

## **BATH AND NORTH EAST SOMERSET**

### **PENSION BOARD**

Thursday, 16th February, 2017

**Present:-** Howard Pearce (Chair), Mark King (Member Representative), Tom Renhard (Member Representative), David Yorath (Member Representative) and Tony Whitlock (Employer Representative)

**Also in attendance:** Tony Bartlett (Head of Business, Finance and Pensions), Jeff Wring (Head of Audit West) and Geoff Cleak (Pensions Benefits Manager)

#### **106 EMERGENCY EVACUATION PROCEDURE**

The Democratic Services Officer read out the emergency evacuation procedure.

#### **107 APOLOGIES FOR ABSENCE**

Apologies for absence were received from Gaynor Fisher (Employer Representative) and Steve Harman (Employer Representative).

#### **108 DECLARATIONS OF INTEREST**

There were no declarations of interest.

#### **109 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR**

There was no urgent business agreed by the Chair.

#### **110 ITEMS FROM THE PUBLIC**

There were no items from the public.

#### **111 ITEMS FROM MEMBERS**

There were no items from members of the Pension Board.

#### **112 MINUTES OF THE MEETING OF 2ND NOVEMBER 2016**

The minutes of the meeting held on 2 November 2017 were confirmed as a correct record and signed by the Chair.

It was confirmed that the issue raised under minute number 96 regarding “specific roles and responsibilities” had now been clarified with TPR.

In response to a query from a member of the Board, officers confirmed that the Secretary of State did have intervention powers but that it was currently unclear how these would be triggered.

### **113 CHAIRMAN'S INTRODUCTION AND UPDATE**

The Chair reminded members that the purpose of the Board was to assist the Avon Pension Fund to comply with the LGPS Regulations and the requirements of the Pensions Regulator.

He stated that nationally all LGPS pension funds currently appear to be focussed on pooling. There had also been a good deal of press coverage recently regarding the LGPS (for example exit payments and the number of issues still to be decided).

### **114 DRAFT MINUTES OF THE AVON PENSION FUND COMMITTEE OF 9TH DECEMBER 2016**

Officers confirmed that the Council had approved the recommendations of the Avon Pension Fund Committee at its meeting on 14 February 2017.

**RESOLVED:** To note the draft minutes of the Avon Pension Fund Committee held on 9 December 2016.

### **115 DRAFT MINUTES OF THE PENSION INVESTMENT PANEL OF 14TH NOVEMBER 2016**

**RESOLVED:** To note the draft minutes of the Avon Pension Fund Committee – Investment Panel meeting held on 14 November 2016.

### **116 LGPS UPDATES AND DEVELOPMENTS**

The Pension Board considered a report which summarised key developments within the Local Government Pension Fund sector, the most significant of these being the proposal for pooling of investments. The following issues were discussed:

- A new pensions scams consultation had been published but no response had been submitted. Officers explained that instructions were not taken from Independent Financial Advisors but only from fund members.
- A consultation regarding indexation and equalisation of Guaranteed Minimum Pensions (GMP) was published on 28 November 2016. A response would be sent on Monday 20 February 2017. The pension fund would pick up full liability for this going forward and a paper would be published in due course. GMP was the result of harmonisation of the state pension and historic protection of the pension. Officers felt that this was unlikely to affect a great deal of people but did not want the LGPS to be impacted.
- The Enterprise Act came into effect in February. The Regulations regarding the exit cap were currently on hold because of responses received regarding equity and fairness. Officers would provide further updates to the Board in due course.
- The new Committee and Sub-Committee had been announced and Alan South, Technical Advisor was now a substitute for the Cost Management and Scheme Design Committee as a practitioner representative.

- A new template had been released for the LGPS fund accounts but there were no material changes to the format. From 2018 the required date for closure of accounts would be 31 May. A “dry run” was being carried out this year to ensure closure by 31 May to test the process.
- The Guidance on Preparing and Maintaining an Investment Strategy Statement required Administering Authorities to take proper advice. However, “proper advice” did not seem to be clearly defined.

**RESOLVED:** To note the report and latest developments in the light of the Pension Board work plan.

## 117 PROJECT BRUNEL - VERBAL UPDATE

The Head of Business, Finance and Pensions updated the Board regarding Project Brunel. The following issues were covered in the update:

- At the full Council meeting held on 14 February 2017, cross party support was given to enter into investment pooling with respect to the Avon Pension Fund. The remaining authority to consider this issue was Wiltshire Council who would meet next week.
- The Council had agreed to delegate authority to the Head of Business, Finance and Pensions, Chief Legal Officer and Section 151 Officer to undertake such tasks as they think were appropriate to progress implementation of investment pooling. The project was therefore moving forward.
- The position of the role of Chair to the Brunel Pension Partnership had now been advertised and a longlist had been produced. Once the Chair was in place a Chief Executive and other key board members would then be appointed. The Oversight Board would consist of a both officers and councillors.
- Preparatory work was also being carried out regarding the required contracts including setting up an organisation to oversee the transition. There could be a single transition manager or a number of specialist managers.
- Confirmation had been received from the Pensions Minister for the project to go ahead. Approval was now required from the Financial Conduct Authority (FCA).
- Funding of the project was also being considered and a contingency fund had been set up. Remuneration for all parties was also being looked at and it was possible that this may be over and above the usual public sector pay scales. However, it was felt that the benefits would outweigh any additional costs.
- Governance and audit arrangements would also have to be confirmed.

- Transition of assets also had to be considered and officers had made representations to the Treasury regarding assets as this would be a form of windfall tax (approximately £50m) for the Government.
- Discussions were ongoing as to how individual funds would meet the cost of set up and transition.
- The project was on track but there was a significant amount of legal and governance work still to be undertaken.

Members then asked questions regarding the project as follows:

Q. What will the representation be on the Oversight Board?

A. The Board will be made up of the Chairs of the 10 funds and an independent Chair. Guidance from the Department of Communities and Local Government (DCLG) was awaited. There would be one vote per fund which would avoid domination by any one large fund.

Q. How would the Board have a voice on this project?

A. The role of the Pension Board would be to comment on the robustness of the project including the appointment and recruitment process, monitoring of the contract etc and to act as a conduit for the voice of members and employers.

Q. Will there be real costs and savings?

A. The bottom line would be the investment manager fees and in theory these should be lower.

Q. Is best practice regarding efficiency and effectiveness being considered and shared with other funds?

A. The Brunel investment managers already meet on a regular basis and this project would provide an opportunity for more collaborative working.

Members noted that the Government required a 20 year plan to be produced and reported on. Robust audit of the project and transparency would be essential.

The Chair summed up by stating that the Pensions Board had no concerns regarding LGPS non-compliance. He requested that a further report and briefing paper be brought to a future meeting giving details of the proposed governance framework to enable members to consider its efficiency and effectiveness.

He also requested that a report be prepared for a future Board meeting providing details of how future Brunel costs and benefits would be internally and externally audited.

The Head of Business, Finance and Pensions stated that verbal updates on the project would be provided in May and July. The Pension Fund Committee would receive a governance report at its June meeting and this Board could also put forward comments. He informed members that there a

project implementation plan had been produced and that he was happy to share this with the Pensions Board at their November meeting.

**RESOLVED:** To note the update regarding Project Brunel.

## **118 INVESTMENT STRATEGY STATEMENT - VERBAL UPDATE**

The Head of Business, Finance and Pensions gave a verbal update regarding the investment strategy statement. He explained that a new investment strategy statement had to be produced to take account of the pooling of funds. Ethical investment details also had to be included. The statement was in the process of being drafted but was not yet finalised, once complete a copy would be circulated to the Pension Board.

It was noted that the Pension Board was required to be consulted on the statement and to put forward its views on any non-financial issues and to assess risk.

The Board requested the Head of Business, Finance and Pensions to prepare a checklist from the guidance documents to assist the Pension Board in its role.

**RESOLVED:** To request the Head of Business, Finance and Pensions to circulate the investment strategy statement to Pension Board members to enable them to comment on its compliance with DCLG statutory guidance. The statement will then be submitted to the Pensions Committee for consideration along with any comments received.

## **119 VALUATION UPDATE**

The Board considered a report which summarised the results from the triennial valuation as at 31 March 2016 and the distribution of the results to scheme employers.

Officers were currently working through the valuation results and raising any queries with the actuaries. The initial outcome of the valuation showed a funding level of 87% with a 13% deficit. A robust valuation process was in place which planned to stabilise and reduce the deficit in 10-15 years. The strategy was beginning to pay dividends without putting too much pressure on employers.

Officers reported that longevity was now plateauing. They also informed the Board that not many members were taking up the 50/50 scheme.

It was noted that the actuarial report would be signed off by 31 March 2017. The Pension Board was satisfied that there was regulatory compliance and that investigations would be completed on time.

**RESOLVED:** To note the outcome of the actuarial valuation 2016.

## **120 COMPLIANCE REPORT**

The Board considered a report which set out details of performance figures for fund administration for the three months to 31 December 2016. Further to the

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

The Pensions Manager reported that a significant project had been undertaken to review the reporting process. The reports had been overhauled and new benchmarking reports had been produced. The shortage of resource had been an issue but the Member Services Team had now been restructured and 8 posts were currently being advertised which should address some of these concerns.

The Internal Audit report was good. There were currently 280 employers. It was noted that employers were losing key staff in HR and payroll which highlighted the importance of training provision. There had been performance issues from some employers which were being addressed and had been added to the risk register. There was a clear improvement in end of year data. Work relating to deaths and retirements was being prioritised.

31 employers had breached the data queries last year. Of these 29 had completed the bespoke training workshop to improve performance and the remaining 2 had been fined.

All 280 employers had been asked to complete information to ensure that the data was up to date.

In response to a query from a member officers explained that the ultimate sanction for employer breaches was to be reported to the TPR who could then issue a fine. However, there was likely to be a warning in the first instance. It was noted that there tended to be different employers breaching each year rather than one or two who consistently breached.

Officers also explained that employers could not be forced to attend training although it was hoped that they would do so. The Chair asked that the Pension Board be informed if the 2 employers who had breached last year and not yet attended training did not take up the offer of a workshop.

The Chair also requested that the Board be kept informed of any repeat offenders who continue to breach. It was important to train, encourage and enforce and to flag up the latest position with regard to data queries. It was also important to thank those employers that were doing well.

It was noted that trends can now be tracked from quarter to quarter to ease performance monitoring.

**RESOLVED** to note:

- (a) The membership data, employer performance and Avon Pension Fund performance for the 3 months to 31 December 2016.
- (b) Progress and reviews of the TPR Data Improvement Plan.

## **121 BENCHMARKING UPDATE**

The Board considered a report setting out the results of the CIPFA benchmarking club survey 2016.

The general Avon Pension Fund measurements were good. The cost per member was likely to change next year once the resource had increased. The communication strategy would lead to a drive towards more electronic methods of working which should lower costs. There was currently a good deal of investment in IT to enable this to happen.

In response to a question from a member officers explained that, in recent years, fewer authorities were responding to the benchmarking questionnaire. The questions were becoming longer and taking a lot of time to complete. It was felt that the benchmarking process required an overhaul to avoid it losing value.

**RESOLVED:** To note the report.

## **122 RISK REGISTER UPDATE**

The Board considered a report which provided an update on the current position of the Avon Pension Fund Risk Register and its top risks.

The Head of Audit West informed the Board that the risk register was now being produced in a new format.

It was noted that due to the proposed restructure there would be a risk around performance due to the recruitment of 8 new staff.

The risk register set out the top 10 risks (in order of when added to the register) and reflected the level of risk post-mitigation with focus being on the action taken during the reporting period. Officers agreed to consider how the register was presented to the Board in future and whether improvements could be made.

**RESOLVED:** To note the report and to receive the full risk register including the top 10 risks at the next meeting.

## **123 INTERNAL AUDIT UPDATE**

The Board considered a report which gave an update on Internal Audit activity. Appendix 1 of the report set out a summary of audits which had taken place.

Internal Audit had undertaken a review of the risks and controls related to Pensions Governance and assessed the framework of internal control at Level 4 which was good. A total of 2 audit recommendations were set out in the Action Plan. The recommendations related to incomplete training logs for Board members and a declaration of interest to be completed.

The declaration of interest issue had been dealt with immediately and was now resolved. At the time of review only 3 out of the 6 Pension Board members plus the

Chair had fully completed the recommended training. 2 members were still required to complete this.

The Chair stated that he would send an email to the 2 members who had not yet completed their training asking them to do so by 31 March 2017.

Internal Audit had also undertaken a review of the risks and controls relating to Pensions Admin and assessed the framework of internal control at Level 5 which was the top rate and a very positive outcome.

The Board discussed the areas that had been flagged up for potential inclusion in the 2017/18 plan connected to the Pension Fund and Pension Board. It was noted that these currently significantly exceeded the time available and the Board discussed its priorities. Members agreed that the Pensions Accounting Standards audit could be put on hold.

**RESOLVED:**

(1) To note the report and outcomes from Internal Audit work.

(2) To request that the following areas be included in the B&NES Council Audit Plan for 2017/18:

- Pensions Investments
- Pensions Administration – System Calculations
- Pensions Administration – Employer Contributions
- Pensions Governance (COP 14)
- Pensions Payroll

**124 TRAINING AND WORK PLAN UPDATE**

The Board considered a report which set out updates on training and workplan issues and presented the current outlines of the Training and Work Plans.

Individual Board members were required to maintain their own training log to evidence how they were fulfilling their responsibilities and that these were collated and overseen by Head of Audit West. The Chair asked whether members had any training needs requests which they wished to raise.

One member pointed out that new regulations would be coming into effect shortly and refresher training was likely to be needed on this. It was suggested that “bite sized” training sessions could take place at the regular Pension Board meetings to ensure that members’ knowledge was up to date.

The Chair asked whether members were able to access the information they required to keep up to date with developments in the pensions field. Members confirmed that websites were helpful along with attendance at relevant CIPFA seminars. The Chair pointed out that there was an Avon Pension Fund Employers Conference taking place on 28 February 2017 in Bristol which would be helpful to members.



**RESOLVED:**

- (1) To note the report and to endorse the high level Training and Work Plans outlined in Appendices 1 and 2 of the report and the indicative budget at Appendix 3.
- (2) To receive future training as a group on the governance relating to the Brunel Project.

**125 CHAIRMAN'S REVIEW OF MEETING**

The Chair thanked everyone for attending the meeting and reminded members that the next meeting would take place on Thursday 11 May 2017.

The meeting ended at 4.15 pm

Chair(person) .....

Date Confirmed and Signed .....

**Prepared by Democratic Services**