

**Democratic Services**

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Date: 20 July 2016

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**To: All Members of the Pension Board**

Howard Pearce

Gaynor Fisher

Steve Harman

Mark King

Tom Renhard

David Yorath

Tony Whitlock

Chief Executive and other appropriate officers  
Press and Public

Dear Member

**Pension Board: Wednesday, 27th July, 2016**

You are invited to attend a meeting of the **Pension Board**, to be held on **Wednesday, 27th July, 2016 at 2.00 pm** 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.

To comply with the Data Protection Act 1998, we require the consent of parents or guardians before filming children or young people. For more information, please speak to the camera operator

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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 - Wednesday, 27th July, 2016**  
**at 2.00 pm 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 19TH MAY 2016 (Pages 7 - 16)
8. AVON PENSION FUND COMMITTEE: MINUTES OF THE MEETING OF THE 24TH AND 30TH JUNE 2016 (Pages 17 - 34)  
  
If the Board wishes to discuss the exempt minutes, it should resolve to go into exempt session.
9. AVON PENSION FUND COMMITTEE INVESTMENT PANEL: MINUTES OF THE MEETING OF 25TH MAY 2016 (Pages 35 - 44)  
  
If the Board wishes to discuss the exempt minutes, it should resolve to go into exempt session.
10. LGPS DEVELOPMENTS AND UPDATES (Pages 45 - 48)
11. COMMUNICATIONS STRATEGY (Pages 49 - 56)
12. RISK REGISTER (Pages 57 - 64)
13. COMPLIANCE REPORT (Pages 65 - 82)

14. ANNUAL REPORT (Pages 83 - 98)

15. TRAINING PLAN (Pages 99 - 118)

16. WORK PLAN (Pages 119 - 124)

17. DATE OF NEXT MEETING

The next meeting is scheduled for 2<sup>nd</sup> November 2016 at 2 p.m.

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, 19th May, 2016

**Present:-** Howard Pearce (Chair), Gaynor Fisher (Employer Representative), Steve Harman (Employer Representative), Tom Renhard (Member Representative), Mark King (Member Representative), Tony Whitlock (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), Geoff Cleak (Pensions Benefits Manager), Steve Makin (Communication and Public Relations Manager) and Julie Masci (Grant Thornton)

**52 EMERGENCY EVACUATION PROCEDURE**

The Democratic Services Officer read out the procedure.

**53 APOLOGIES FOR ABSENCE**

There were none.

**54 DECLARATIONS OF INTEREST**

There were none.

**55 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR**

The Chair welcomed new Members Mark King (Member Representative) and Tony Whitlock (Employer Representative) to their first meeting of the Board.

The Chair informed the Board that he had recently attended an LGPS national conference at which there had been several sessions to allow chairs of Local Pension Boards to share information. The following had emerged in discussion:

- The terms of reference of LPBs vary quite widely.
- LPBs have differing number of members, though all are balanced 50/50 between employer and member representatives.
- All LPBs are working out their roles and responsibilities; all are training their members, though with differing degrees of intensity.
- Some LPB chairs interpret “assisting” the administration authority in the same way as the Avon Board did; some see the LPB as exercising a hard audit function; some want the LPB to undertake projects on things that their local committee could not or did not have the time to do.

- It was felt that national guidance did not cover the practical running of an LPB; the final session agreed that a note clarifying good practice should be prepared and circulated nationally.

The Chair said he felt that he come away feeling that the Avon Board was doing essentially the right things, and was acting in the spirit of the regulations and guidance.

Ms Masci drew attention to a Grant Thornton publication entitled *Stronger futures: development of the LGPS: improving governance in local government pension schemes* (<http://www.grantthornton.co.uk/insights/stronger-futures-development-of-the-lgps/>), which has a section on LPBs.

## **56 ITEMS FROM THE PUBLIC**

There were none.

## **57 ITEMS FROM MEMBERS**

There were none.

## **58 MINUTES OF 25 FEBRUARY 2016**

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

A Member asked about progress on the issue of whether Members of the Board are covered by council indemnity insurance (minute 40). The Head of Business, Finance and Pensions replied that the question had been put to the Council's insurers, who had replied that their initial view was that they are. There is a lack of clarity in the legislation, but he would continue to try to resolve this with internal legal and Council insurers and report back.

The Chair said that this issue had been discussed at the LGPS conference, from which it had emerged that some councils had extended their indemnity insurance to cover LPB members, while others had received legal advice that this could not be done because LPBs are not council committees. Some chairs had suggested that a letter be sent to the National Scheme Advisory Board, which had first raised the issue, asking them to resolve the ambiguity, either by establishing a national insurance policy or by giving clear guidance. He thought that it would some time before the situation was clarified nationally. Overall it was felt that the risk to members was low as they were a non-decision making body.

A Member referred to the discussion the Breaches Procedure and asked how the overpayment of contributions by Bristol City Council (Meeting of 5 November 2015, Minute 27) would be treated. The Head of Business, Finance and Pensions explained that the overpayment had come to light during the accounts closing process; it was something that should not happen again. The Chair said that if something similar did happen in the future, it would potentially be a breach and the Board would have to take a view on it. A Member noted that the Pensions Committee had not adopted the recommendation from the Board that serious breaches should be notified to TPR "immediately" (APF Committee meeting of 18



March 2016, Minute 80). The Chair noted that the word “immediately” was not actually used in TPR guidance. The Head of Business, Finance and Pensions said that it had to be decided what was to be reported and when it was to be reported; it was important not to prejudice ongoing investigations. The Chair suggested that a distinction should be made between “informing” and “reporting”. The Strategic Director of Resources suggested that the word “urgently” might be more appropriate than “immediately”, as it would allow for the need to carry out a local investigation.

## **59 MINUTES OF AVON PENSION FUND COMMITTEE AND THE INVESTMENT PANEL**

### **A. Avon Pension Fund Committee, Minutes of the Meeting of 18 March 2016**

The Chair suggested that issues about pooling (Minute 73) should be taken under the next agenda item.

Minute 74: Review of Investment Policy, including Socially Responsible Investment (SRI): It was noted that this had been delayed because of the need to give priority to pooling. The Head of Business, Finance and Pensions said the Investment Policy was due to come before the Committee in March 2017. In response to a question from a Member, he said that the extent to which SRI policy could take account of environmental concerns needed to be reviewed in relation to the Fund’s fiduciary duty to maximise risk-adjusted returns to benefit Fund members. The Strategic Director of Resources suggested that the role of the Board was to focus on how the APF formed its policies, not necessarily on whether it agreed with them or not. The Chair said that the Government was going to issue new investment regulations and guidance on the investment policy statement. It would be appropriate in due course for the Board to review the extent to which the APF investment policy was complying with these.

### **B. Avon Pension Fund Committee Investment Panel, Minutes of the Meeting of 24<sup>th</sup> February 2016**

No issues were raised.

Members suggested that the minutes for an exempt item ought to make it clear what the rationale was for taking that item in exempt session.

Members agreed that they wished the minutes of the APF Committee and the Investment Panel to continue to be circulated with agendas. The Chair said that some LPBs were not reviewing the minutes of their committees. He thought that the Avon Pension Board had a good process in place with excellent information sharing arrangements. Responding to a question from a Member, he said that Board Members could attend meetings of the APF Committee and the Panel as observers and vice versa.

**RESOLVED** to note the minutes of the APF Committee and Investment Panel for 18 March 2016 and 24 February 2016 respectively.

## **60 LGPS UPDATES AND DEVELOPMENTS**

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

For the benefit of the two new Members of the Board he explained the Government's requirement that LGPS funds pool their assets and for the pools to demonstrate a capacity to invest in infrastructure. He gave a resume of the steps taken by the Avon Fund and its partners in Project Brunel to prepare proposals for submission to the Government in July. Project Brunel was proposing a Joint Oversight Board and an investment operations company jointly owned by the member funds. The Joint Oversight Board would have an independent Chair. The Avon Pension Fund Committee has the power to accept or reject Project Brunel's proposals.

The Avon Fund already invested in infrastructure and could invest more, but there was a shortage of infrastructure projects which could generate cash flow.

The Chair commented that the Board's only remit in relation to these proposals is to review compliance with regulations and the TPR code and to consider whether there is efficient and effective governance. It was in the area of governance that that the greatest risk would lie, because public sector pension funds would be owners of a private sector investment company. What would be the relationship between the funds and the company, and which would be the dominant party? The Board should advise the Committee to be sure that it was comfortable with the governance arrangements. He suggested that in due course the Board should examine how the APF Committee, the Oversight Board, the investment company and the Government interacted.

A Member noted that the APF Committee minutes did record concerns about governance arrangements, and he hoped these would be addressed before the Committee was asked to sign off the proposals. The Head of Business, Finance and Pensions said that the members of the APF Committee were being regularly updated about developments. A Member asked about progress on scheme member representation. The Head of Business, Finance and Pensions said that the Shadow Oversight Board was established in the expectation that there would be a period of transition to the final governance structure. There were issues, including scheme member representation, union representation and independent representation, which remained to be resolved. The priority had been to establish the investment company, which would be one of the largest in the country.

The Chair summed by saying that the message of the Board to the Committee was to focus on governance for the sake of the Fund and the scheme members.

**RESOLVED** to note the report and latest developments.

## **61 EXTERNAL AUDIT PLAN**

Ms Masci presented the report.

She explained that

- The responsibilities of external auditors are prescribed by the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.
- The appointment of auditors to public sector bodies is regulated by Public Sector Audit Appointments Ltd.
- The Avon Pension Fund accounts are incorporated in their entirety within the accounts of Bath and North East Somerset Council.
- There are separate audits for the Pension Fund accounts and the Council's accounts.

She explained that the external auditor is required to give an opinion on whether the annual accounts have been prepared in accordance with proper procedures as defined by CIPFA and international standards, and whether they are full, fair and free of material misstatements. There is also CIPFA guidance about what pension funds should include in their Annual Reports by way of financial and other information. The sole responsibility of the external auditor in relation to the Annual Report is to state whether or not any financial information it contains is consistent with the Accounts. They do, however, study the other information in the Annual Report to see whether it is consistent with their understanding of what was happening in the Fund during the year, and if it was not they would draw attention to that fact. Grant Thornton works for a number of other local authority pension funds, so was in a position to brief funds about what was happening across the sector.

She then commented on the Audit Plan for Avon Pension Fund, attached as Appendix 1 to the report. She drew attention to the statement about materiality on page 8 of the Plan and the information about risks on pages 9-11. She explained that audit fees were set nationally by Public Sector Audit Appointments Ltd.

A Member asked how pooling would affect the audit of the Fund. Ms Masci explained that the new investment company would have to appoint its own auditors, whose reports would be relevant to the work of the Fund's auditors. The external auditor already reviewed the reports issued by the auditors of the investment managers used by the Fund in order to understand what controls were in place within those managers. A Member asked about the role of the external auditor in relation to manager and transaction costs. Ms Masci explained that it was not for the external auditor to express a view on the reasonableness of those costs, but merely to ensure that they were recorded accurately.

The Chair summed up by saying that the work of the external auditor was extremely important in relation to the role of Board. However, the terms of appointment of the auditors did not at present require them to assess Funds against CIPFA best practice guidance for the LGPS. He would like to see the audit contracts for LGPS funds stipulate that the auditors must assess whether fund accounts were prepared in accordance with LGPS-specific guidance. This was something he was pursuing at the national level. The National Board did not think this was an urgent issue in the light of their other priorities and the fact that for the last three years audits had not raised any material issues for any of the 89 LGPS funds.

**RESOLVED** to note the Audit Plan for the financial year ended 31 March 2016.

## **62 AVON PENSION FUND SERVICE PLAN**

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

He said that there were significant challenges facing the Fund over the next three years including:

- the transition to pooling
- a potentially very large increase in the number of employers in the Fund as schools convert to academies
- the valuation, which is taking place at a time when bond yields are low, necessitating a focus on the Fund's liabilities and liability-driven investment

A Member suggested that it would be helpful to the Fund if new academies joined or formed trusts, as this would reduce the number of new employers. The Head of Business, Finance and Pensions responded that there was still uncertainty about the financial relationship between an academies trust and the individual academies in the trust. Legal advice was being sought about this. There was a risk that the Fund was not protected from the failure of an academy. The Government had not stated clearly the extent to which it would provide guarantees for academies.

A Member asked about staff turnover. The Acting Pensions Manager said that over the last eighteen months about a dozen staff had left for jobs in the private sector. Backfilling and restructuring had taken place. An effort would be made to get the salaries right and make posts more attractive.

The Chair commended officers for a thorough Service Plan. He said that it was important that resources were maintained to ensure efficient delivery of the service.

The Communications and Public Relations Manager gave a presentation about the Avon Pension Fund's new website at <http://www.avonpensionfund.org.uk/>.

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

## **63 AVON PENSION FUND RISK REGISTER**

The Acting Pensions Manager presented the report.

He explained that the format of the Pension Fund Risk Register was that specified by the Council for all service risk registers and could not be varied.

He said that APF Committee reviewed the Risk Register quarterly.

The Chair said that all Pension Boards were reviewing their funds' risk registers and were all focussing on the most serious risks. The chair of one Board was checking

whether actions were being implemented. He thought the Board should monitor check how long issues were listed as risks and whether risk levels were increasing or decreasing. The Head of Audit West drew attention to the trend column in the Top 10 Risk Summary, which showed the risk level for each item in the three previous periods and to the column providing a commentary on the current status of action plans. The Chair said that the Board should also keep an eye out for risks that were not listed on the Register. He asked whether pooling and its governance should be listed as a specific risk. The Head of Business, Finance and Pensions said that pooling involved a bundle of separate risks that would need to be dealt with specifically. At the present time it was known that there were risks associated with pooling, some of which would depend on the Government's response to the proposals. The major risk components of pooling were not yet known.

The Chair suggested that pooling increased the resourcing risk for the Fund, because key officers might leave the Fund to work for the company running the pool; intelligent clients in the Fund could be lost to the pool and this should be incorporated into the risk register.

**RESOLVED** to note the report.

#### **64 BENCHMARKING UPDATE**

The Acting Pensions Manager presented the report.

A Member suggested that the next time benchmarking was to be considered by the Board a summary report should be prepared; Appendix 2 was rather unwieldy. The Chair said that all Pension Boards were considering benchmarking and it formed a crucial part of the Board's role. The complete picture was set out in Appendix 2 He noted that most of the actions in Appendix 2 had a December deadline, and suggested that the next report should be a summary update on what and had not been completed. A Member suggested that a Red, Amber, Green format for the report would be useful. The Chair agreed. He thought that only about 10 items had ongoing actions. He asked officers to review compliance in relation to the disclosure regulations, where the Fund was only partially compliant. He did understand that further action was required from employers in this area rather than from the central administration of the Fund.

The Chair suggested that the Board should review progress on benchmarking at the November meeting, which was closer to the December deadline than the July meeting.

**RESOLVED** to note the outcome of the benchmarking exercise and review of TPR's Code of Practice.

#### **65 COMPLIANCE REPORT**

The Acting Pensions Manager presented the report.

He said that on 29<sup>th</sup> April a document had been received containing 22 sets of guidance from the Government Actuary's Department, a number of which required

changes to be backdated. Implementation of some these would require changes to software. There would be a delay of several months before the Fund's software supplier would be able to install the updates. The impact is on an area of administration work where there was already a backlog, namely transfers in and out of the Fund. On 16th March as part of the Chancellors Budget the Government announced a change to the SCAPE rate, which impacts on transfers in and out and on those buying additional pension benefits. Quotes could not be produced automatically at present. Very lengthy manual calculations were sometimes necessary in order to produce quotes.

He reported on software improvements in the pipeline, which would allow the production of more informative performance reports containing local and national benchmarking figures.

He drew attention to the data breach described in paragraph 8.5 of the report. The Head of Business, Finance and Pensions said that the breach had been due to human error; certain aspects of process had been changed, so that a similar breach should not occur in the future. The Chair said that he had seen the report on the data breach, which had been thoroughly investigated and it was not material. The report could be copied to Members if they wished to see it.

A Member asked whether, given the complexity of calculating quotes and the increased possibility of error, whether the Fund would be bound by an erroneous quote. The Head of Business, Finance and Pensions said that it would, unless there was something fundamentally wrong with the information provided by the scheme member; quotes were checked before they were confirmed. The Chair said that if the administrators of the Fund knew there was an error, they should correct that error, whether the consequences were positive or negative for the pensioner.

A Member raised the issue of the provision of information to the Fund by academies. The Acting Pensions Manager said officers were in dialogue with all employers about the timely provision of accurate information. The Chair said that the Board would certainly consider the issue of employer data in the future. He expected that there would be an exceptions report arising from the valuation process, which would give details of any employers who had not provided the data that they were required to.

**RESOLVED** to note:

1. Performance Indicators and Customer Satisfaction feedback for 3 months to 30 April 2016.
2. Progress on the Data Improvement Plan.

## **66 TRAINING UPDATE**

The Head of Audit West presented the report. He said that it was important that Board Members kept their training logs up to date. The two templates attached to the agenda should be used by Members in future. Three Members had so far completed their logs. It was important that logs were completed now, so that the information could be included in the Board's Annual Report.

The Members who had not submitted their training logs promised to do so.

The Chair urged Members who had not done so to complete the TPR online training course.

**RESOLVED** to note the report.

## **67 ANNUAL REPORT**

The Head of Audit West presented the report.

He asked Members to note the proposed structure of the Annual Report as described in paragraph 4.4 of the report. He, Fund officers, and the Chair would produce a draft report for consideration at the next meeting of the Board. He suggested that the Annual Report should not just be a list of the things that the Board had done, but should explain the context and give an idea of how the Board thought it should develop in the future.

A Member suggested that the Annual Report should describe the outputs of the Board and what the impact of those outputs had been. He also suggested that the draft Annual Report should be circulated to Members before the meeting agenda was published, so that Members would have an opportunity to feed in comments.

The Chair said that it was important that the Annual Report appeared relevant to scheme members, as the ultimate purpose of the Board was to ensure that they were paid their pensions.

**RESOLVED** to note the report.

## **68 WORK PLAN**

The Head of Audit West presented the report.

A Member suggested that there should be a joint meeting of Pension Boards in the South West in 6-12 months' time. The Head of Business, Finance and Pensions responded that it would be helpful if Pension Boards adopted a common approach, and that a joint meeting of Pension Board chairs could facilitate this.

The Chair said that the Pensions and Lifetime Savings Association (formerly called the National Association of Pension Funds) were organising a number of courses aimed at Pension Board members. He would arrange for information about these to be circulated to Members. He suggested that a training session on the governance of the pool would be useful for Members.

The Chair agreed with a Member that the Board should monitor how its own performance against regulatory requirements and TPR guidance, just as the Fund was doing, and that some form of checklist would help in this regard.

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

**69 DATES OF FUTURE MEETINGS**

The dates of future meetings were noted 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 meeting ended at 1.03 pm

Chair(person) .....

Date Confirmed and Signed .....

**Prepared by Democratic Services**



Bath and North East Somerset Council

**AVON PENSION FUND COMMITTEE**

**Minutes of the Meeting held**

Friday, 24th June, 2016, 11.00 am

**Bath and North East Somerset Councillors:** David Veale (Chair), Christopher Pearce (Vice-Chair), Cherry Beath, Shaun Stephenson-McGall and Lisa O'Brien

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

**Co-opted Non-voting Members:** Steve Paines (Trade Unions) and Wendy Weston (Trade Unions)

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

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

**1 EMERGENCY EVACUATION PROCEDURE**

The Democratic Services Officer read out the procedure.

**2 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS**

Apologies were received from Cheryl Kirby.

**3 DECLARATIONS OF INTEREST**

There were none.

**4 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR**

The Chair welcomed Cllr Lisa O'Brien to her first formal meeting of the Committee.

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

Holly Templer and Elaine Ashley of Fossil Free Bristol and Councillor Lin Patterson made statements urging the Fund to disinvest from fossil fuels.

Richard Lawrence of Fossil Free Bristol submitted the following question:

*On 27th March 2015 I, together with other members of the public, attended Avon Pension Fund Committee meeting to express concerns over the Fund's investments held in fossil fuels. The then Chair felt that this was a significant issue and needed to be considered by the Committee.*

*At its meeting on the 25th September 2015 the Committee agreed the scope of a review of its responsible investment policy which it was said would address these concerns.*

*Since that date the Committee has received further representations from councillors, concerned members of the public and Fund members on the issues of fossil fuel investments, and indeed the world at large has reported many concerns relating to global warming and uncertainties in the future of fossil fuel industries.*

*Can you tell me what progress is being made in respect of the responsible investment policy and when the Committee will receive a draft of the new policy?*

The following answer was approved by the Committee:

Work on the review is underway and it is planned for the Committee to consider a revised Responsible Investing Policy at their meeting on 9<sup>th</sup> December 2016.

## **6 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS**

There were none.

## **7 MINUTES: 18 MARCH 2016**

The public and exempt minutes of the meeting of 18 March 2016 were approved as a correct record and signed by the Chair.

## **8 ROLES AND RESPONSIBILITIES OF THE COMMITTEE**

The Investment Manager introduced the report. She said the Governance Compliance Statement was unchanged from last year, including the information given about the Pension Board. Government guidance on how the Pension Board should be referred to in the Statement had been expected, but had not been received. The Statement would need to be updated when the pooling arrangements were in place.

It was agreed that the three co-opted Members serving on the Investment Panel should continue to do so for another year.

It was agreed that Cllr Mike Drew, Richard Orton and Cllr Steve Pearce would continue to represent the Fund on the Local Authority Pension Fund Forum.

It was noted that Wendy Weston had taken over from Richard Orton as the trade union voting member with effect from this meeting.

A Member recalled that there had been discussion at the Panel about the desirability of it having additional powers to take investment decisions, because of the Fund's need to respond more rapidly and flexibly to market conditions. The Head of Business, Finance and Pensions suggested that this need had to be more carefully defined; a proposal to amend the Panel's terms of reference could then be brought to the Committee.

## **RESOLVED**

1. To note the roles and responsibilities of members, advisors and officers.
2. To note the terms of reference of the Committee and Investment Panel.
3. To approve the Governance Compliance Statement.
4. To agree that Ann Berresford, Cllr Mary Blatchford and Shirley Marsh should continue to serve as members of the Investment Panel.

To agree that Cllr Mike Drew, Richard Orton and Cllr Steve Pearce should continue to represent the Fund on the Local Authority Pension Fund Forum.

## **9 DRAFT FUNDING STRATEGY STATEMENT**

The Investment Manager introduced this item. She reminded Members that the broad principles of the FSS had been discussed at a workshop on 8 March 2016. After the approval of the draft FSS, it would go out to consultation with employers and would come back to the Committee for approval at the September meeting. The final FSS would be used by the actuary for the 2016 valuation. It is the primary document used for valuing the Fund's assets and liabilities.

The Fund's actuary, Paul Middleman, distributed a set of PowerPoint slides summarising the key points in the draft FSS and commented on them. He reminded Members that if the Fund was not 100% funded, a plan had to be put in place to achieve that within a reasonable time frame. It was vital to maintain a balance between achieving 100% funding and a reasonable level of employer contributions. This valuation differed from the previous one in that all the Fund's policies would be brought together. He was proposing to reduce the discount rate from CPI + 3% p.a. to CPI + 2.75% p.a, which would increase the Employer Future Service Rate by approximately 1%.

Members asked questions and made comments to which Mr Middleman and officers responded.

After discussion it was **RESOLVED** to approve the draft Funding Strategy Statement as set out in Appendix 1 (subject to the insertion of information which can only be included when the actuarial valuation is complete) for consultation to employing bodies.

## 10 FRAMEWORK FOR LIABILITY DRIVEN INVESTMENT

The Investment Manager introduced this item. She said that the Panel had considered this proposal in detail over the last six months, and was now recommending that the Committee approve the framework set out in Exempt Appendix 1. The framework addresses the mismatch between the changes in the value of assets and liabilities. At present if the deficit grew significantly, employers would have to be asked for higher contributions. The actuarial valuation was concerned with various issues, such as the value of the assets and the funding level, but ultimately one of the most important issues is cash flow. This framework gave an additional tool for managing the mismatch risk and cash flow more effectively.

**RESOLVED** that, the Committee, having been satisfied that the public interest would be better served by not disclosing relevant information, and in accordance with the provisions of Section 100(A)(4) of the Local Government Act 1972, the public shall be excluded from the meeting for the discussion of Exempt Appendix 1 because of the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act as amended.

Mr Turner commented on Exempt Appendix 1 and he and officers responded to questions and comments from Members.

After discussion it was **RESOLVED**:

1. To agree the Liability Risk Management Framework recommended by the Investment Panel on pages 13 and 14 of Exempt Appendix 1.
2. To delegate the implementation to Officers in consultation with the Investment Panel.

## 11 POOLING OF INVESTMENT ASSETS - VERBAL UPDATE

The Investment Manager gave a verbal update. She said that the agenda for the special meeting to be held on 30 June had been sent out the previous day. The Government had asked for the submission to be based on a template. The papers on the agenda were in the form in which they would be submitted to the Government. The full business case would be put to the committees in October. There had been a lot of input from Project Brunel's legal and financial advisors; PwC had been advising on the financial aspects. Because of time constraints the approval of any decisions required after consideration by the committees will be delegated to the Chair and the Head of Business, Finance and Pensions.

She invited Members to report any concerns that they still had at the special meeting on 30 June.

The final business case would have to be approved by the Committee. It could not be approved before the issue of the new Investment Regulations, which would establish the legal basis for the pool.

The proposal to set up an independent investment company would require approval by the Councils. S151 and Monitoring Officers of the 10 funds were now fully

involved in the decision-making process. It was hoped that the company would begin operation in April 2018.

There will be a further update at the September meeting of the Committee. It would probably necessary to arrange further special meetings to provide updates on the business plan.

The Chair said that there had been four meetings of the Shadow Joint Board. There had also been a private meeting of the ten fund Chairs, who had all expressed confidence in the way things were progressing.

A Member said that the workshop for Members on pooling had given her confidence in the proposals. She was pleased to note the dedicated website for Project Brunel, which was very good.

The Head of Business, Finance and Pensions said that not only had six or seven pools been established, but there was also cross-pool working.

**RESOLVED** to note the update.

## **12 REPORT ON INVESTMENT PANEL ACTIVITY**

The Assistant Investments Manager introduced this item. There was only one recommendation from the Panel, namely that that the Committee should be invited to approve the Liability Risk Framework discussed under item 10.

**RESOLVED** to note the minutes of the Investment Panel meeting on 25<sup>th</sup> May 2016.

## **13 ANNUAL REVIEW OF INVESTMENT STRATEGY AND PERFORMANCE**

[Councillor Mike Drew joined the meeting.]

The Assistant Investments Manager introduced this item. He invited Mr Turner to comment on the referendum vote for “Brexit”. Mr Turner said it would be a long time before the economic impact would be clear and portfolios would need to be monitored for some time to identify trends. This morning UK markets had fallen about 5% and European markets 3.6%. Gilt yields were performing well. The strongest impact had been on the pound. There would be an impact on the portfolios of active managers. It was not possible at this time to make any specific recommendations about how the Fund should respond. He suggested that the vote further underlined the need for a risk management framework.

The Assistant Investments Manager summarised the key information in the covering report. The funding level rose by 5% over the year as a result of a reduction in the value of the liabilities which was greater than lower than expected investment returns. On a gilts basis the funding level fell from 78% to 72%. Absolute returns had been disappointing with most equity markets produce negative returns. Sterling had appreciated against the Dollar, Yen and Euro, so that currency hedging detracted 1.9% over the year. Relative performance against the benchmark was poor over the year. Longer-term performance had been a little healthier. More than half the

allocation to infrastructure had been drawn down by 1<sup>st</sup> April. A \$105m commitment to infrastructure was still to be drawn.

Mr Turner commented on the Mercer annual investment report. He drew attention to the index performance summary on agenda page 225 and the manager performance summary on page 229.

**RESOLVED** to note the information set out in the report.

#### **14 APPROVAL OF DRAFT ACCOUNTS 2015/16**

The Finance and Systems Manager (Pensions) presented the report. He reminded Members that though the Fund's accounts were separately audited, they formed part of Bath and North East Somerset's accounts. The Committee was invited merely to note them. They would be presented for approval to the Council's Corporate Audit Committee. He circulated a document listing corrections made to the draft accounts since the agenda had been circulated.

A Member said that she was surprised by the range of employee contributions (5.5%-12.5%) given on page 268. The Finance and Systems (Manager) Pensions replied that they varied according to the profiles of Fund members employed by individual employers.

**RESOLVED** to note the Draft Statement of Accounts for the year to 31 March 2016 for audit.

#### **15 BUDGET AND CASHFLOW OUTTURN 2015/16**

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

**RESOLVED** to note:

1. Administration and management expenditure incurred for the year to 31 March.
2. Cash Flow Report for the year to 31 March 2016.

#### **16 PENSION FUND ADMINISTRATION - PERFORMANCE INDICATORS FOR YEAR AND QUARTER ENDING 30 APRIL 2016 AND RISK REGISTER ACTION PLAN**

The Acting Pensions Manager presented the report. He drew attention to the entry added to the Risk Register concerning the Brunel Pension Partnership.

**RESOLVED** to note:

1. Summary Performance Report to 30 April 2016;
2. Performance Indicators and Customer Satisfaction feedback for 3 months to 30 April 2016;

3. Progress on the Data Improvement Plan;
4. Risk Register top 10 risks.

## **17 LGPS REGULATORY UPDATE**

The Technical and Development Manager presented the report. He asked Members to note the state of play on proposed changes to the LGPS reported in the appendices. He said that the £95,000 cap on exit payments would be unlikely to be implemented before 1<sup>st</sup> October. In response to a question from a Member, he clarified that the cap related to payments made by employers.

### **RESOLVED:**

1. To note the current position regarding the potential changes that would affect the administration of the Fund.
2. To note the information regarding the HM Treasury consultations.
3. To approve the discretionary policy set out for transfer requests made after the 12 month of scheme entry. The decision to be delegated to specified officers, who must consider:
  - a. whether it would be detrimental to the Avon Pension Fund;
  - b. whether the delay was the result of actions or non-actions of the scheme or employer or administering authority.

## **18 WORKPLANS**

The Investment Manager presented the report.

**RESOLVED** to note the workplans.

The meeting ended at 2.56 pm

Chair(person) .....

Date Confirmed and Signed .....

**Prepared by Democratic Services**

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of the Local Government Act 1972.

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**AVON PENSION FUND COMMITTEE**

**Minutes of the Meeting held**

Thursday, 30th June, 2016, 2.00 pm

**Bath and North East Somerset Councillors:** David Veale (Chair), Christopher Pearce (Vice-Chair), Cherry Beath, Shaun Stephenson-McGall and Lisa O'Brien

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

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

**Advisors:** Tony Earnshaw (Independent Advisor)

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

**19 EMERGENCY EVACUATION PROCEDURE**

The Democratic Services Officer read out the procedure.

**20 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS**

There were none.

**21 DECLARATIONS OF INTEREST**

There were none.

**22 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR**

There was none.

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

There were none.

**24 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS**

There were none.

## 25 LGPS POOLING OF INVESTMENTS - UPDATE

**RESOLVED** that the Committee, having been satisfied that the public interest would be better served by not disclosing relevant information, and in accordance with the provisions of Section 100(A)(4) of the Local Government Act 1972, resolves that the public shall be excluded from the meeting for the discussion of Exempt Appendices 1 and 2 of this item, because of the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act as amended.

The Head of Business, Finance and Pensions introduced this item. He distributed a set of PowerPoint slides about the pooling proposal and commented on them. Members put questions and made comments, to which he responded.

After discussion it was **RESOLVED** that the Committee:

1. Approves the joint submission from the Brunel Pension Partnership (BPP), including the Avon Pension Fund, to DCLG
2. Authorises Officers to continue to work with the other funds in BPP on the Business case reporting back to this Committee in due course.
3. Delegates approval of any minor changes (consistency and typos) to the Chair of the Committee and Head of Pension Fund.
4. Notes establishing a Local Authority Company with the other BPP funds will be subject to Council approval at a future date.
5. Notes the full business case is to be finalised by October 2016.

The meeting ended at 3.53 pm

Chair(person) .....

Date Confirmed and Signed .....

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**AVON PENSION FUND COMMITTEE - INVESTMENT PANEL**

**Minutes of the Meeting held**

Wednesday, 25th May, 2016, 2.00 pm

**Members:** Councillor Christopher Pearce (Chair), Councillor David Veale, Councillor Cherry Beath, 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), Liz Woodyard (Investments Manager), Matt Betts (Assistant Investments Manager) and Helen Price (Investments Officer)

**1 EMERGENCY EVACUATION PROCEDURE**

The Democratic Services Officer read out the procedure.

**2 DECLARATIONS OF INTEREST**

There were none.

**3 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS**

There were none.

**4 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR**

There was none.

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

There were none.

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

There were none.

**7 MINUTES: 24TH FEBRUARY 2016**

A Member raised a query about the third bullet point in the third paragraph of page 9:

“there was no manager so bad that Members would want to disinvest from them in the next three to six months”

It was agreed that this was true only on the basis of the information available to the Panel at that time, and was not a restriction on the ability of the Panel to disinvest from any manager if it appeared appropriate to do so at a future date.

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

## **8 LIABILITY RISK MANAGEMENT FRAMEWORK**

The Assistant Investments Manager introduced this item.

He said this was the next step in the process of developing a liability risk framework, which the Panel had already considered at two previous meetings. The representatives from Mercer would comment in detail on the proposal. The key issues were the target levels for hedging and the trigger levels and their implementation. The Panel would be invited to recommend to the Committee that it approve the proposed framework and delegate its implementation to officers in consultation with the Panel.

**RESOLVED** that, the Committee, having been satisfied that the public interest would be better served by not disclosing relevant information, the public shall be excluded from the meeting while Exempt Appendix 1 to this item is discussed, in accordance with the provisions of Section 100 (A) (4) of the Local Government Act 1972 because of the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act as amended.

Mr Turner and Mr Giles commented on the proposal set out in Appendix 1.

After discussion, the Panel **RESOLVED** to recommend to the Committee

1. The liability risk management framework summarised on pages 24 and 25 of Exempt Appendix 1.
2. that the implementation of the framework be delegated to officers in consultation with the Panel.

## **9 REVIEW OF INVESTMENT PERFORMANCE**

[Shirley Marsh left the meeting.]

The Assistant Investments Manager introduced this item.

He asked Members to note two changes to the reports. In Appendix 1 an extra column had been added for currency hedging to make it more transparent and in Exempt Appendix 3 three years of performance data had been added to facilitate the monitoring of changes over time.

He said that it had been quite a challenging quarter for managers in terms of absolute returns and relative performance. Schroders global equity and Standard Life are underperforming their three-year targets. IFM had drawn down \$195m of the Fund's \$300m commitment. All active managers were underweight in oil and gas. This will be picked up in the next SRI review.

A Member said that she had asked Unigestion a question at their last meeting with the Panel about their investments in oil and gas. At a conference last week they said that they had reviewed their framework and were disinvesting from two stocks to reduce their carbon risk, and that the review had been prompted by her question.



The Assistant Investments Manager said that managers value feedback on how they are addressing issues – another example being the questions the Fund raised with managers recently about the funding of terrorism.

Mr Turner commented on the Mercer performance report.

**RESOLVED**

- 1. That there were no issues to be notified to the Committee.
- 2. To note the information as set out in the reports.

**10 WORKPLAN**

The Investment Manager presented the report.

**RESOLVED** to note the workplan to be included in the Committee papers.

The meeting ended at 4.53 pm

Chair(person) .....

Date Confirmed and Signed .....

**Prepared by Democratic Services**

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<b>Bath &amp; North East Somerset Council</b>	
MEETING:	<b>LOCAL PENSION BOARD</b>
MEETING DATE:	<b>27<sup>th</sup> July 2016</b>
TITLE:	<b>LGPS Update – Latest Developments</b>
WARD:	<b>ALL</b>
<b>AN OPEN PUBLIC ITEM</b>	
<b>List of attachments to this report:-</b> 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 May 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 to report, as this is an information report.

## **6 EQUALITIES**

6.1 An equalities impact assessment is not necessary.

## **7 CONSULTATION**

7.1 Report has been subject to consultation with S151 Officer.

<b>Contact person</b>	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
<b>Background papers</b>	Various Statistical Records
<b>Please contact the report author if you need to access this report in an alternative format</b>	

Body Involved	Subject	Description	Current Position	APF Response	Follow up
H M Treasury	Consultations on a Public Sector Exit Payments Cap	<p>Recovery of exit payment if member is re-employed within public sector within 1 year where earning on leaving exceeded £80,000</p> <p>To set out maximum cap for the total cost of all forms of exit payments available to individuals leaving employment at £95,000.</p> <p>Comment requested on suggested possible changes to</p>	<p>Originally to be operational from 1 4 2016 but regulations not in place so date delayed</p> <p>Amendments to LGPS incorporated with the Enterprise Act [Royal assent given on 4/5/2016]</p> <p>Consultation closed 3 May 2016</p>	<p>Closed Jan 2016</p> <p>Awaiting HM Treasury to pass regulations to implement</p> <p>Not operative before OCT 16</p> <p>Yes</p>	<p>Await legislation</p> <p>Communicate amendments to Scheme employers</p> <p>Await government response to comments</p>
Page 47	Amendment regulations	Changing anomalies from scheme Changing the way service is aggregated between LGPS Employers	<p>Consultation : Draft Local Government Pension Scheme Regulations Responses by 20 August 2016</p> <p><a href="https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/526538/Consultation_on_Local_Government_Pension_Scheme_Regulations.pdf">https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/526538/Consultation_on_Local_Government_Pension_Scheme_Regulations.pdf</a></p> <p>Further Information on these was set out in Appendices 2a and 2b of Item 17 at June 2016 Pension Committee</p>		Response will be send from Avon Pension Fund once details have been reviewed
DCLG	Consultation on Best Value and staff transfer direction Order	<p>The government published guidance for Fair Deal on outsourcing from public Sector schemes excluding local government in Oct 2013</p> <p>DCLG are to set out how this will affect Best Value employers</p>			
DCLG	Consultation on proposals to revoke and replace the Local Government Pension Scheme	<p>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.</p> <p>2. The introduction of safeguards to ensure that the more flexible legislation proposed</p>	Revised regulations yet to be laid	Responded to both deadlines	<p>Initial Proposal submitted 19/02/2016</p> <p>Final proposal submitted 15/07/2016</p>

	(Management and Investment of Funds) Regulations 2009	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.			
DCLG Page 48	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)	Committee being briefed regularly on developments.	Shadow Oversight Board, comprising the Chairs of local committees, established to provide oversight to the project. Project now in Stage 3 – finalisation of business case for each fund within pool.



<b>Bath &amp; North East Somerset Council</b>	
MEETING	<b>Avon Pension Fund Pension Board</b>
DATE	<b>27 July 2016</b>
TITLE:	<b>Avon Pension Fund Communications</b>
WARD:	<b>All</b>
<b>AN OPEN PUBLIC ITEM</b>	
<b>List of attachments to this report:</b> Appendix 1 – Fund communications matrix and audiences	

## **1 THE ISSUE**

- 1.1 The purpose of this report is to give the Pension Board an overview of the Fund's communication strategy and to highlight the communication function, current activity and future strategy. This report will be supplemented by a Power Point Presentation.

## **2 RECOMMENDATION**

The Pension Board is asked to;

- 2.1 Note the Avon Pension Fund's communication strategy.

## **3 COMMUNICATION STRATEGY**

- 3.1 The Fund's communication strategy is outlined in the Pensions Administration Strategy 2015 document, specifically building on three key documents 1) the Communications Policy Statement 2015 2) the ICT Strategy and 3) The Customer Charter. Publication of the Communications Policy Statement is a regulatory requirement of the Fund.

- 3.2 The policy statement highlights the Fund's key communication aims, which are to:

- provide clear, relevant, accurate, accessible and timely information to all our audiences and stakeholders
- listen and respond appropriately to feedback we receive
- use plain language and avoid unnecessary jargon
- use communication channels which best fit the audience and the information being passed on

- be a more electronic communication-based Fund, utilising new communication technology (web, email, social media)
  - support members to enable them to make informed decisions about their pensions by making information available
  - be compliant with all legislative requirements with regard to communicating with members, such as the Pensions Regulator, Pensions Committee and Board
- 3.3 The Funds' communications strategy is already well developed providing a wide range of solutions for all parties. However, there are a number of key drivers for change. These include utilising technology for efficiency; increasing member and employer self-service to improve access and to see a reduction in admin work; a reduction in communication and admin costs and increased compliance and monitoring requirements.
- 3.4 With the increasing number of scheme employers and membership creating an increased need for information, the Fund is aiming to develop its communications strategy, embracing technology in a number of key areas, including websites, member and employer self-service functionality and email delivery for communications. These are outlined in section 12.

## **4 ACCESS TO COMMUNICATION**

- 4.1 We want to ensure that all members can access our services, whatever their needs. All print and electronic communications are designed with consideration for those with additional needs. Our communications media is measured against accessibility standards and we can arrange large print, audio or Braille versions of all printed literature.
- 4.2 Increasingly we are moving towards electronic forms of communication however we will always offer members the opportunity to receive paper copies by post. Face-to-face and telephone communications will continue to be important channels for members to interact with the Fund and vice-versa. Approximately 1,000 members have specifically requested "paper" communications.

## **5 THE COMMUNICATIONS FUNCTION**

- 5.1 The communications function sits within the Pensions Administration structure but it provides support across all areas of the Avon Pension Fund. The Communications & PR Manager and Communications and Marketing Officer have key responsibilities in driving forward the Fund's communication aims and responsibilities. This includes designing, implementing and managing communications activity to all stakeholders and covers all channels and communication methods (such as newsletters, bulletins, websites and benefit statements).
- 5.2 The team sits on the LGA's Communications Working Group, which looks at national communication issues for the LGPS. The APF Administration Strategy Statement (which includes the Communications Policy Statement and Customer Charter) is under goes a period of consultation with scheme employers before publication.

## 6 AUDIENCE / STAKEHOLDERS

- 6.1 We regularly communicate with a wide variety of audiences and stakeholders. These are listed in **Appendix 1**

## 7 CHANNELS OF COMMUNICATION

- 7.1 Our main methods of communication are listed in **Appendix 1**

## 8 COMMUNICATIONS SPEND

- 8.1 Below is listed the 2016/17 communication spend. The ICT Strategy has budget allocation for communication-related developments such as Member Self Service (MSS), new website development and Employer Self Service (ESS). These sit outside the annual communications budget.

Newsletters x 3 (1 x pensioner, 2 x active) – print & post	£31.5K
Annual Benefit Statements (active & deferred members) – print & post	£26K
Websites x 2 (member & employer) – maintenance, hosting & development	£15.3K
Employer Conference (speakers & venue)	£8K
Pension packs / guides	£1.3K
Annual Report & image/photo library	£0.6K
<b>Total</b>	<b>£82.7K</b>

- 8.2 Cost savings are already being seen by the combining of communications. For example the Summer 2016 active member newsletter is being sent with the annual benefit statement and the pensioner newsletter is sent with the annual P60s – both saving postage costs.

- 8.3 In terms of future cost savings it is in the area of the postage costs for the newsletters and Annual Benefit Statements that these savings can be made as we move to making these available online.

## 9 FEEDBACK

- 9.1 We are increasingly building in feedback mechanisms into our communications. We carry out ongoing surveys with employers following training events and welcome feedback at all opportunities. The “contact us” section of the website provides immediate member feedback and we monitor this and target communications in reaction to these comments if required. For example members asking how to change their address prompted us to promote how they could do this on the website homepage.

- 9.2 Retirement questionnaire

Prior to March 2015 a paper feedback questionnaire was a paper-based form, which had to be manually inputted and reported on. Now the questionnaire has been updated and more relevant and can be reported on automatically. However, take-up has been lower than expected and we are now looking at introducing an incentive (a voucher quarterly draw).

## 10 CUSTOMER SERVICE CHARTER

- 10.1 The charter sets out standards and timescales for service that customers can expect from the Fund. It outlines our aim to give a consistent level of service to customers, in an efficient, effective and courteous way, no matter how they contact us. The charter is a key element of the Pensions Administration Strategy.

## **11 REGULATORY COMPLIANCE**

- 11.1 Under pensions legislation we are required to publish a Communications Policy Statement. This document is reviewed every year and updated every 3-4 years, the current version being updated in June 2015.
- 11.2 We also adhere to the Pensions Regulator Code of Practice 14 (Administration - Providing information to members). This covers how and when we should provide information on benefit statements; other information about the scheme administration; who is entitled to information; when basic scheme information must be provided and what information must be disclosed on request
- 11.3 We comply with all of the above requirements.

## **12 FUTURE DEVELOPMENTS – GOING DIGITAL**

- 12.1 The key objectives for the communications strategy going forward is to deliver the majority of APF communication and engagement to members through digital means and to increase self-service access.

### **12.2 Websites**

Significant development to the websites (both the employers and members sites) will provide stakeholders with a single secure access point to relevant services and a range of tools to help streamline and improve efficiency, support good governance and be cost effective.

**Members website** – [www.avonpensionfund.org.uk](http://www.avonpensionfund.org.uk)

The website provides the key information hub and platform for member communications. It is the portal for “my pension online”. A new member website was launched in March 2016. This provides content, design, navigation and functionality improvements and well as being multi-device compatible – increasingly users switching to these devices to access information. Currently we are one of only a handful of funds to provide our web services on platforms such as smart phones and tablets. The website also integrates the Fund’s YouTube channels for sharing information videos. Web pages can be shared on social media platforms (Facebook and Twitter).

Future developments to the website will include improvements to online feedback, a FAQs section and full integration with the new MSS portal

**Employers’ website** - [www.apfemployers.gov.uk](http://www.apfemployers.gov.uk)

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

a number of online submission forms, specifically the monthly and annual submission of contributions.

In 2017 the site will be redeveloped, focussing on self-service access and a more knowledge-hub basis, tailored to individual employers' needs. We will also be developing online training modules.

### **13 MEMBER SELF SERVICE (MSS) – MY PENSION ONLINE**

13.1 The “my pension online” is the web-based online access for members to their pension details, with self-service functionality. It allows them to view and update pension details, as well as carrying out estimates on their pension. The annual benefit statement is also available via MSS and this will be a key driver in reducing postage costs as we point members to the online version.

13.2 The product (MSSv2) is to be improved in 2016, with a better customer experience and closer integration in the website. MSSv2 will also be multi-device compatible, a feature not available in the current system.

13.3 The current (as at 1 July 2016) take up of MSS is listed below:

	<b>MSS users</b>	<b>% of eligible users</b>
Active members	5555	16.87%
Deferred members	3606	10.44%
Pensioner members	3383	12.99%
<b>Total</b>	<b>11242</b>	<b>12.95%</b>

13.4 To achieve significant volume MSS take up (65%+)

Promoting the benefits of MSS does have an effect in increasing sign ups. However this alone this will not achieve the high percentage of members using MSS required for the Fund to truly communicate electronically with members. This will only be achieved through a change in the administrative process for new members, leavers and those becoming pensioners. Gathering member email addresses and signing up to MSS must become an integral part of being in the Fund – almost a default setting.

13.5 To achieve this, our processes will need to change as well as engagement with employers to ensure that members are signed up as a matter of course and can access their account. A project to look at these processes will take place towards the end of 2016.

### **14 EMAIL COMMUNICATION**

14.1 In going digital the number of emails sent to members will increase. This will require a ‘vehicle’ to send these bulk emails. Research into the most appropriate, safe and secure method is already taking place. There will be a cost implication in introducing a bulk email ‘vehicle’, however this will enable us to manage bounce-backs and monitor take-up etc and be significantly cheaper than paper postage costs.

### **15 FIREFIGHTERS’ PENSION WEBSITE AND MSS**

- 15.1 We are looking to develop a bespoke website and MSS access for Avon Fire and Rescue Service in 2018.

## 16 EQUALITIES

- 16.1 No items in this report give rise for the need to have an equalities impact assessment.

## 17 RISK MANAGEMENT

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

<b>Contact person</b>	Stephen Makin, Communications & PR Manager, 01225 395391
<b>Background papers</b>	<p>APF Communications Policy Statement 2015 <a href="http://www.avonpensionfund.org.uk/sites/default/files/Communications-Policy-Statement-20150601.pdf">http://www.avonpensionfund.org.uk/sites/default/files/Communications-Policy-Statement-20150601.pdf</a></p> <p>APF Customer Charter <a href="http://www.avonpensionfund.org.uk/sites/default/files/Customer-Charter-20150601.pdf">http://www.avonpensionfund.org.uk/sites/default/files/Customer-Charter-20150601.pdf</a></p> <p>APF Pensions Administration Strategy Statement 2015 <a href="http://www.avonpensionfund.org.uk/sites/default/files/AS-20150601.pdf">http://www.avonpensionfund.org.uk/sites/default/files/AS-20150601.pdf</a></p>
<b>Please contact the report author if you need to access this report in an alternative format</b>	

## Appendix 1

### Fund communications matrix and audiences

This outlines the communication channels, their target audience and frequency

Communication material	Audience	Electronic	Paper based	Website	Face-to-face	Frequency	Reviewed
Avon Pension News	Active	✓	✓	✓		Twice a year	Ongoing
Avon Pensioner News	Pensioners	✓	✓	✓		Once a year	Ongoing
www.avonpensionfund.org.uk	All members / public	✓		✓		Ongoing	6 monthly
literature/publications/guides	All members	✓	✓	✓		Ongoing	Ongoing
“my pension online” (member self-service)	All members	✓	✓	✓		Ongoing	Ongoing
Pension clinics and seminars	All members				✓	Ongoing	
Personal appointments	All members				✓	Ongoing	
Benefit estimates	Active members	✓	✓			Ongoing	
Annual Benefit Statements	Active & Deferred	✓	✓	✓		Annual	Annually
Telephone and email contacts	All members/employers/public						
New starter packs	Active members	✓	✓	✓		Ongoing	Annually
www.apfemployers.gov.uk	Employers	✓		✓		Ongoing	6 monthly
Employer self-service (ESS) / iConnect	Employers	✓		✓		Ongoing	
Annual Report and Accounts	All members/employers/public	✓		✓		Annual	Annually
Employers’ newsletter	Employers	✓		✓		4 times a year	Ongoing
Employer email updates and bulletins	Employers	✓		✓		Ongoing	Ongoing
Employer training and workshops	Employers	✓		✓		Ongoing	
Employers’ Conference	Employers				✓	Once a year	
Employer Forum	Employers				✓	Twice a year	
Investment Forum	Employers				✓	Once a year	

### Key audiences / stakeholders

These are the main audiences who we regularly communicate with:

- Scheme members (active, deferred and pensioners)
- Employer organisations (“Employers”)
- Prospective scheme members
- Prospective employers

- Representatives of scheme members (Trade Unions)
- Avon Pension Fund Committee
- Avon Pension Fund Pension Board
- Local Government Association (LGA)
- CIPFA Pensions Panel
- Investment managers
- The Fund Actuary
- Other funds
- Department for Communities and Local Government (DCLG)
- Her Majesty's Revenue & Customs (HMRC)
- The Pensions Regulator
- Advisers / consultants
- South West Area Pensions Officers Group (SWAPOG)
- South West Investment Managers (SWIM)
- The media



Bath & North East Somerset Council		
MEETING:	LOCAL PENSION BOARD - AVON PENSION FUND	
MEETING DATE:	27 <sup>th</sup> July 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.

## 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 Fund reviews all risks annually and the top 10 risks and changes quarterly with the latest review in May 2016. A new risk specifically for the Brunel pension Partnership was added. The main risks are that the proposal is rejected by government; that not all the funds approve the proposal; that the work delivering the proposal is delayed; that the resource is unavailable. These risks are mitigated by
- (i) BPP has its own risk register
  - (ii) Shadow governance structure has been established to ensure engagement with stakeholders
  - (iii) Expert advice has been commissioned to assist in developing the proposal
  - (iv) The workplan has detailed work streams which are managed and co-ordinated by a dedicated project manager
  - (v) The investments Team has added resources to support the team through the project.
- 4.6 The top 10 risks, including their likelihood, financial impact and mitigating actions are set out in Appendix 1.

## **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.

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

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**AVON PENSION FUND RISK REGISTER – TOP 10 RISKS**
**APPENDIX 1**

	Risk #	Risk	Management actions	Likelihood					Impact					Risk score	RAG	Scale of financial impact	Funded by
				1	2	3	4	5	1	2	3	4	5				
				L		M	H		L		M	H					
1	R42	Increasing political pressure to reform scheme structure and governance frameworks and to direct investment decisions. Specifically government asked LGPS funds to pool their investment assets. If fund does not have robust plan for change, government may legislate to enforce change: This could result in the committee not making decisions in the best interest of the Fund or being unable to make decisions.	Have well defined investment policies in place setting out investment objectives and criteria. Engaging with the government through the consultation process, with consistent message. Exploring options for pooling assets with other likeminded funds.				4					4		16	R	Greater than £1m	Fund will have to meet costs of setting up any pooling structure
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.	Wide representation on Committee including two Independent Members not subject to electoral cycle. Training made available to new members Hold workshops for committee to explore aspects of the fund in more detail to facilitate decision making. Periodically assess training needs and have training plan in place that is reported to committee quarterly.				4				3			12	A	Greater than £1m	Annual budget
3	R26	The Fund fails to achieve investment returns sufficient to meet its liabilities. This could negatively affect the contributions paid by the employing bodies.	Periodic reviews of investment strategy against the funding position and strategy. Annual and quarterly monitoring of strategic allocation, investment returns and tactical opportunities. Strategic issues or tactical opportunities are considered at quarterly meetings of Panel and /or Committee. Ensure specialist advice is taken prior to any investment decisions are made to ensure decisions are in line with Statement of Investment Principles and contribute to investment objective.			3						4		12	A	Greater than £1m	Increases in employer contribution

4	R51	Risk of Fund retaining incorrect pension 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	Manage resource requirements over timeframe. Develop project plan to manage data reconciliation process and outcomes including volume metrics. Monitor and report progress and actions taken. Communicate with HMRC and members regarding actions undertaken (ongoing).			3					3			9	A	£100,001 to £1m	Annual budget
5	R54	The Fund is a participating fund in the Brunel Pension Partnership (BPP) for pooling its assets. There is a risk that the government rejects BPP proposal; that there are delays to finalising the proposal; that a participating fund committee rejects the proposal; that key resources become unavailable. Any of the above could seriously impact the Fund's ability to meet the government's agenda.	Established governance arrangements for BPP in shadow form. Detailed workplan managed and co-ordinated by Project manager. Committee and other stakeholder engagement on-going. Added resource to Investment team to support Investments manager through project.		2							4		8	A	£100,001 to £1m	Fund will have to meet costs of setting up any pooling structure
Page 62	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. Cash flow could become more negative due to transfers out.	Work with actuary to understand potential consequences on maturity profile of fund, funding of liabilities and understand the basis for valuing the transferring pension "pots". Incorporate into 2016 valuation. Initial report prepared by actuary in June 2015. Ongoing review as experience develops.		2						3			6	A	Greater than £1m	Potentially through employer contribution, investment income and divestment of assets
7	R05	Non-compliance with Data Protection Act and The Pension Regulators codes of practices and standards. This could lead to fines being imposed, criminal/civil prosecutions, data processing suspended or adverse publicity.	The Pensions Manager is responsible officer for DPA. Confidentiality agreements are in place with the Fund's agents. Ongoing monitoring of the Fund's compliance with the Council's DP policies. All personal data is transmitted from the Fund through secure portals. Members including pensioner members are informed regularly (via payslips & newsletters) that data is		2						3			6	G	£100,001 to £1m	Annual budget

			provided to third parties for the detection / prevention of fraud viz. National Fraud Initiative. On-going training of employers in their TPR obligations														
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	Ensure all information is provided to employers in an accessible and timely manner. Training tailored for employers' staff is provided for all new employers and refresher sessions for existing employers. Enforce penalties allowed under Administration Strategy for repetitive non-compliance with obligations / disproportionate work. Employer training obligations are set out in the Administration Strategy. TPR improvement plan highlights areas of employer failure.		2						3			6	G	£10,000 to £100,000	Annual budget
Page 63	R23	Insolvency of Participating Employers in the Fund without sufficient monetary guarantees or bonds to make good their outstanding liability. Any liability will be absorbed by the Fund and spread across other employers, increasing overall liabilities and employer contribution rates.	Covenant assessment monitoring process in place for assessment of financial standing of all employers in the Fund. Includes review of all employers to identify whether guarantee arrangements are adequate. Explore options for obtaining guarantee, bond or contingent assets if appropriate. Fund policy is to only admit Admission bodies where the pension liabilities are guaranteed by a scheme employer. Exit and termination policies in place to ensure financial risk to the Fund is minimised when scheme employers cease to be active employers.			3				2				6	G	Greater than £1m	Increases in employer contribution

10	R27	The investment managers appointed by the 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.	Monitoring & managing the performance of the managers is delegated to the Panel. The RAG performance monitoring framework is in place to identify managers that are underperforming and issues that could impact future performance. Issues and changes in RAG ratings are reported to the Panel who agree an action plan to address the issue. The Panel reports quarterly to committee on the performance of the managers and changes in RAG ratings. The impact of underperformance by any individual manager is limited given diversification within investment management structure.			3				2				6	G	Greater than £1m	Increases in employer contribution
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<b>Bath &amp; North East Somerset Council</b>	
MEETING:	<b>LOCAL PENSION BOARD</b>
MEETING DATE:	<b>27 July 2016</b>
TITLE:	<b>COMPLIANCE REPORT - PENSION FUND ADMINISTRATION</b> <b>(1) SUMMARY PERFORMANCE REPORT to 30 June 2016</b> <b>(2) PERFORMANCE INDICATORS 30 June 2016</b> <b>(3) TPR COMPLIANCE</b>
WARD:	<b>ALL</b>
<b>AN OPEN PUBLIC ITEM</b>	
<b>List of attachments to this report:-</b> Appendix 1      Active members demographic as at July 2016 Appendix 1a     Employer/Member Ratio Appendix 2      Late payers report – up to 30 April 2016 Appendix 3      Balanced Scorecard : KPI's - 3 months to 30 June 2016 Appendix 3A     Annex 1 & 2 Admin case workload status as at 30 June 2016 Appendix 4      TPR – Data Improvement Plan – to 30 June 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 June 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:**

The Report, specifically Performance Indicators & Customer Satisfaction feedback for 3 months to 30 June 2016 and 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 30<sup>th</sup> April 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 30<sup>th</sup> June 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 Autumn 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 30<sup>th</sup> June 2016 there were 4753 cases outstanding of which 39% represents actual workable cases and 61% represents cases that are part complete, pending a third party response.
- 6.2 Of the 39% workable cases (1854 cases) approximately 71% (1318) of this total is attributed to case work delayed in action due to late release of GAD guidance or legislation (ie linking/aggregation of membership & member benefit transfer investigation). As previously reported, these cases are now being progressed.

- 6.3 The number of cases outstanding reflect a reduction in total of 467 in overall cases outstanding compared with the previous reporting period. 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 Autumn 2016.

## **TASK WORKFLOW**

- 6.4 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.
- 6.5 During the period from 1 May to 30 June a total of 1643 leaver forms have been received with an average error rate of 34.21%. 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.
- 6.6 For this period the biggest percentage of errors is from incorrect pay calculations and National Insurance / Contribution figures.
- 6.7 The leaver form has now been reviewed to improve the layout and provide more guidance notes for employers. A training course has been put together to guide employers through the leaver form in more detail and includes comprehensive training on pay calculations. The new form and the training session is due to be piloted with Banes & North Somerset Payroll Departments in July / August and based on feedback received we plan to launch the new form and the training course later in August /September.
- 6.8 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 FEEDBACK – Retirements**

7.1 In March the APF re-launched its member website, with an online customer service questionnaire for recent retirees. This replaced the “paper” questionnaires, which have now ceased. However the online returns have been lower than expected and at this point could not be used to provide a statistically accurate overview. We are looking at incentivising the survey, in the form of a voucher draw every quarter, to prompt a greater response and will report back at the next meeting with an update.

## **8. 2016 YEAR END AND ABS 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 31<sup>st</sup> August and used by the Fund Actuary as part of the Tri-annual valuation process, which determines individual employer contribution rates.

- 8.2 All employers, from our 240+ employer base, have now submitted their data. Since the initial 30 April deadline for submission a period of data reconciliation and cleansing took place.
- 8.3 The YE data was submitted to the Fund's Actuary, Mercers for the Triennial Valuation on 4 July. The Annual Benefit Statements (ABS) process for active and deferred members is underway. This year APF is also providing statements for the Avon Fire Service.
- 8.4 We are on track for the distribution of the majority of ABSs. The Deferred member statements are due to go out by the end of July and active members by the end of August (the statutory deadline). However we are still awaiting software updates to allow us to run the statement for those members who deferred in 2015/16 (due to negative revaluation calculations required). We have made members aware through our website. The Fire ABS, due to the complexity of the schemes and the data required, may mean that distribution of these falls outside the 31 August deadline, by a week or so. We are keeping the Fire Service updated on this and as administering authority we will notify The Pension Regulator if we breach this deadline.

## **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

## **9 The Pensions Regulator Data Improvement Plan**

- 9.1 Summary of Data Improvement Plan Data as at 30<sup>th</sup> June 2016 is shown below with a comprehensive breakdown attached in **Appendix 4**

### **Summary of Data Improvement Plan Data as at 30 June 2016**

<b>Data type</b>	<b>Cases brought forward</b>	<b>New cases in period</b>	<b>Completed in period</b>	<b>Outstanding</b>	<b>Completeness of date as % of membership</b>
Actives	<b>1584</b>	<b>1027</b>	<b>467</b>	<b>2144</b>	<b>99.56%</b>
Deferreds	<b>4762</b>	<b>196</b>	<b>181</b>	<b>4777</b>	<b>98.83%</b>
Pensioners	<b>176</b>	<b>1</b>	<b>7</b>	<b>170</b>	<b>99.91%</b>
Dependants	<b>68</b>	<b>9</b>	<b>11</b>	<b>66</b>	<b>99.78%</b>
<b>Total</b>	<b>6590</b>	<b>1233</b>	<b>666</b>	<b>7157</b>	<b>99.52%</b>

- 9.2 Over the last couple of months there has been an increase in errors due to the results of the year end exercise. So far 526 missing leavers and 399 missing starters have been identified despite the work that was done in January / February time to get employers to start looking at their data.
- 9.3 However the missing data is in the process of being requested from employers and we hope to work with employers over the coming months to reduce these errors.
- 9.4 Due to the year end and in preparation for the Valuation resource to work on TPR queries has been reduced and re-directed to checking of leaver forms and processing of member deferred and refund cases. However this will be reverted once the valuation extract has been finalised.
- 9.5 As at 23 June 94.76% of active members had CARE pay loaded and 91.99% of members had pension remuneration figures posted.

## **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**

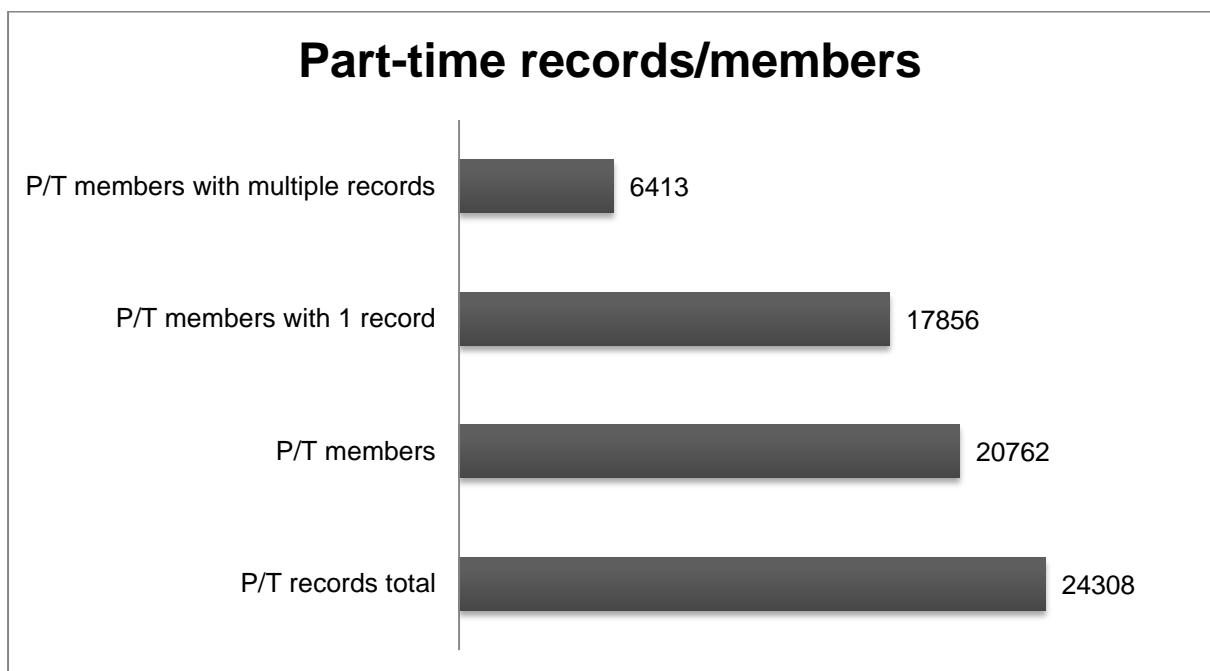
- 12.1 There are no other issues to consider not mentioned in this Report.

## **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.

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

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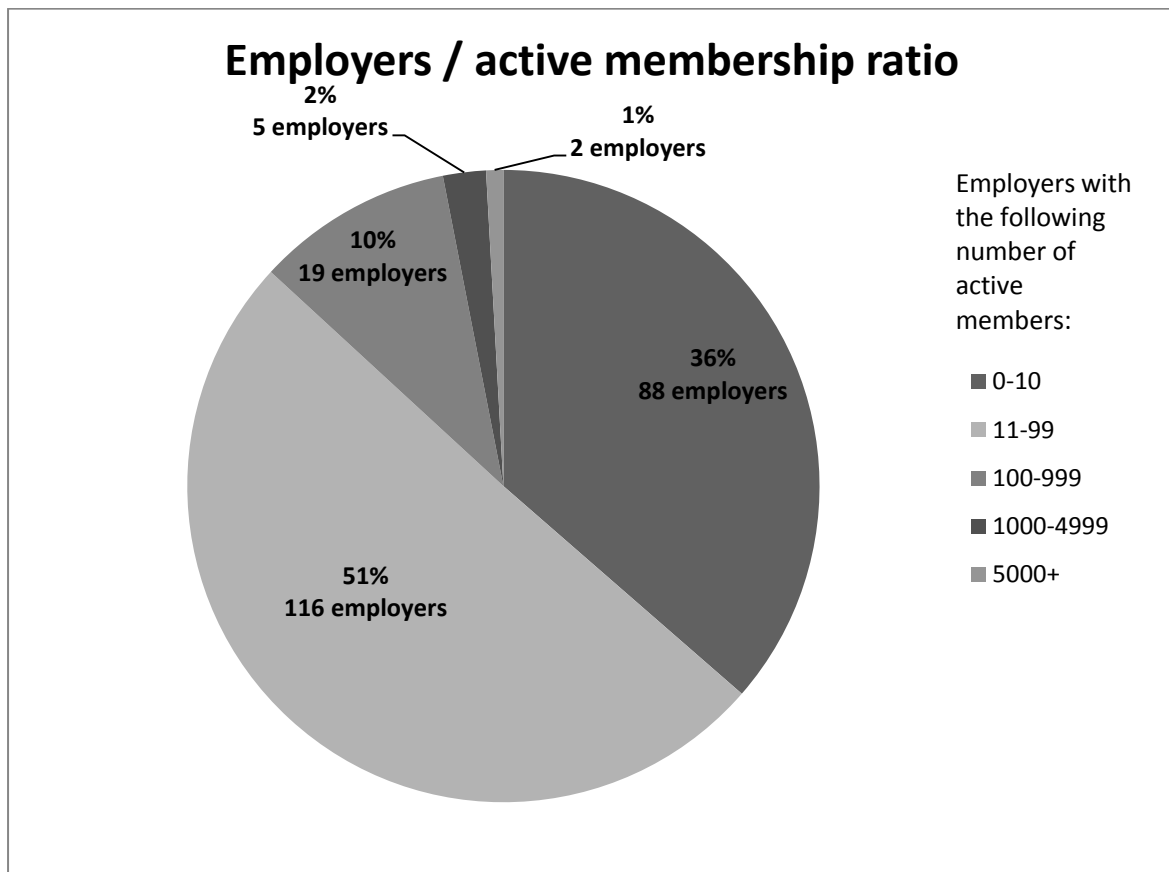


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## Employer/active membership ratio by numbers – July 2016

Number of employers with 5000+ members	2
Number of employers with between 1000 – 4999 members	5
Number of employers with between 100 – 999 members	19
Number of employers with 11 - 99 members	116
Number of employers with 0 - 10 members	88
<b>Total</b>	<b>230</b>



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## APPENDIX 2

Employer	Payroll Month	Days late	Cumulative occasions	Amount	Significance	Reason / Action
Steiner Academy	March	7	2	3,144.14	Significant days late.	The Academy believed they had resolved problems reconciling their contributions (see below). The March payment included a correction of previous underpayments.
City of Bath College	March	7	1	75,906.80	Significant Value and days late.	Payment was delayed due to staff sickness. The College have now brought forward the scheduling of the process in order to avoid such problems resulting in late payments in the future.
Prestige Cleaning	March	12	1	759.03	Significant days late.	Problems with sudden loss of staff. They have been reminded of their obligation to pay by 22 <sup>nd</sup> of the month.
Kier Limited	March	36	1	1,852.98	Significant days late.	Late payment due to a payroll system error. This has now been resolved. April was paid early
Steiner Academy	April	31	3	1,117.15	Significant days late.	The Academy previously thought they had overcome their serious problems but April contributions were still late. However May contributions have been received on time and they believe they have now finally resolved the issues.
Aspens (employer numbers 608,612,614,616 & 617)	April	4	1	2,855.64	Significant days late.	These employers are all administered together. May contributions were all paid on time.
Aspens (employer number 615)	April	11	1	271.77	Significant days late.	May contributions were all paid on time.
<b>Total Days</b>		<b>108</b>		<b>85,907.51</b>		
<b>Total Contributions in Period</b>				<b>26,511,344.61</b>	<b>Late Payments as Percentage of total 0.32%</b> <b>Late Payments from 10 out of a total of 233 employers</b>	

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 3A to Pension Fund Administration Report at 30 June 2016

INDICATOR	Red Amber Green	2015/16 Actual	Target	Actual 3 Months to 30/06/2016	Comments
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#### A Customer Perspective

1	General Satisfaction with Service - retirees' feedback					Nil - See Report
2	Service Standards - Processing tasks within internal targets (SLA)					
	Deaths	A	91%	92%	90%	9 of 10 Cases completed within target
	Retirements	A	89%	90%	81%	399 of 493 Tasks completed within target
	Leavers (Deferreds)	G	81%	75%	78%	507 of 653 Tasks completed within target
	Refunds	G	82%	80%	92%	668 of 723 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%	60%	540 of 896 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	51511/4292pcm		14,991	4997 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%	Ahead of corporate target of 5%
		b) Long Term			G	0%	2%	0%	

#### C Process Perspective

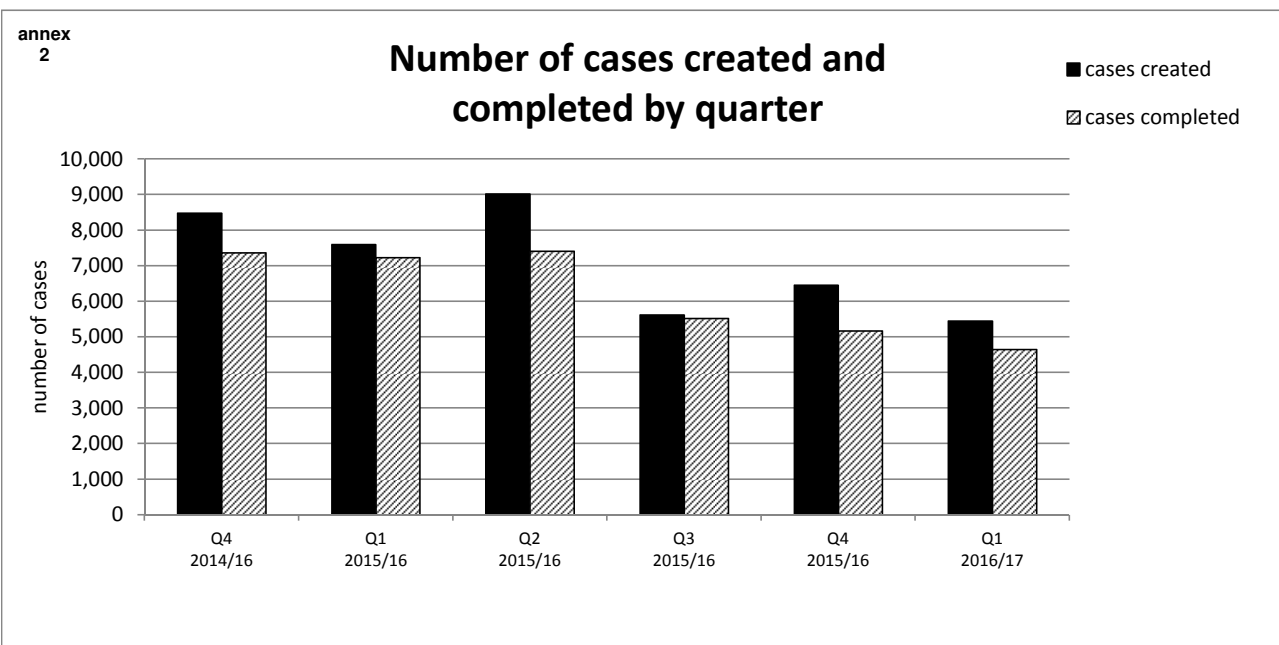
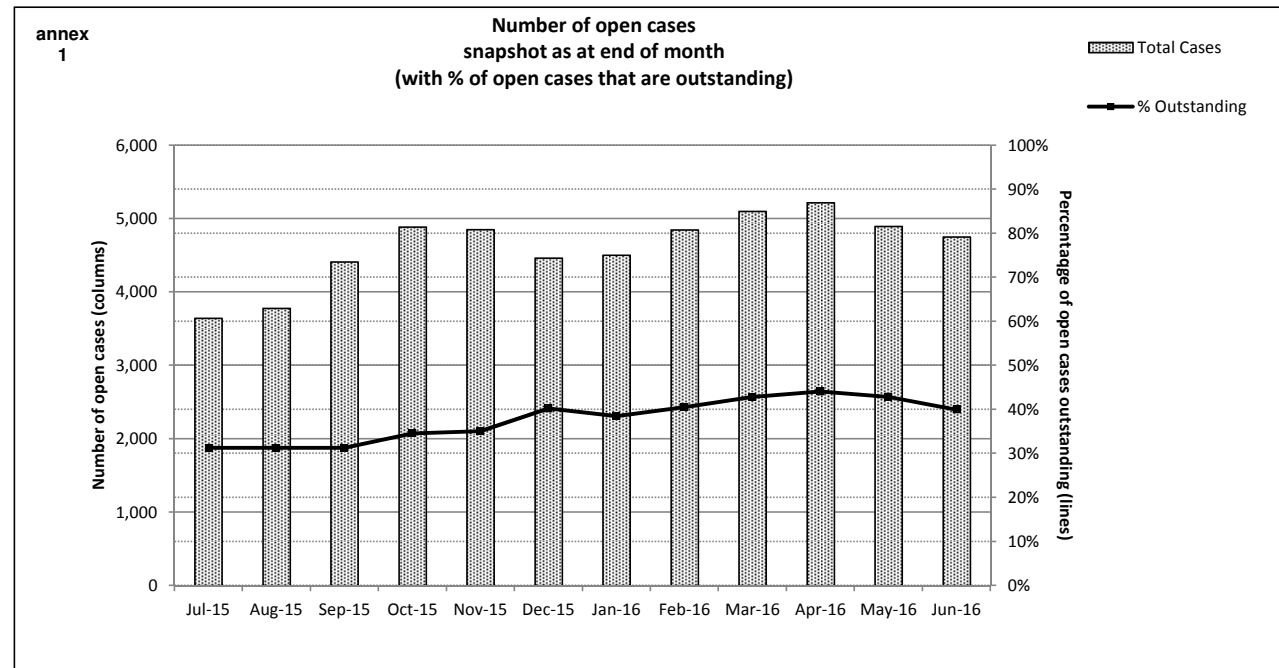
1	Services actually delivered electronically	G			12.1%	12.1% represents eligible users who have signed up to My Pension Online. 10,337 members now have electronic access.
2	a) Active membership covered by employer ESS	G	72%	90%	75%	
	b) % of employers submitting data electronically	G	58%	70%	60%	
3	% Telephone calls answered within 20 seconds	G	97%	95%	98.8%	8846 calls, 8742 answered within 20 seconds
4	Maintain work outstanding at below 40%	G	30053 created 27944 cleared	<40%	39%	5449 created, 4652 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%		6.0%	

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## Pension Fund Administration report: Appendix 3a



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**TPR Improvement Plan Data as at 30 June 2016**

Data type	Cases brought forward	New cases in period	Completed in period	Outstanding	Completeness of date as % of membership
<b>ACTIVES Total = 37724</b>					
Addresses	383	46	24	405	98.93%
Forename	2	0	0	2	99.99%
Surname	0	0	0	0	100%
Date of birth	2	2	0	4	99.99%
NI number	52	2	0	54	99.86%
Title	0	6	6	0	100%
Sex mismatch	17	18	5	30	99.92%
Format of hours	0	20	5	15	99.96%
Date joined Fund missing	0	0	0	0	100.00%
Payroll ref missing	63	8	33	38	99.90%
Casual hours missing	517	0	66	451	98.80%
Leaver forms missing	503	526	283	746	98.02%
Starters missing	45	399	45	399	98.94%
<b>Total</b>	<b>1584</b>	<b>1027</b>	<b>467</b>	<b>2144</b>	<b>99.56%</b>
<b>DEFERREDS Total = 41083</b>					
Addresses	3979	194	167	4006	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	2	1	3	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	771	0	13	758	98.15%
<b>Total</b>	<b>4762</b>	<b>196</b>	<b>181</b>	<b>4777</b>	<b>98.83%</b>
<b>PENSIONERS Total = 27451</b>					
Addresses	173	1	7	167	99.39%
Forename	2	0	0	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	0	0	0	0	100.00%
<b>Total</b>	<b>176</b>	<b>1</b>	<b>7</b>	<b>170</b>	<b>99.91%</b>
<b>DEPENDANTS Total = 4358</b>					
Addresess	41	0	1	40	99.08%
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	27	9	10	26	99.40%
Title	0	0	0	0	100.00%
Sex mismatch	0	0	0	0	100.00%
<b>Total</b>	<b>68</b>	<b>9</b>	<b>11</b>	<b>66</b>	<b>99.78%</b>

Bath & North East Somerset Council		
MEETING:	Local Pension Board – Avon Pension Fund	
MEETING DATE:	27 <sup>th</sup> July 2016	AGENDA ITEM NUMBER
TITLE:	Pension Board – Annual Report 2016/17	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendix 1 – Draft Annual Report		

## **1 THE ISSUE**

- 1.1 The purpose of the report is to present the draft annual report of the Board's activities for 2016/17, as required under its Terms of Reference for approval.

## **2 RECOMMENDATION**

- 2.1 The Local Pension Board is asked to approve the annual report subject to any comments at its meeting.

## **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 – July 2015 – July 2016 - and briefly look forward to the proposed work plan for the forthcoming year.
- 4.3 An outline structure of the report was presented at its May meeting and a draft is attached at Appendix 1 for comment and approval by the Board.
- 4.4 The Annual Report will be available on the Fund's website and also be referenced in the Annual Report of the Avon Pension Fund.

## 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.

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

# **Avon Pension Fund – Local Pension Board – Annual Report**

## **1. Introduction**

Welcome to the first Annual Report of the Local Pension Board (LPB) of Avon Pension Fund.

The Board was established in 2015 following a decision made by B&NES Council to create the Board in response to the Public Sector Pensions Act 2013.

This report covers the period 1<sup>st</sup> April 2015 to 31st July 2016 within which the Board has held five formal meetings.

The first year of the Board has been a developmental one with the initial focus being on -

- a) Establishing its own Terms of Reference and policies and procedures to ensure that its governance complies with the statute and LGPS regulations and best practice guidance issued by the national LGPS Advisory Board;
- b) Supporting development of Board Members skills and knowledge through formal and informal training and agreeing a training plan so its members are fully conversant with their statutory duties and responsibilities for example on the requirements of the Pensions Regulator;
- c) Developing and starting to implement a rolling work programme to fulfil its statutory duties;
- d) Understanding the legislative framework within public sector pensions, compliance standards and significant new developments which may affect future governance such as 'pooling'.

I am delighted to say that with the support of the officers and advisors to the Avon Pension Fund the LPB has made good progress in fulfilling its terms of reference in its first year.

The LPB has reviewed a wide range of areas and made a number of recommendations (see page 8 and Appendix 1). Examples of such action included the establishment of a formal Breaches Policy.

One of the most important reviews the LPB has undertaken is the funds compliance with the Pensions Regulators Code of Practice 14 (see page 6). The LPB welcomes the actions being implemented by the fund to ensure it fully complies with the Code before the LPB carries out its next annual review of compliance.

The LPB has also reviewed the Pension Funds communications and stressed the need for information to be kept up to date and the importance of the fund website to fund members

Looking ahead the LPB will seek to assist and support the Avon Pension Fund in respect of minimising potential governance and other risks arising from the Governments proposed asset pooling in 2017-18.

Last but not least could I thank my fellow Board members for their commitment to their roles on the LPB and I commend this report to you.

Howard Pearce  
Independent Chair

### **2. Legal basis of Local Pension Board**

#### **Background**

At the request of central government Lord Hutton conducted a wide ranging review into public service pensions and published his findings in a report in March 2011 recommending significant change to the governance of Pension Funds, *'to make...schemes...more transparent'*.

Subsequently legislation was introduced in the form of the Public Sector Pension Act 2013 along with the Local Government Pension Scheme (Governance) Regulations 2015. These require each Local Government Pension Scheme (LGPS) administering authority to establish a new body known as a Local Pensions Board (LPB) to assist the Council (Administering Authority) in running the Pension Fund.

One of the key aims of the reform was to raise the standard of management and administration of public service pension schemes and to achieve more effective representation of employer and employee interests in that process.

Therefore the LPB is separate to the Avon Pension Fund Committee (Section 101 committee) to which as administering authority (the Council) it has delegated its functions in relation to the administration of the LGPS.

#### **Specific Role and Purpose**

The Public Sector Pension Act 2013 therefore sets out the requirements for the establishment of a Board with the responsibility for assisting the scheme manager in relation to the following matters:

- a) Securing compliance with the regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme and:
- b) To ensure the effective and efficient governance and administration of the Scheme.

The LPB will assist the 'Scheme Manager' by ensuring compliance with the pension scheme regulations, along with all other legislation and the requirements imposed by the Pensions Regulator to ensure the effective and efficient governance and administration of the Scheme.

The LPB therefore sits alongside the Avon Pension Fund Committee to scrutinise its decision making process and ensure the Fund's compliance with its legislative requirements and is not a decision making body.

#### **Pension Regulator**

From April 2015, the Pension Regulator had responsibility for the LGPS. Therefore a focus for the LPB was in ensuring compliance with the Regulator's code of practice. This is split into a number of areas which covers Governance, Risk Management and Resolving Issues.

The LPB as part of their work plan has needed to consider these areas, to ensure the Fund is compliant and if not to make recommendations to the Pension Fund Committee on ways to address these requirements.

#### **Terms of Reference**

Terms of Reference for the board are available through the following link.

<http://www.avonpensionfund.org.uk/>.

## Avon Pension Fund – Local Pension Board – Annual Report

### 3. Establishment of Local Pension Board

The requirement for an Independent Chairman and Board Membership was outlined in the terms of reference to the LPB which were agreed by full Council on the 15<sup>th</sup> January.

Adverts for the role of Chairman were placed on the Fund's website, Western Daily Press, Jobsgopublic.com, Local Government Chronicle online and the Council's job vacancy website.

All applicants were then reviewed against the five published criteria in the person specifications and a shortlist of four candidates drawn up for interview with the Strategic Director of Resources, Head of Business, Finance and Pensions and the Head of Audit West.

Interviews were held in June 2015 and a preferred candidate – Howard Pearce – was identified and recommended to the LPB for an appointment of four years.

The process for the appointment of Board Members followed a similar path with adverts placed on the Fund's website and pro-actively distributed through the many employee and employer communications and conferences.

Interviews for Board Membership were held from June 2015 through to May 2016 and as at May 2016 a full compliment of employer and employee members are now in post.

#### **Details of the Local Pension Board Members**

##### **Independent Chairman:**

Howard Pearce, former Head of Pension Fund Management, Environment Agency.

##### **Employer Member Representatives:**

Gaynor Fisher, active member

Steve Harman, active member

Tony Whitlock, active member

##### **Scheme Member Representative:**

David Yorath, retired member

Tom Renhard, active member

Mark King, active member

The register of interests for members of the Local Pension Board and details of each individual's relevant experience are available through the following link.

<http://www.avonpensionfund.org.uk/>.

#### **Attendance at Local Pension Board Meetings – July 2015 – July 2016**

Role	Board Member	Attendance
<b>Independent Chairman</b>	Howard Pearce	5
<b>Employer Representative</b>	Gaynor Fisher	4
	Steve Harman	4
	Tony Whitlock	2 (Started Role May 2016)

#### **4. Training**

##### **Background**

In accordance with the Pension Regulator (tPR) Code of Practice 14 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:

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.

##### **Degree of Knowledge and Understanding**

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.

##### **Areas of Knowledge and Understanding**

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

##### **Training Undertaken**

Briefings were given by officers from the Avon Pension Fund to LPB members on a full range of topics covering the LGPS framework, Avon Pension Fund and its administration.

In addition three Board Members attended the LGE Pensions Fundamental Course and five completed the on-line tPR e-learning public sector pension module toolkit.

Training is a regular topic at each formal board meeting and all Board Members retain their own training log, which is also submitted annually to assist in the completion of ongoing needs into a Training Plan.

Details of areas discussed, updates and plans are available through the following link –

<https://democracy.bathnes.gov.uk/ieListMeetings.aspx?CommitteId=563>



## 5. Local Pension Board Code of Conduct and Conflicts of Interest Policy

### Code of Conduct

All LPB members signed up to a Code of Conduct in July 2015 which emphasised that as a holder of public office there is an expectation that LPB members will comply with the ‘seven principles of public life’, also known as the ‘Nolan Principles’.

### Conflicts of Interest

All LPB members also signed up to their own Conflicts of Interest Policy in November 2015. This requires all members to notify Democratic Service of any potential conflict of interest arising as a result of their position on the Board.

All meetings of the LPB include a standing item titled ‘Declaration of Interests’ at the start of the meeting where any declaration in relation to the items on the agenda should be made.

All LPB members have formally completed their declaration of interest forms and through five formal meetings which have been held during the year no ‘conflicts’ have been declared. For more information on conflicts of interest and declarations at each meeting please use the following link –

<https://democracy.bathnes.gov.uk/mgCommitteeDetails.aspx?ID=563>

## 6. Pension Board Costs & Budget

In meeting the requirements of the Public Sector Pension Act (2013) and establishing a Local Pensions Board, Bath & North East Somerset approved terms of reference and necessary supporting arrangements at its meeting of its full Council on the 15<sup>th</sup> January 2015 and the Pension Board adopted these at its meeting in July 2015.

These included the establishment of a budget to enable the Board to perform its duties and a summary of costs for its first year (nine months up to 31<sup>st</sup> March 2016) is included below –

### Summary Financial Table

Budget Area	Actual Costs	Budget
LPB Members Allowances	£6,024	£11,600
LPB Members Training Costs	£3,485	£6,000
LPB Meeting & Democratic Services Costs	£5,514	£6,000
Central Recharges & Officer Costs	£9,420	£12,800
<b>Total</b>	<b>£24,443</b>	<b>£37,400</b>

As with all elements of the public sector there is exceptional pressure to ensure value for money can be demonstrated and the Board will continue to consider this in its future operations.

## **Avon Pension Fund – Local Pension Board – Annual Report**

### **7. Local Pension Board Compliance with the Pension Regulator’s Code of Practice No.14**

As part of assessing both the effectiveness and compliance of the Board with its key requirements, officers carried out a self-assessment of the LPB’s current arrangements against the Regulator’s Code of Practice No.14.

The full results of this exercise were reported to the LPB’s formal meeting in May 2016 and are available via the following link.

<https://democracy.bathnes.gov.uk/documents/s41759/Benchmarking%20update%20App2.pdf>

In summary compliance was high and there were only a small number of recommended actions to take in relation to the Fund and meeting best practice, which included –

- Monitoring of Data Improvement Plan
- Managing Overdue contributions
- Records of Investigations and correspondence
- Production of Annual Benefit statements in required formats
- Provision of basic scheme information to new entrants
- Review Dispute Resolution procedures
- Review Employer obligations re: IDRP Procedures
- Review Employer obligations re: TPAS and Pensions Ombudsman Procedures

The Board remain committed that the exercise should be revisited at least annually to ensure it could evaluate its compliance and assess improvements where necessary.

### **8. Pension Fund Communications**

Effective communications form a core part of the role of the Avon Pension Fund and during the year the Board reviewed the new website which had been developed by the Fund as well as the overall Communications Strategy.

The Board welcomed the new website which had refreshed and simplified the way information on the Fund could both be located and sought and commended the actions of officers. Reviewing the strategy for how the fund communicates to its many stakeholders will remain a key element of the work plan of the Board on a rolling basis.

### 9. Risk Management

Risk management processes for the Avon Pension Fund follow the framework laid down by the Council. The Risk Register for the fund identifies the significant risks that could have a material impact in terms of value, reputation, compliance or provision of service and sets out the action taken to manage the risk.

The Register is reviewed regularly by the pension management team and risks fall into one of the following categories –

- (i) Fund administration & control of operational processes and strategic governance processes and TPR compliance;
- (ii) Service delivery partners not delivering in line with their contracts or SLAs;
- (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
- (iv) Changes to the National Scheme
- (v) Increasing political pressure to reform scheme structure and governance frameworks and direct investment decisions

The LPB's ongoing review concurred with the views of Avon Pension Fund Officers in that the three top risks facing the fund revolve around –

- Project Brunel and future implications of pooling arrangements
- Significant growth of new employers through the Academies agenda
- Future Funding Strategy

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

The LPB will continue to ensure that a review of the risk register will remain a regular agenda item.

## Avon Pension Fund – Local Pension Board – Annual Report

### 10. Summary Review of Areas Covered in 2015/16 & Recommendations Made

The first year of operation of the LPB was very much developmental with the essential building blocks needing to be put in place to enable the Board to work effectively as we move forward.

A summary of the areas covered and recommended is detailed as follows (**Full Details at Appendix 1**) –

<b>Establishment of LPB Arrangements, Policies &amp; Procedures</b>
Approval of Appointment of Chair and Board Members
Review & Approval of LPB Terms of Reference
Review & Approval of LPB Code of Conduct
Review & Approval of LPB Conflicts of Interest Policy
Review & Recommendation of Avon Pension Fund Regulatory Breaches Policy
Review of Training Requirements
Review of Work Plan
<b>Review of Pension Fund Administration</b>
Review of Compliance Report
Review of Risk Register
Review of Service Plan
Review of Annual Report
Review of Communication Strategy
<b>Independent Assurance</b>
Review of TPR & CIPFA Benchmarking exercises
Review of External Audit role and reports
Review of Internal Audit role and reports

## Avon Pension Fund – Local Pension Board – Annual Report

### 11. Forward Plan for 2016-17

The draft work plan for the next 12 months is detailed as follows and will be kept under regular review.

AGENDA ITEM	02/11/16	16/02/17	11/05/17	27/07/17
Conflicts of Interest Declarations	X	X	X	X
Training Plan Update (Incl. Annual Plan)	X	X	X	X
Work Plan Update	X	X	X	X
Avon Pension Fund Committee & Investment Panel Minutes	X	X	X	X
LGPS Developments & Updates	X	X	X	X
Risk Register Update	X	X	X	X
Review of Pension Fund Annual Report	X			
Review of Administration Strategy		X		
Compliance Report	X	X	X	X
Internal Audit Plans & Update		X		
External Audit Plans & Update	X		X	
Pension Board Budget		X		
Benchmarking Update	X		X	
Avon Pension Fund Service Plan 16/17			X	
Pension Board Annual Report			X	X
Review of Communications Strategy				X
Review of Statement of Investment Principles (Statutory Investment Strategy Statement)		X		
Review of Policy Framework	X			
Review of Valuation & Funding Strategy	X			
Review of Data Integrity & Action Plans		X		
Review of IT Security & Business Continuity			X	
Review of Governance Compliance Statement			X	

# Avon Pension Fund – Local Pension Board – Annual Report

AGENDA ITEM	02/11/16	16/02/17	11/05/17	27/07/17
Review of compliance with TPR COP 14		X		
Review of Fund Internal Controls & Delegations		X		
Review of External Advisors				X
Review of Fraud Risk Strategy		X		
Review of Complaints/IDRP Procedures			X	
Review of outcome of GMP reconciliation				X

## Avon Pension Fund – Local Pension Board – Annual Report

### Appendix 1 – Local Pension Board – Actions & Decisions

	Area	Action
<b>All meetings</b>	<b>Pension Committee and Investment Sub-Committee Decision Making</b>	The Local Pension Board actively scrutinised all Pension Committee and Investment Sub-Committee papers and minutes and considered their impacts in terms of the meeting agenda
<b>30 July 2015</b>	<b>Appointment of Chair &amp; Board Members</b>  <b>Purpose of Board &amp; Terms of Reference</b>  <b>Code of Conduct and Conflicts of Interest</b>  <b>Training &amp; Work Plan Requirements</b>	Resolved:  Approve appointment of Chair and Board Members  Approve Terms of Reference  Recommend process to adopt Code of Conduct & create separate Conflicts of Interest Policy  Recommend creation of Training Plan and Work Plan for the Board
<b>5<sup>th</sup> November 2015</b>	<b>LGPS Developments</b>  <b>Conflicts of Interest Policy</b>  <b>Regulatory Breaches Policy</b>  <b>Annual Report</b>  <b>Financial Statements</b>  <b>Administration Strategy</b>  <b>Training &amp; Work Plan Updates</b>	Resolved:  Note the report and latest developments and that Members should receive training about governance so that they had a clear understanding of the roles of the Council, the Committee, the Panel and the Board  Approved LPB Conflicts of Interest Policy  Recommended revisions and submission to Pension Fund Committee  Note the Report  Note the Statements and recommend attendance of External Auditors at future meeting  Note the Report  Note the Updates

## Avon Pension Fund – Local Pension Board – Annual Report

	Area	Action
<b>25<sup>th</sup> February 2016</b>	<b>LGPS Developments</b>	Resolved:  Note the report
	<b>Benchmarking Update</b>	Note the report and future plans for benchmarking of the LGPS by tPR and Scheme Advisory Board
	<b>Compliance Report</b>	Note the performance indicators and customer satisfaction feedback for the four months to January 2016  Note progress on the Data Improvement Plan  The Board would consider its regulatory compliance reporting at a future meeting
	<b>Risk Register</b>	Note the Risk Register
	<b>Internal Audit</b>	Note the report and Audit Plan and that completion of the recommended actions would come to a future meeting
	<b>Regulatory Breaches Policy</b>	Recommend the Breaches procedure (subject to the revisions discussed) to the Pension Fund Committee for approval
	<b>Pension Board Budget</b>	Recommend the budget for approval
	<b>Training &amp; Work Plan Updates</b>	Note the reports and recommend completion of training logs and tPR e-learning module
<b>19<sup>th</sup> May 2016</b>	<b>LGPS Developments</b>	Resolved:  Note the report and developments on ‘pooling’
	<b>External Audit</b>	Note the Audit Plan for 2015/16
	<b>Pension Fund Service Plan</b>	Note the 3 year Service Plan and Budget
	<b>Risk Register</b>	Note the report
	<b>Benchmarking Update</b>	Note the outcome of the benchmarking exercise and review of tPR’s Codes of Practice
	<b>Compliance Report</b>	Note the performance indicators and customer satisfaction feedback to 30 <sup>th</sup> April 2016  Note the Data Improvement Plan
	<b>Training &amp; Work Plan Updates</b>	Note the reports and endorse the plans



## Avon Pension Fund – Local Pension Board – Annual Report

	Area	Action
<b>27<sup>th</sup> July 2016</b>		Resolved:
	<b>LGPS Developments</b>	
	<b>Communications Strategy</b>	
	<b>Compliance Report</b>	
	<b>Risk Register</b>	
	<b>Annual Report</b>	
	<b>Training &amp; Work Plan Updates</b>	

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Bath & North East Somerset Council		
MEETING:	Local Pension Board – Avon Pension Fund	
MEETING DATE:	27 <sup>th</sup> July 2016	AGENDA ITEM NUMBER
TITLE:	Training Update	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendix 1 – High Level Needs Assessment & Plan		
Appendix 2 – Self-Assessment Template		

## 1 THE ISSUE

- 1.1 The purpose of the report is to detail the high level output from the training logs and needs assessments submitted by Board Members and requests for any future support.

## 2 RECOMMENDATION

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

## 3 FINANCIAL IMPLICATIONS

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

## 4 THE REPORT

### Background

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

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

- 4.2 These responsibilities begin from the date the LPB member takes up their role. These knowledge and understanding requirements apply to every individual member of a LPB rather than as a collective group.
- 4.3 The Avon Pension Fund is committed to making the appropriate training available to LPB members to assist them in undertaking their role. In addition each LPB member has a responsibility to demonstrate their capacity to attend meetings and complete the training.

#### **Degree of Knowledge and Understanding (See Appendix 1)**

- 4.4 The legal requirement is that Members of the LPB must be conversant with the rules of the LGPS and any document recording policy about the administration of the Fund. This is implied as a working knowledge so that members are aware of which legislation/policies to refer to when carrying out their role.
- 4.5 It is implicit that LPB members understand the duties and obligations that apply to the Avon Pension Fund as well as to themselves. LPB members should be clear on the roles, responsibilities and duties of the Board and its Members as set out in the Terms of Reference. LPB Members need to be able to identify and challenge failure to comply with the scheme rules. The rules of the LGPS would include:
- a) the Regulations;
  - b) the Investment Regulations;
  - c) the Transitional Regulations; and
  - d) any statutory guidance referred to in these regulations

#### **Areas of Knowledge and Understanding**

- 4.6 LPB Members should be conversant with, but not limited to the following areas:
- a) Scheme approved policies
  - b) Risk assessment/management
  - c) Scheme booklets/members communications
  - d) Role of LPB Members and the scheme manager
  - e) Policies in relation to discretions
  - f) Communications with scheme members and employers
  - g) Key policy documents on administration, funding and investment
- 4.7 LPB Members should have a breadth of knowledge and understanding that is sufficient to allow them to understand fully any professional advice the LPB is given. Members should be able to challenge any information or advice they are given and understand how that information or advice impacts on any decision relating to the LPB's duty to assist the Avon Pension Fund.

## **Acquiring, Reviewing and Updating Knowledge and Understanding**

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

## **Training Plans**

- 4.11 As discussed at its previous meetings in July, November, February and May 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 have submitted their training logs and needs assessment and a high level assessment and prioritisation has started and is attached at Appendix 1. Members are asked to individually update at the meeting on the initial proposals and any specific requests for the style of delivery of training so that preparations can be made.
- 4.13 It is recommended that 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.
- 4.14 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.

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

HOW DOES THE BOARD RATE THEIR KNOWLEDGE ON THE FOLLOWING AREAS	Limited	Basic	Good	Skilled	Priority (H/M/L)	Members' Board Papers (Electronic)	Briefing Notes/ Short Seminars (At Board Meetings)	Internal Training Events (Internal & External Specialists)	External Conferences & Training Seminars (LGE Fundamentals etc)	tPR Best Practice Guidance & Trustee Toolkit & E-Learning	TARGET DATE
1. Pensions Legislation			X		L	X			X	X	TBC 16/17
2. Pensions Governance			X		M	X			X	X	TBC 16/17
3. Pensions Administration			X		L	X			X	X	TBC 16/17
4. Pensions Accounting & Auditing Standards		X			L	X			X	X	TBC 16/17
5. Pensions Services Procurement & Relationship Management		X			M	X	X		X	X	TBC 16/17
6. Investment Performance & Risk Management		X			M		X	X	X	X	TBC 16/17
7. Financial Markets & Products Knowledge		X			M		X	X	X	X	TBC 16/17
8. Actuarial Methods, Standards & Practices		X			M		X	X	X	X	TBC 16/17

**Self-Assessment Returns**

Howard Pearce	Yes
David Yorath	Yes
Steve Harman	Yes
Tom Renhard	Yes
Gaynor Fisher	Yes
Mark King	No (New Member)
Tony Whitlock	No (New Member)

**Board Members Specific Requests/Areas for Additional Training/Briefing Notes**

1	An understanding of how the pension fund interacts with the taxation system in the UK and overseas in relation to benefit administration.
2	An understanding of how the pension fund interacts with the taxation system in the UK and overseas in relation to investments.
3	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	Knowledge of how discretionary powers operate.
5	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.
6	A general understanding of the main public procurement requirements of UK and EU legislation.
7	An understanding of how the pension fund monitors and manages the performance of their outsourced providers.
8	An awareness of the role and statutory responsibilities of the treasurer and monitoring officer.



9	An understanding of how the pension fund monitors and manages the performance of their outsourced providers.
10	An understanding of the implications of including new employers into the fund and of the cessation of existing employers.
11	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.
12	An understanding of how breaches in law are reported.
13	An understanding of best practice in pensions administration eg performance and cost measures.
14	An awareness of the Myners principles of performance management and the approach adopted by the administering authority.
15	An understanding of the limits placed by regulation on the investment activities of local government pension funds.

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HOW DOES THE BOARD RATE THEIR KNOWLEDGE ON THE FOLLOWING AREAS	No Knowledge	Basic	Good	Skilled	Priority (H/M/L)	Members' 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
<b>1. Pensions Legislation</b>											
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	Priority (H/M/L)	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
<b>2. Pensions Governance</b>											
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.											

<b>HOW DOES THE BOARD RATE THEIR KNOWLEDGE ON THE FOLLOWING AREAS</b>	<b>No Knowledge</b>	<b>A Little</b>	<b>Good</b>	<b>Skilled</b>	<b>Priority (H/M/L)</b>	<b>Members' Briefing Notes/ Board Papers (Electronic)</b>	<b>Short Seminars (At Board Meetings)</b>	<b>Internal Training Events (Internal &amp; External Specialists)</b>	<b>External Conferences &amp; Training Seminars (LGE Fundamentals etc)</b>	<b>The Pension Regulator Trustee Toolkit &amp; E-Learning</b>	<b>COMPLETION TARGET DATE</b>
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	Priority (H/M/L)	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.											
<b>3. Pensions Administration</b>											
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	Priority (H/M/L)	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	Priority (H/M/L)	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.											
<b>4. Pensions Accounting &amp; Auditing Standards</b>											
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	Priority (H/M/L)	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.											
<b>5. Pensions Services Procurement &amp; Relationship Management</b>											
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	Priority (H/M/L)	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.											
<b>6. Investment Performance &amp; Risk Management</b>											
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	Priority (H/M/L)	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.											
<b>7. Financial Markets &amp; Products Knowledge</b>											
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.											

<b>HOW DOES THE BOARD RATE THEIR KNOWLEDGE ON THE FOLLOWING AREAS</b>	<b>No Knowledge</b>	<b>A Little</b>	<b>Good</b>	<b>Skilled</b>	<b>Priority (H/M/L)</b>	<b>Members' Briefing Notes/ Board Papers (Electronic)</b>	<b>Short Seminars (At Board Meetings)</b>	<b>Internal Training Events (Internal &amp; External Specialists)</b>	<b>External Conferences &amp; Training Seminars (LGE Fundamentals etc)</b>	<b>The Pension Regulator Trustee Toolkit &amp; E-Learning</b>	<b>COMPLETION TARGET DATE</b>
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	Priority (H/M/L)	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.											
<b>8. Actuarial Methods, Standards &amp; Practices</b>											
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	Priority (H/M/L)	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 outsourcings and bulk transfers.											
A general understanding of the importance of the employer covenant and the relative strengths of the covenant across the fund employers.											

Bath & North East Somerset Council		
MEETING:	LOCAL PENSION BOARD - AVON PENSION FUND	
MEETING DATE:	27 <sup>th</sup> July 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 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 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 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.

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



## Draft Work Plan – Avon Pension Fund Local Pension Board

AGENDA ITEM	30/07/15	05/11/15	18/02/16	19/05/16	27/07/16	02/11/16	16/02/17	11/05/17	27/07/17
Conflicts of Interest Declarations		X	X	X	X	X	X	X	X
Training Plan Update (Incl. Annual Plan)		X	X	X	X	X	X	X	X
Work Plan Update		X	X	X	X	X	X	X	X
Avon Pension Fund Committee & Investment Panel Minutes	X	X	X	X	X	X	X	X	X
LGPS Developments & Updates		X	X	X	X	X	X	X	X
Risk Register Update		X	X	X	X	X	X	X	X
Appointment of Chair & Board Members	X								
Pension Board Terms of Reference	X								
Role of Pensions Board	X								
Pension Board Code of Conduct & Conflicts of Interest Policy	X								
Pension Board Training Requirements	X								
Pension Board Work Plan Requirements	X								
Regulatory Breaches Policy		X	X						

## Draft Work Plan – Avon Pension Fund Local Pension Board

AGENDA ITEM	30/07/15	05/11/15	18/02/16	19/05/16	27/07/16	02/11/16	16/02/17	11/05/17	27/07/17
Review of Pension Fund Annual Report		X				X			
Review of Administration Strategy		X							
Administration Performance Report		X							
Compliance Report		X	X	X	X	X	X	X	X
Internal Audit Plans & Update			X				X		
External Audit Plans & Update			X	X		X		X	
Pension Board Budget			X				X		
Benchmarking Update			X	X		X		X	
Avon Pension Fund Service Plan 16/17				X				X	
Pension Board Annual Report				X	X			X	X
Annual Review of Communications Strategy					X				X
Review of Statement of Investment Principles (Statutory Investment Strategy Statement)							X		
Review of Policy Framework						X			

## Draft Work Plan – Avon Pension Fund Local Pension Board

AGENDA ITEM	30/07/15	05/11/15	18/02/16	19/05/16	27/07/16	02/11/16	16/02/17	11/05/17	27/07/17
Review of Valuation & Funding Strategy						X			
Review of Data Integrity & Action Plans							X		
Review of IT Security & Business Continuity								X	
Review of Governance Compliance Statement									
Review of compliance with TPR COP 14									
Review of Fund Internal Controls & Delegations									
Review of External Advisors									
Review of Fraud Risk Strategy									
Review of Complaints/IDRP Procedures									
Review of outcome of GMP reconciliation									

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