

## **BATH AND NORTH EAST SOMERSET**

### **PENSION BOARD**

Tuesday, 23rd May, 2017

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

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

#### **1 EMERGENCY EVACUATION PROCEDURE**

The Democratic Services Officer read out the emergency evacuation procedure.

#### **2 APOLOGIES FOR ABSENCE**

Apologies for absence were received from Mark King (Member Representative) and Tom Renhard (Member Representative).

#### **3 DECLARATIONS OF INTEREST**

There were no declarations of interest.

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

There was no urgent business agreed by the Chair.

#### **5 ITEMS FROM THE PUBLIC**

There were no items from the public.

#### **6 ITEMS FROM MEMBERS**

There were no items from members.

#### **7 MINUTES OF PREVIOUS MEETING**

The minutes of the meeting held on 16 February 2017 were confirmed as a correct record and signed by the Chair.

#### **8 CHAIR'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 and to ensure the fund's efficiency and effectiveness.

He also informed members of the Board that the National Scheme Advisory Board had published an Annual Report for the scheme and a Code of Transparency, both

of which were available on its website. There was also an update regarding academies and discussions around this issue are ongoing.

A national LGPS Scheme Advisory Board questionnaire has been designed to review Local Pension Boards but this has not yet been circulated.

The CIPFA Local Pension Board Annual Conference will be taking place on 28 June 2017 and the Chair will be attending.

## **9 DRAFT MINUTES OF THE AVON PENSION FUND COMMITTEE OF 24 MARCH 2017**

**RESOLVED:** To note the draft minutes of the Avon Pension Fund Committee meeting held on 24 March 2017.

## **10 DRAFT MINUTES OF THE PENSION INVESTMENT PANEL OF 22 FEBRUARY 2017**

**RESOLVED:** To note the draft minutes of the Pension Fund Investment Panel meeting held on 22 February 2017.

## **11 LGPS UPDATES AND DEVELOPMENTS**

The 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 response had been sent regarding the Guaranteed Minimum Pension proposals. A decision on this issue is expected next year. It is expected that liability will be passed onto the LGPS.
- There was no new information regarding the exit cap.
- The Markets in Financial Instruments Directive II (MiFID II) had raised concerns for the LGPS but it was expected that the Government might make an exemption for the scheme.
- The academies review was underway with the aim of equalising the system. Currently academy funds are guaranteed for seven years. Government guidance would be helpful to resolve this issue.
- The new national LGPS Technical Committee and Sub-Committee had been announced and Alan South (Technical Advisor) had been co-opted onto these bodies.

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

## **12 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:

- All LGPS funds in the Brunel Pensions Partnership have now considered their business cases and signed these off.
- The project has now separated into the company and client sides.
- A Chair and an interim Managing Director has now been appointed. Other appointments have also been made to the company side.
- There is now a focus on the legal documentation which will be reviewed by both chief legal and chief finance officers of the sponsoring bodies and then signed off. The company will then be brought into existence in July and officers can formally be appointed to its structure. These roles will be filled over the coming months.
- Appointments to the Brunel company posts will then be made, although there will not be automatic TUPE transfers.
- Over the next 2 years assets will be transferred from the Avon Pension Fund and there will be some twin-tracking of activities at first. HR are currently working on an 18 month transition process.
- A favoured site for the Brunel company premises has been identified in Bristol and systems and support arrangements are currently being considered.
- There has been some delay in appointing non-executive directors due to the need to ensure the correct balance of people and skills.
- Good progress has been made but there is still a lot of company set up and fund transition change management work to be carried out.

Members then asked questions regarding the project as follows:

Q. Are any changes expected to the project following the general election?

A. No changes are expected.

Q. Is remuneration a matter for the shareholders?

A. The Brunel shareholders are the 10 pension funds. The company will require shareholder approval for some actions and decision making will require a 75% majority of shareholders. The Oversight Board will first review issues and then make recommendations to the shareholders as necessary.

Q. Where do the Committees and Local Pension Boards fit into the overall structure?

A. An organisational structure chart will be brought to the next Board meeting.

Q. What will the mechanism be for tracking cost savings?

- A. Investment officers are currently looking at this. There are new standards of reporting and disclosure. The Oversight Boards will have some responsibility for tracking costs and savings as will the national Scheme Advisory Board and DCLG. The Board requested further details on how the future external auditing of the fund would take place after pooling commences in 2018.
- Q. What arrangements will be in place to provide assurances to funds that portfolios are within agreed investment strategies regarding low carbon target commitments and remain compliant?
- A. Funds are signed up to common investing principles and Avon Pension Fund staff will look at this.
- Q. How will reporting take place?
- A. The company will report to the Oversight Board and investment and strategy information will still be reported to the Pension Board. There will be 10 investment strategies delivering to 10 pension funds, although there is a good deal of commonality between them.

**RESOLVED:** To note the update regarding Project Brunel and that a future Board meeting will receive a briefing on the proposed future governance framework of the Avon Pension Fund and Brunel Pensions Partnership.

### 13 EXTERNAL AUDIT UPDATE

The Board considered a report which set out the Pension Fund External Audit Plan which was prepared by the external auditors Grant Thornton.

The Plan was presented and approved at the Pension Fund and Corporate Audit Committees and was circulated to the Pension Board as part of their role in scrutinising the role of the External Auditor with regard to key governance requirements relating to the Pension Fund.

The report outlined the following matters:

- Key developments – including key risks, accounting arrangements and changes to disclosure requirements.
- Materiality
- Significant and other risks
- Results of interim audit work – There was now a separation between the Council and the pension fund journal.
- The audit cycle – accounts will in future have to be completed and audited by the end of July. This may mean that more estimates will have to be made.
- Audit fees
- Independence and non-audit services
- Communication of audit matters with those charged with governance

The Board noted the good relationship between internal and external audit.

**RESOLVED:** To note the Audit Plan for the financial year ended 31 March 2017.

## 14 INVESTMENT STRATEGY STATEMENT

The Board considered a report which gave an update regarding the Investment Strategy Statement (ISS). It was noted that the revised investment regulations, the Local Government Pension Scheme (Investment and Management of Funds) Regulations 2016, required all administering authorities to put in place an Investment Strategy Statement by 1 April 2017.

The report set out responses to comments made by the Pension Board members along with a checklist which confirmed that the ISS was fully compliant.

The ISS will be revised following the Strategic Review to be undertaken in 2017 and then reviewed regularly during the transition of assets to Brunel Pensions Partnership and at least annually by the Pension Committee.

Officers explained that the Investment Managers were appointed to vote in the best interests of the pension fund on a package of measures.

A member pointed out that the papers for this consultation were sent out asking for comments at very short notice for a document that required very careful consideration. It was noted that this was a live document and that members would have another chance to comment further on future revisions of the ISS.

Officers also confirmed that they would ensure compliance with regulations and changes to the political and investment risk landscape, including those relating to climate change.

### **RESOLVED:**

- (1) To note the Investment Strategy Statement.
- (2) To welcome the positive response of the Pension Committee to comments from the Pension Board regarding the Investment Strategy Statement, and the plans for future updates.
- (3) To note the assessment of current compliance of the Investment Strategy Statement with the regulations.

## 15 AVON PENSION FUND SERVICE PLAN

The Board considered a report which presented the three year Service Plan and Budget for the Pension Fund for the period 1 April 2017 to 31 March 2020.

In response to a question regarding roles and responsibilities of the Pension Committee and the Pension Board officers explained that these roles are governed by regulations. The Pension Committee is the formal decision-making body and is responsible for ensuring adequate risk management processes are in place. The Pension Board is responsible for scrutinising these decisions.

Officers also explained that centrally reallocated overheads had increased this year due to the centralisation of the financial systems team.

**RESOLVED:** To note the three year Service Plan and Budget for 2017-20 for the Avon Pension Fund.

## 16 COMPLIANCE REPORT

The Board considered a report setting out performance figures for Fund Administration for the three months to 31 March 2017. The report also included progress on the TPR Data Improvement Plan and levels of employer compliance.

The following issues were discussed:

- The admin team is now almost fully staffed which should lead to an improvement in performance once staff are fully trained and up to speed.
- The number of open cases has reduced and this should improve further once resources are fully utilised and new ways of working are implemented.
- The Board expressed concern at the number of errors in the March leaver forms. Officers confirmed that the data received was not of sufficient quality. They are looking at ways to simplify information required from employers, to regularly update electronic data, to make better use of technology and to reduce duplication. Processes are currently being reviewed and streamlined.
- Of the 31 employers who breached the data queries, exceeding 10% of membership levels set by the APF, 29 have undertaken the bespoke training workshop to improve performance. The 2 employers who did not attend training were schools in an Academy Trust who had been fined. There had been problems engaging with these schools but progress was being made.
- It was noted that churn was an issue as a large number of staff were moving to different employers. Officers are looking at ways to address this issue to avoid duplication of work.
- Members queried whether the targets were set at the correct level. Officers explained that budget pressures have been an issue but that performance should improve after the transition phase with new staff in place.
- Officers agreed to speak to neighbouring pension fund administrators regarding an approach for reporting year end breaches.
- Over the next six months Employer Forums will be held for each of the different sectors.
- Members recommended that the 84% of employer organisations who did not attend the 2017 Employers' Conference be asked the reason for non-attendance.

- The Chairman expressed concern at the outstanding numbers of incomplete address details and recommended that this issue be addressed before the issue of the annual benefit statements. Officers confirmed that they targeted those who were approaching retirement date along with active members, but that ultimately it was the responsibility of members to update their details electronically.

**RESOLVED:**

- (1) To note the membership data, employer performance and Avon Pension Fund performance for the three months to 31 March 2017.
- (2) To note the progress and reviews of the TPR Data Improvement Plan.
- (3) That the compliance report and improvement plan be afforded greater scrutiny at future meetings.

**17 RISK MANAGEMENT UPDATE - RISK REGISTER**

The Board considered a report which set out the current position of the Avon Pension Fund Risk Register and its top ten risks. It was noted that this is a live document and will be reviewed by the Board on a quarterly basis.

There were three main areas of risk:

- Employer base
- Project Brunel
- Political pressure for scheme change

Members of the Board queried whether the staffing levels and employer risks were set at a high enough risk level given the previous and this meeting's compliance reports to the Board evidencing some on-going member data problems. Officers stated that they would reflect on these issues when reviewing the risk register.

**RESOLVED:** To note the report and the Board recommendation regarding the risk register.

**18 ANNUAL REPORT**

The Board considered a report which presented the process and outline of the annual report of the Board's activities for 2016/17 as required under its Terms of Reference for approval. It was noted that the annual report needed to be finalised before the next meeting.

Members made the following comments:

- Thought should be given as to the target audience.
- Consideration should be given to improving its presentation.
- The ISS and Project Brunel should be mentioned.

- Key contributions of the Pension Board should be outlined.

**RESOLVED:** To delegate authority to the Chairman of the Pension Board to finalise the details of the report to enable key messages to feed into the annual report of the Avon Pension Fund and the final document will be considered at the Board’s next meeting.

**19 TRAINING WORK PLAN AND BUDGET UPDATE**

The Board considered a report which set out an update on training and work plan issues and presented the current outlines of the training and work plans.

It was noted that all Pension Board members have now been trained and passed the Pension Regulator public service pension scheme certificate of competence, and it was agreed that some adjustments be made to the Board work plan.

**RESOLVED:**

- (1) To note the report and to endorse the high level Training and Work Plans outlined in Appendices 1 and 2 (subject to some adjustments that were agreed to the timing of some future items).
- (2) To hold a workshop regarding the compliance report at 12 noon immediately prior to the next meeting.

**20 CHAIR'S REVIEW OF MEETING**

The Chair thanked everyone for attending and noted that the Board had covered a large number of issues at this meeting.

**21 DATES OF FUTURE MEETINGS**

Meetings of the Pension Board will take place on the following dates:

- Thursday 27 July 2017 – Workshop at 12 noon followed by meeting at 2pm – Kaposvar Room, Guildhall
- Tuesday 7 November 2017 – 2pm – Aix-en-Provence Room, Guildhall
- Thursday 15 February 2018 – 2pm – Kaposvar Room, Guildhall
- Thursday 24 May 2018 – 2pm – Kaposvar Room, Guildhall
- Thursday 19 July 2018 – 2pm – Kaposvar Room, Guildhall

The meeting ended at 4.30 pm

Chair(person) .....

Date Confirmed and Signed .....

**Prepared by Democratic Services**