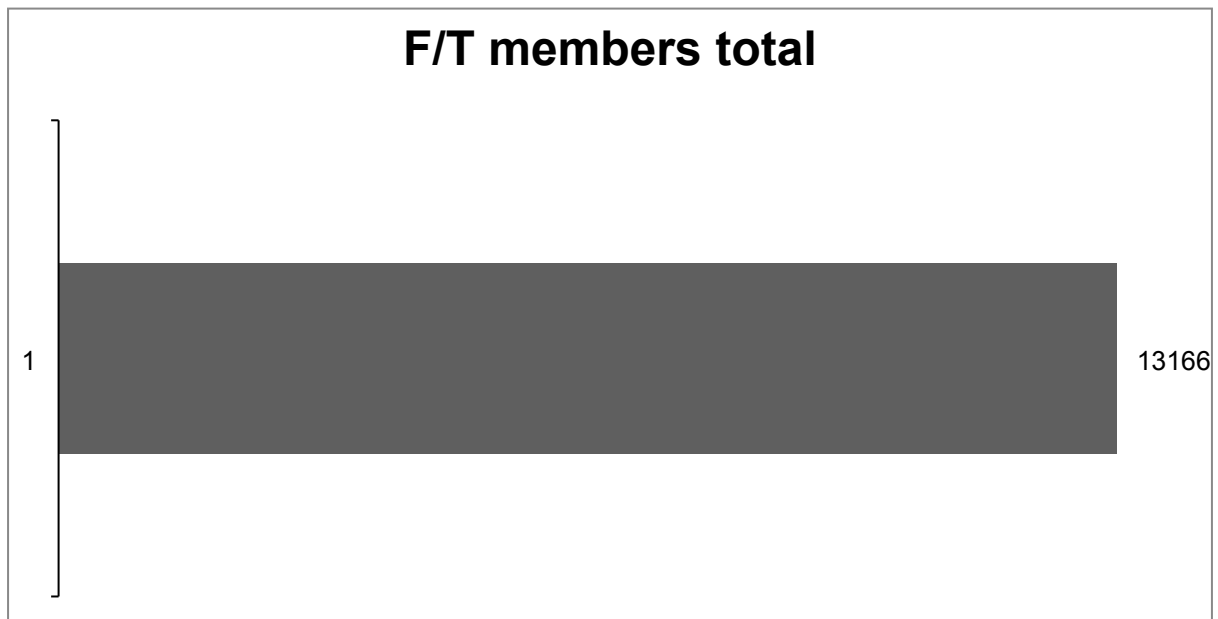
- 12.1 There are no other issues to consider not mentioned in this Report.

13 ADVICE SOUGHT

- 13.1 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.

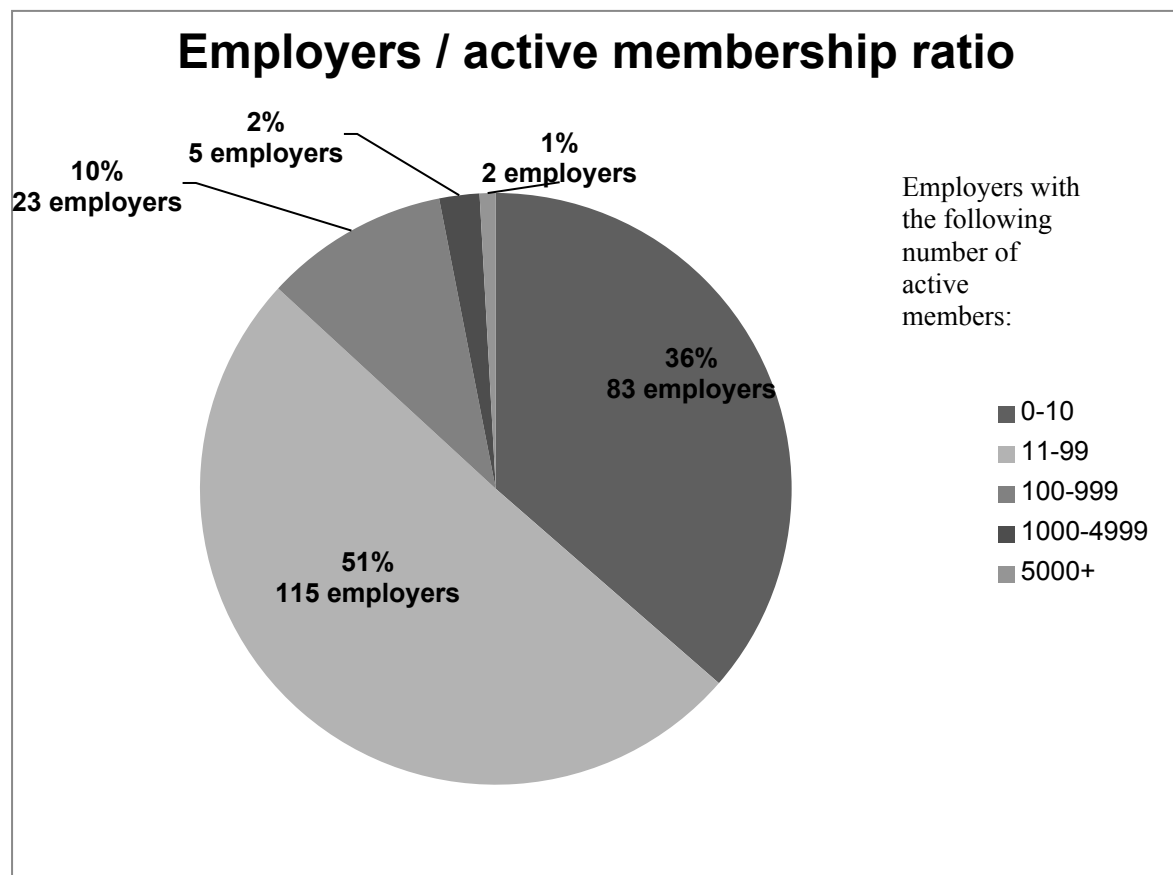
Contact person	Geoff Cleak, Acting Pensions Manager Tel: 01225 395277
Background papers	Various Statistical Records
Please contact the report author if you need to access this report in an alternative format	

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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	115
Number of employers with 0 - 10 members	83
Total	228



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APPENDIX 2

Employer	Payroll Month	Days late	Cumulative occasions	Amount	Significance	Reason / Action
Bristol Waste Company	January	8	3	26,358.97	Significant Value and days late.	Systems have now been put in place to avoid late payments in future.
STEINER ACADEMY	January	6	1	1,046.61	Significant days late.	They are having problems reconciling their contributions. The Fund are assisting in resolving these issues. They have been reminded of their obligation to pay by 22 nd of the month.
BATH TOURISM PLUS	February	13	2	2,674.90	Significant days late.	Oversight by employer. The company finance director will in future ensure that contributions are made on time.
Bristol Futures Academy	February	7	1	3,353.50	Significant days late.	An error in their BACS processing was not picked up until a week later.
Total Days		34		33,433.98		
Total Contributions in Period				19,485,778.66	Late Payments as Percentage of total 0.17% Late Payments from 4 out of a total of 228 employers	

All late payers are contacted and reminded of their obligations regarding the timing of payments. Where appropriate they are advised on alternative, more efficient methods of payment. Where material, interest will be charged on late payments at base rate plus 1% in accordance with the regulations.

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PENSIONS SECTION ADMINISTRATION

Key Performance Indicators

APPENDIX 3 to Pension Fund Administration Report at 30 April 2016

INDICATOR	Red Amber Green	2015/16 Actual	Target	Actual 3 Months to 30/04/2016	Comments
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A Customer Perspective

1	General Satisfaction with Service - retirees' feedback	G	97%	97%	94%	21 Responses Received from 212 Retirees (Appendix 4)
2	Service Standards - Processing tasks within internal targets (SLA)					
	Deaths	A	91%	92%	84%	12 of 14 Cases completed within target
	Retirements	A	89%	90%	76%	339 of 449 Tasks completed within target
	Leavers (Deferreds)	G	81%	75%	75%	807 of 1069 Tasks completed within target
	Refunds	G	82%	80%	86%	341 of 397 Tasks completed within target
	Transfers In	A	74%	75%	59%	10 of 17 Tasks completed within target
	Transfers Out	A	77%	75%	72%	51 of 71 Tasks completed within target
	Estimates	A	95%	90%	67%	572 of 857 Tasks completed within target
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	515114/292pcm		15,503	5168 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	n/a	none due this period
9	Annual Benefit Statements distributed by 31 August					Report due September 2016

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%	
	b) Long Term	G	0%	2%	0%	Ahead of corporate target of 5%

C Process Perspective

1	Services actually delivered electronically	G			12.1%	12.1% represents eligible users who have signed up to My Pension Online.
2	a) Active membership covered by employer ESS	G	72%	90%	75%	10,337 members now have electronic access.
	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%	A	30053 created 27944 cleared	<40%	44%	5925 created, 4747 cleared - see Appendix 3A Annex 1 & 2
5	Year End data receipt	G		100%	90%	217 out of 241 Submitted by initial deadline of 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%	

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Customer satisfaction (1 Feb 2016 – 30 Apr 2016)
Paper survey results

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

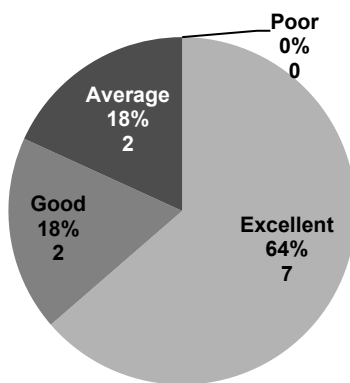
Active members

Number retiring	110
Questionnaires received	11
Response rate	10%

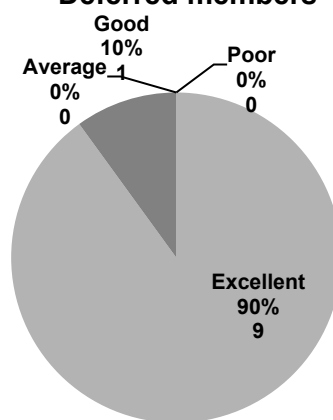
Deferred members

Number retiring	102
Questionnaires received	10
Response rate	10%

Active members



Deferred members



Online retirement questionnaire

In March the APF re-launched its member website, with an online customer service questionnaire for recent retirees. Therefore the next reporting period will begin to reflect the online survey results as the 'paper' is phased out.

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TPR Improvement Plan Data as at 30 April 2016

Data type	Cases brought forward	New cases in period	Completed in period	Outstanding	Completeness of date as % of membership
ACTIVES Total = 37012					
Addresses	364	99	80	383	98.97
Forename	3	0	1	2	99.99%
Surname	0	0	0	0	100%
Date of birth	2	2	2	2	99.99%
NI number	54	2	4	52	99.86%
Title	0	5	5	0	100%
Sex mismatch	13	25	21	17	99.95%
Format of hours	12	21	33	0	100.00%
Date joined					
Fund missing	0	0	0	0	100.00%
Payroll ref missing	122	6	65	63	99.83%
Casual hours missing	749	0	232	517	98.60%
Leaver forms missing	925	73	495	503	98.64%
Starters missing	121	0	76	45	99.88%
Total	2365	233	1014	1584	99.51%
DEFERREDS Total = 40815					
Addresses	3834	365	220	3979	90.25%
Forename	8	0	0	8	99.98%
Surname	0	0	0	0	100.00%
Date of birth	2	0	0	2	99.99%
NI number	2	0	0	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	0	0	0	0	100%
Historic refunds	827	0	56	771	98.11%
Total	4673	365	276	4762	98.86%

PENSIONERS Total = 24304					
Addresses	286	4	117	173	99.29%
Forename	4	0	2	2	99.98%
Surname	0	0	0	0	100.00%
Date of birth	0	0	0	0	100.00%
NI number	1	0	0	1	99.99%
Title	0	0	0	0	100.00%
Sex mismatch	1	0	1	0	99.99%
Total	292	4	120	176	99.83%
DEPENDANTS Total = 3745					
Addresess	41	2	2	41	98.91%
Forename	0	0	0	0	100.00%
Surname	0	0	0	0	100.00%
Date of birth	0	0	0	0	100.00%
NI number	25	5	3	27	99.34%
Title	0	0	0	0	100.00%
Sex mismatch	1	2	3	0	99.99%
Total	67	9	8	68	99.74%

Bath & North East Somerset Council		
MEETING:	Local Pension Board – Avon Pension Fund	
MEETING DATE:	19 th May 2016	AGENDA ITEM NUMBER
TITLE:	Training Update	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendix 1 – Training Requirements Template		
Appendix 2 – Self-Assessment Template		

1 THE ISSUE

- 1.1 The purpose of the report is to detail the two key templates the Board will use to summarise its training needs and which need to be finalised by end of May. Updates from Board Members are requested on progress through recent Training offered, completion of training logs and training needs assessments 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 and recommend completion of the templates.

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, November and February 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 were asked at the last meeting in February to complete their training logs in order that a needs assessment can be completed for the Board as a whole.
- 4.14 It is recommended individual board members retain their own training log to evidence how they are fulfilling their responsibilities and update these on a quarterly basis 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	

HOW DOES THE BOARD RATE THEIR KNOWLEDGE ON THE FOLLOWING AREAS	No Knowledge	A Little	Good	Skilled	Highly Skilled	Priority (H/M/L)	Member's Handbook	Members' Briefing Notes/ Board Papers (Electronic)	Short Seminars (At Board Meetings)	Internal Training Events (Internal & External Specialists)	External Conferences & Training Seminars (LGE Fundamentals etc)	The Pension Regulator Trustee Toolkit & E-Learning	COMPLETION TARGET DATE
1. Pensions Legislation													
A general understanding of the pension's legislative framework in the UK.													
An overall understanding of the legislation and statutory guidance specific to the scheme and the main features relating to benefits, administration and investment.													
An appreciation of LGPS discretions and how the formulation of the discretionary policies impacts on the pension fund, employers and local taxpayers.													
A regularly updated appreciation of the latest changes to the scheme rules.													

HOW DOES THE BOARD RATE THEIR KNOWLEDGE ON THE FOLLOWING AREAS	No Knowledge	A Little	Good	Skilled	Highly Skilled	Priority (H/M/L)	Member's Handbook	Members' Briefing Notes/ Board Papers (Electronic)	Short Seminars (At Board Meetings)	Internal Training Events (Internal & External Specialists)	External Conferences & Training Seminars (LGE Fundamentals etc)	The Pension Regulator Trustee Toolkit & E-Learning	COMPLETION TARGET DATE
2. Pensions Governance													
Knowledge of the role of the administering authority in relation to the LGPS.													
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.													
Knowledge of the role of the Scheme Advisory Board and how it interacts with other bodies in the governance structure.													
A broad understanding of the role of pension fund committees in relation to the fund, the administering authority, employing authorities, scheme members and taxpayers.													

HOW DOES THE BOARD RATE THEIR KNOWLEDGE ON THE FOLLOWING AREAS	No Knowledge	A Little	Good	Skilled	Highly Skilled	Priority (H/M/L)	Member's Handbook	Members' Briefing Notes/ Board Papers (Electronic)	Short Seminars (At Board Meetings)	Internal Training Events (Internal & External Specialists)	External Conferences & Training Seminars (LGE Fundamentals etc)	The Pension Regulator Trustee Toolkit & E-Learning	COMPLETION TARGET DATE
An awareness of the role and statutory responsibilities of the treasurer and monitoring officer.													
Knowledge of the Myners principles and associated CIPFA and SOLACE guidance.													
A detailed knowledge of the duties and responsibilities of pension board members.													
Knowledge of the stakeholders of the pension fund and the nature of their interests.													
Knowledge of consultation, communication and involvement options relevant to the stakeholders.													

HOW DOES THE BOARD RATE THEIR KNOWLEDGE ON THE FOLLOWING AREAS	No Knowledge	A Little	Good	Skilled	Highly Skilled	Priority (H/M/L)	Member's Handbook	Members' Briefing Notes/ Board Papers (Electronic)	Short Seminars (At Board Meetings)	Internal Training Events (Internal & External Specialists)	External Conferences & Training Seminars (LGE Fundamentals etc)	The Pension Regulator Trustee Toolkit & E-Learning	COMPLETION TARGET DATE
Knowledge of how pension fund management risk is monitored and managed.													
An understanding of how conflicts of interest are identified and managed.													
An understanding of how breaches in law are reported.													
3. Pensions Administration													
An understanding of best practice in pensions administration eg performance and cost measures.													

HOW DOES THE BOARD RATE THEIR KNOWLEDGE ON THE FOLLOWING AREAS	No Knowledge	A Little	Good	Skilled	Highly Skilled	Priority (H/M/L)	Member's Handbook	Members' Briefing Notes/ Board Papers (Electronic)	Short Seminars (At Board Meetings)	Internal Training Events (Internal & External Specialists)	External Conferences & Training Seminars (LGE Fundamentals etc)	The Pension Regulator Trustee Toolkit & E-Learning	COMPLETION TARGET DATE
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.													
Knowledge of how discretionary powers operate.													
Knowledge of the pensions administration strategy and delivery (including, where applicable, the use of third party suppliers, their selection, performance management and assurance processes).													

HOW DOES THE BOARD RATE THEIR KNOWLEDGE ON THE FOLLOWING AREAS	No Knowledge	A Little	Good	Skilled	Highly Skilled	Priority (H/M/L)	Member's Handbook	Members' Briefing Notes/ Board Papers (Electronic)	Short Seminars (At Board Meetings)	Internal Training Events (Internal & External Specialists)	External Conferences & Training Seminars (LGE Fundamentals etc)	The Pension Regulator Trustee Toolkit & E-Learning	COMPLETION TARGET DATE
An understanding of how the pension fund interacts with the taxation system in the UK and overseas in relation to benefit administration.													
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.													
4. Pensions Accounting & Auditing Standards													
An understanding of the Accounts and Audit Regulations and legislative requirements relating to internal controls and proper accounting practice.													

HOW DOES THE BOARD RATE THEIR KNOWLEDGE ON THE FOLLOWING AREAS	No Knowledge	A Little	Good	Skilled	Highly Skilled	Priority (H/M/L)	Member's Handbook	Members' Briefing Notes/ Board Papers (Electronic)	Short Seminars (At Board Meetings)	Internal Training Events (Internal & External Specialists)	External Conferences & Training Seminars (LGE Fundamentals etc)	The Pension Regulator Trustee Toolkit & E-Learning	COMPLETION TARGET DATE
An understanding of the role of both internal and external audit in the governance and assurance process.													
An understanding of the role played by third party assurance providers.													
5. Pensions Services Procurement & 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.													
A general understanding of the main public procurement requirements of UK and EU legislation.													

HOW DOES THE BOARD RATE THEIR KNOWLEDGE ON THE FOLLOWING AREAS	No Knowledge	A Little	Good	Skilled	Highly Skilled	Priority (H/M/L)	Member's Handbook	Members' Briefing Notes/ Board Papers (Electronic)	Short Seminars (At Board Meetings)	Internal Training Events (Internal & External Specialists)	External Conferences & Training Seminars (LGE Fundamentals etc)	The Pension Regulator Trustee Toolkit & E-Learning	COMPLETION TARGET DATE
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.													
An understanding of how the pension fund monitors and manages the performance of their outsourced providers.													
6. Investment Performance & 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.													

HOW DOES THE BOARD RATE THEIR KNOWLEDGE ON THE FOLLOWING AREAS	No Knowledge	A Little	Good	Skilled	Highly Skilled	Priority (H/M/L)	Member's Handbook	Members' Briefing Notes/ Board Papers (Electronic)	Short Seminars (At Board Meetings)	Internal Training Events (Internal & External Specialists)	External Conferences & Training Seminars (LGE Fundamentals etc)	The Pension Regulator Trustee Toolkit & E-Learning	COMPLETION TARGET DATE
An awareness of the Myners principles of performance management and the approach adopted by the administering authority.													
Awareness of the range of support services, who supplies them and the nature of the performance monitoring regime.													
7. Financial Markets & Products Knowledge													
An understanding of the risk and return characteristics of the main asset classes (equities, bonds, property etc).													
An understanding of the role of these asset classes in long-term pension fund investing.													

HOW DOES THE BOARD RATE THEIR KNOWLEDGE ON THE FOLLOWING AREAS	No Knowledge	A Little	Good	Skilled	Highly Skilled	Priority (H/M/L)	Member's Handbook	Members' Briefing Notes/ Board Papers (Electronic)	Short Seminars (At Board Meetings)	Internal Training Events (Internal & External Specialists)	External Conferences & Training Seminars (LGE Fundamentals etc)	The Pension Regulator Trustee Toolkit & E-Learning	COMPLETION TARGET DATE
An understanding of the primary importance of the fund's statement of investment principles and the investment strategy decision.													
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.													
An understanding of the limits placed by regulation on the investment activities of local government pension funds.													
An understanding of the limits placed by regulation on the investment activities of local government pension funds.													

HOW DOES THE BOARD RATE THEIR KNOWLEDGE ON THE FOLLOWING AREAS	No Knowledge	A Little	Good	Skilled	Highly Skilled	Priority (H/M/L)	Member's Handbook	Members' Briefing Notes/ Board Papers (Electronic)	Short Seminars (At Board Meetings)	Internal Training Events (Internal & External Specialists)	External Conferences & Training Seminars (LGE Fundamentals etc)	The Pension Regulator Trustee Toolkit & E-Learning	COMPLETION TARGET DATE
An understanding of how the pension fund interacts with the taxation system in the UK and overseas in relation to investments.													
8. Actuarial Methods, Standards & Practices													
A general understanding of the role of the fund actuary.													
Knowledge of the valuation process, including developing the funding strategy in conjunction with the fund actuary, and inter-valuation monitoring.													
An awareness of the importance of monitoring early and ill health retirement strain costs.													

HOW DOES THE BOARD RATE THEIR KNOWLEDGE ON THE FOLLOWING AREAS	No Knowledge	A Little	Good	Skilled	Highly Skilled	Priority (H/M/L)	Member's Handbook	Members' Briefing Notes/ Board Papers (Electronic)	Short Seminars (At Board Meetings)	Internal Training Events (Internal & External Specialists)	External Conferences & Training Seminars (LGE Fundamentals etc)	The Pension Regulator Trustee Toolkit & E-Learning	COMPLETION TARGET DATE
A broad understanding of the implications of including new employers into the fund and of the cessation of existing employers.													
A general understanding of the relevant considerations in relation to outsourcing and bulk transfers.													
A general understanding of the importance of the employer covenant and the relative strengths of the covenant across the fund employers.													

Self-Assessment Returns

Howard Pearce	Yes
David Yorath	
Steve Harman	
Tom Renhard	
Gaynor Fisher	Yes
Mark King	
Tony Whitlock	

Proposed Delivery Methods									
TRAINING NEED	Member's Handbook	Members' Briefing Notes	Short Seminar at Board Meetings	Internal Training Events	External Conferences & Training Seminars	Pension Regulator Trustee Toolkit & E-Learning	1-1 Briefing with an Officer	Target Date	Joint Training with Pension Committee
GENERAL TRAINING									
General Overview of LGPS									
Members individual needs on specific areas during the year									
New Members Induction Session									
Specific Items on Board Agenda									
SPECIFIC ISSUES FROM BOARD MEMBERS									
1. Legislation - Appreciation of LGPS Discretion Policies - Overview of all the relevant sources of legislation that impact on the Fund - Terms of Reference for Pension Committee, Investment Panel - Understanding the pensions UK Legislative framework in the UK & the main features relating to benefits, administration & investments - Update on consultations & changes to scheme legislation									
2. Governance - Understanding of conflicts of interest & how these are managed - Understanding framework for breaches reporting - Role of the Pension Regulator, National Scheme Advisory Board & Local Pension Board & Scheme Manager - How pension fund risk is monitored and managed									

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TRAINING NEED	Member's Handbook	Members' Briefing Notes	Short Seminar at Board Meetings	Internal Training Events	External Conferences & Training Seminars	Pension Regulator Trustee Toolkit & E-Learning	1-1 Briefing with an Officer	Target Date	Joint Training with Pension Committee
<p>6. Investment Performance & Risk Management</p> <ul style="list-style-type: none"> - Monitoring asset returns relative to liabilities and monitoring funding level risk - An awareness of the Myners principles of performance management and the approach adopted by the fund. - Awareness of the range of support services, who supplies them and the nature of the performance monitoring regime 									
<p>7. Financial Markets & Products</p> <ul style="list-style-type: none"> - Review of asset allocation and investment strategy and the role it plays in long terms investing - Limits placed by regulation on investment activities in the LGPS - Role of the Statement of Investment Principles & broad understanding of investment vehicles - Environmental, Social & Governance considerations for investing 									
<p>8. Actuarial Methods, Standards & Practice</p> <ul style="list-style-type: none"> - Review purpose of the Funding Strategy Statement - Triennial Valuation - Understanding importance of employer covenant strength across Fund - Understanding the role of the Actuary - Awareness of ill health retirement monitoring - Understanding of implications of new employers in the Fund and of cessation of existing employers - Consideration in relation to outsourcings and bulk transfers 									

Bath & North East Somerset Council		
MEETING:	Local Pension Board – Avon Pension Fund	
MEETING DATE:	19 th May 2016	AGENDA ITEM NUMBER
TITLE:	Pension Board – Annual Report 2016/17	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report: None		

1 THE ISSUE

- 1.1 The purpose of the report is to inform the Local Pensions Board (LPB) of the proposed structure of the annual report of the Board's activities for 2016/17, as required under its Terms of Reference.

2 RECOMMENDATION

- 2.1 The Local Pension Board is asked to note the report and comment on the proposed structure of the annual report and items which should be included.

3 FINANCIAL IMPLICATIONS

- 3.1 There are no direct financial implications relevant to this report.

4 THE REPORT

- 4.1 Under the Public Service Pensions Act 2013 and as part of its terms of reference the LPB is required to produce and publish an annual report to the Council on its work, including any breaches of the law by the fund, recommendations on process and governance, and it should be circulated to the fund members and employers, and S151 officer and Monitoring Officer.
- 4.2 Based on its Terms of Reference document it is proposed the LPB annual report will summarise the Board's establishment and activities over the past 12 months and briefly look forward to the proposed work plan for the forthcoming year.
- 4.3 Outlined below is the proposed structure and content for the Board's annual report for Members comment.
- 4.4 The proposed headings are as follows –

- Cover page and Contents on inside page;
- Independent Chairman's introduction;
- Legal basis of LPB and its Terms of Reference;
- Recruitment and appointment process of LPB members including any mini biographies in relation to their statutory responsibilities;
- LPB members register of interests and records of any declarations of interests and details of the management of any real or perceived conflicts of interest;
- LPB approved training plan and members training logs and future training needs;
- LPB Year 1 agenda/work plan and areas of initial review;
- LPB compliance with the Pension Regulator's (tPR) Code of Practice No.14;
- LPB views on key fund risks, areas of potential concern and any recommendations for the Administering Authority, and report on any breaches reported to the TPR;
- Summary of LPB communications;
- LPB costs for 2015-16 and budget for 2016-17;
- LPB forward look work plan to 2016-17;
- Assurance of the LPB Annual Report.

4.5 The intention is a draft LPB annual report will be presented to this Board meeting in July for approval. It would make sense for the LPN Annual Report to be included in the Fund's Annual Report but also to be made available separately on the Fund's website.

5 RISK MANAGEMENT

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

6. 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	

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Bath & North East Somerset Council		
MEETING:	LOCAL PENSION BOARD - AVON PENSION FUND	
MEETING DATE:	19 th May 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 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 In developing the Work Plan the views of the Board are vital in informing the nature, frequency and cyclical nature of items. 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	

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 - Risk Register 	Regular Items – <ul style="list-style-type: none"> - Conflicts of Interest - Training Plan - Work Plan - Avon Pension Fund Committee Minutes - LGPS Developments - Risk Register
	Terms of Reference	LGPS Developments & Updates	Compliance Report	Compliance Report	Compliance Report
	Role of Pensions Board	Training Plan	Breaches Policy	Benchmarking - Update	Annual Report of Avon Pension Fund
	Code of Conduct & Conflicts of Interest	Conflicts of Interest	Benchmarking Update	Avon Pension Fund Service Plan 16/17	Benchmarking – Update
	Training Plan & Work Plan	Regulatory Breaches	Avon Pension Fund Risk Register Review	External Audit Plans & Update	Final Annual Report of Board
	Avon Pension Fund Committee Minutes	Review of Avon Pension Fund	Pension Board Budget 2016/17	Draft Annual Report of Board	Communication Plan – Annual

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

		Annual Report 2014/15, Financial Statements & Summary of Audit Reports			Review
		Administration Strategy	Audit Update		Admin Authority Discretions – Annual Review
		Administration Performance Report			
		Compliance Report			
		Avon Pension Fund Work Plans			
		Work Plan			