BATH AND NORTH EAST SOMERSET

PENSION BOARD

Tuesday, 7th November, 2017

Present:- Howard Pearce (Chair), Gaynor Fisher (Employer Representative), Steve Harman (Employer Representative), Mark King (Member Representative), Tom Renhard (Member Representative) and Tony Whitlock (Employer Representative)

Also in attendance: Tony Bartlett (Head of Business, Finance and Pensions), Jeff Wring (Head of Audit West), Geoff Cleak (Pensions Manager), Carolyn Morgan (Employer Services Manager) and Kathryn Shore (Member Services Manager)

44 EMERGENCY EVACUATION PROCEDURE

The Democratic Services Officer advised the meeting of the procedure.

45 APOLOGIES FOR ABSENCE

Apologies were received from David Yorath (Member Representative).

46 DECLARATIONS OF INTEREST

There were none.

47 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

There was none.

48 ITEMS FROM THE PUBLIC

There were none.

49 ITEMS FROM MEMBERS

There were none.

50 MINUTES OF THE MEETING OF 27 JULY 2017

It was noted that the paragraph beginning *"The Investment Manager drew attention to the information about the BPP response…"* on pages 3-4 of the Minutes (agenda pages 7-8) had been duplicated on page 4 (agenda page 8). The duplicate paragraph should be deleted. Subject to this amendment the Minutes were approved as a correct record and signed by the Chair.

The following Matters Arising were noted:

Page 5 (agenda page 9): *'a "wiring diagram should be produced showing the new organisation structures'*: this appeared under item 12 on today's agenda.

Page 6, first paragraph: contacts with other Funds re reporting year-end breaches: the Chair asked whether there had been any further contacts with other funds. The Pensions Manager confirmed there had only been contact with Cornwall Pension Fund. The Chair said that he was keen that the Avon Fund should benchmark itself against other Brunel Funds in the reporting of breaches. He requested that an email be sent to the other funds asking them whether they had reported breaches to TPR, and that a report be made at the next meeting. Avon Fund should have an idea of whether it was being too lenient in respect of breach reporting. The Employer Services Manager said that Cornwall had attempted to report a breach, but TPR had referred it back to them. The Chair said that this was interesting information in the light of the discussion about TPR at the training session; we should try to find out if other funds had had similar experiences. He suggested that the Avon Fund might try a test breach report to TPR to see whether it added to other evidence of how the current regime for breach reporting is working.

Page 6, second paragraph: *"recommendation that the 84% of employers who did not attend the Employers' Conference should be asked the reasons for non-attendance".* The Pensions Manager said that a survey form had been sent to employers, to which there had been about six responses. Reasons given for non-attendance included that it had been the wrong time of year, and that there had been clashes with other meetings. Information about the next conference had been sent to employers. The Head of Business, Finance and Pensions said the conference was not an effective means of engagement with certain employers: the fact that the conference was held during the day and that smaller employers found it difficult to spare staff made attendance difficult in many cases. The Chair urged that pressure be kept on employers who were failing to engage with the Pensions Service.

Page 7, item 32, resolution: wording of ISS: the Head of Business, Finance and Pensions said that this would be addressed in the new ISS, which would go to the December meeting of the APF Committee and be circulated to the Pension Board beforehand.

Page 9, item 34: adoption by APF of the Transparency Code: it was agreed that information on this and which APF fund managers had not signed up would come to the next meeting of the Board.

Page 11, item 37: **RESOLVED** that the workload impact and resource consequences of rising numbers of employers joining the fund should be reviewed by the Administering Authority. It was noted this was a matter for the Pensions Committee to decide in the forthcoming review of the Fund administration strategy.

Page 11, item 38: GDPR implementation: it was noted a report on this would come to the next meeting.

Page 12, item 39: Pension Board Annual Report: this had been published on the APF website.

51 CHAIRMAN'S INTRODUCTION - VERBAL UPDATE

The Chair welcomed Cllr David Veale, Chair of the Avon Pension Fund Committee, as a guest to the meeting.

The Chair summarised what he thought were the key issues that arose from the training session that had preceded today's meeting, which should be followed through in future meetings of the Board. These were:

- the Administration Strategy including charging policies for additional work caused by employers: this was due for review and would come to the next meeting of the Board.

- The Board should receive information on the legal timeframes the Fund has to comply with for all scheme member administration processes at its next meeting.

- Full compliance with all statutory timescales and Service Level Agreement timescales would require service choices to be made; because of the linkage of this issue to the Administration Strategy, recommendations should also come to the next meeting of the Board.

- Employers who repeatedly failed to supply timely and accurate information: the Board had encouraged Pensions Administration to think about reporting the three organisations mentioned in the training session to TPR.

- Tolerances for TPR reporting: the Board had encouraged Pensions Administration to revisit the definition of green, amber and red tolerance levels, which were viewed as too lenient.

- When the Scheme Advisory Board publishes the findings of its review of Local Pension Boards, the Board should give feedback of areas where it considers that the DCLG needs to amend LGPS regulations and the SAB needs to do more with TPR to improve efficiency and effectiveness.

Members agreed that this was a good summary of the main issues that had emerged from the training session.

52 DRAFT MINUTES OF THE MEETING OF THE APF INVESTMENT PANEL 4 SEPTEMBER 2017

RESOLVED to note the draft public and exempt minutes of the APF Committee Investment Panel of 4 September 2017.

53 DRAFT MINUTES OF THE APF COMMITTEE MEETING OF 22ND SEPTEMBER 2017

RESOLVED to note the draft public and exempt minutes of the APF Committee meeting of 22 September 2017.

54 LGPS UPDATE REPORT

The Technical and Compliance Advisor presented the report. He said there had been little movement on many issues, including exit payments. DCLG was suffering from a serious lack of legal resources.

The Chair said that he had recently attended a meeting at which DCLG had presented, and they had said that DCLG was not contemplating making any regulatory changes to LGPS while the Brexit process was ongoing, that is until at least 2019/20, and they were seeking help from the Scheme Advisory Board and the Technical Group to produce interim guidance which would not have to go through Parliament. The Technical and Compliance Advisor confirmed that the Technical Group would try to fill the gaps in current regulations/guidance within their current work programme. The Chair requested that the Members be kept updated on any new circulars or interim guidance issued.

The Chair said TPR was issuing new guidance all the time, including that week in relation to how funds should measure if scheme members had 100% common data scores. Members should try to keep up to date on what TPR was issuing and the implications for the Fund and its resourcing.

RESOLVED to note the report and developments.

55 BRUNEL PENSION PARTNERSHIP UPDATE - PRESENTATION

The Head of Business, Finance and Pensions updated the Board.

He reported that State Street had been appointed Custodian for BPP the previous month, which will replace the existing arrangements across the BPP funds. The partner funds' assets were now being transitioned to State Street. It was hoped that transition would be completed by 31st March 2018. Once the process is complete, tenders would be issued for new asset managers to whom to transfer the funds, which might take another two years. The main concern at the moment was that the Fund should not lose track of any of its assets during the transition process. The appointment of senior officers was ongoing. Four officers from the APF Investment Team had left to join Brunel. The Investment Manager and another member of the Team had remained with the Fund; a retention package had been put in place because of the competition from other funds.

He referred to the Brunel governance arrangements chart on agenda page 34. He said that the administering authorities of the ten Brunel funds took different approaches to allocating shareholder responsibility. For some it lies with the S151 Officer, for others with the Committee Chair, for others, like Bath and North East Somerset, with the Council Leader. The Oversight Board comprises one representative of each fund and two independent members. It had its first meeting in September, and considered remuneration policy and contingency funding for the transition plan. Agendas for the Oversight Board are prepared by the Client Group, which comprises senior investment officers from each of the member funds. The Client Group has the responsibility of monitoring whether the Brunel Company is complying with its contractual obligations. A number of events for stakeholders were planned for the coming months. He said that the structure diagram did not show the level of communication that was actually taking place, nor the internal structure of the Brunel company, for example a Board of Directors, a Remuneration Committee, a Risk Committee and an Investment Committee. The company is going through the process of achieving FCA approval at the moment. Also ongoing is the process for the funds to achieve professional investor status under MIFID II.

Members asked questions to which the Head of Business, Finance and Pensions responded:

- The development of a communication plan for stakeholders had been deferred for the time being because so much was going at the moment. There was information available on the Brunel website. Brunel now produced a newsletter, which was available on the website. There were Brunel stakeholder events on 14th, 15th and 17th November.

- The establishment of Brunel had no impact on the responsibilities of the APF Committee. The responsibilities of Brunel were operational.

- The question of whether papers and minutes of the Oversight Board were in the public domain or would be provided as confidential documents to BPP LPBs would be raised with the Oversight Board. The Pension Board hoped this issue would be resolved and reported to its next meeting.

RESOLVED to note the update.

56 COMPLIANCE REPORT

The Pensions Manager presented the report. He drew attention to Appendix 2, asking the Board to note the overall improvement in the number of cases completed within five days of SLA targets over the last quarter.

A Member acknowledged the improvement, but the majority of SLA targets were in red and had not been met. He suggested that the addition of some explanation and narrative would make the report more intelligible to outsiders. The Head of Business, Finance and Pensions suggested the report should indicate that all statutory standards had been achieved. The Chair responded that the evidence of that should be provided in future compliance reports. Is the Fund complying with the public service pension scheme record keeping and disclosure regulations? Evidence should be provided in future reports.

The Chair asked the meaning of ‘undecided’ in Annex 4. The Pensions Manager explained that these were people who had left the Fund, and had not decided whether they wanted a refund of their accrued pension benefits, or to leave them in the Fund, or to transfer to them to another fund.

The Chair said that he was very concerned by the number of scheme members for whom correct addresses were not held. There were over 6,000 of these, and the number had been at this level for some time. There was a regulatory requirement that the administering authority should have this information as common data. He suggested that Pensions Administration should prioritise the acquisition of this information. The Employment Services Manager responded that the number had in fact gone up in the latest period though as much resource as possible was put into acquiring this information. The Chair responded that the allocation of administrative resources was not a matter for the Board. The Head of Business, Finance and Pensions suggested that responsibility should be on the individual to provide this information. The fact is that the scheme manager has an overriding legal responsibility to hold the common data and TPR has zero tolerance for missing scheme member common data and this needed to be addressed with greater priority. By way of example, an adjacent fund has only 0.3% of missing addresses for deferred members, while APF has a very high proportion of 12%.

The Communications and Public Relations Manager drew attention to the proposal for improving member and employer feedback surveys given in Appendix 6A. The Board welcomed the proposal. The Chair said that the Board would be particularly interested in the response levels to the various feedback opportunities. It should also be borne in mind that scheme members who did not respond were equally important.

The Chair expressed his thanks for the high level of granularity in the reports, which considerably helped the Board to perform its functions.

RESOLVED:

1. To note membership data, Employer Performance and Avon Pension Fund Performance for the 3 months to 30 September 2017.

2. Future compliance reports should present administration performance data against both statutory timescales and SLA timesclaes.

3. To note progress and reviews of the TPR Data Improvement Plan and to recommend that the Administering Authority be recommended to prioritise resources to rectify the gaps in missing scheme member data.

57 BENEFIT STATEMENT UPDATE

The Pensions Manager presented the report. He said that the issue of Annual Benefit Statements was always a difficult exercise because of the need to check data with all employers by a tight deadline. He thought that a comparison of this year’s performance with last year’s showed that things were moving in the right direction.

A Member noted that that the percentage of B&NES employees for whom data was missing was 5-6 times higher than for the other Unitaries. The Employer Services Manager said that she was working very closely with B&NES to improve this; the problems were related to the establishment control system.

The Chair asked for the next report on the Annual Benefit Statement to include information on employers who repeatedly failed to provide correct data for the last three years. If employers were still failing to provide correct data after three years of encouraging them and offering them training, and warning them of being reported to TPR, then it was time to press a bit harder, and if necessary report them to TPR in 2018.

RESOLVED to note the report and the ABS compliance and TPR reporting strategy for 2018.

58 RISK REGISTER UPDATE

The Pensions Manager presented the report. He highlighted Risk 9 “System Failure” and the 17-week project plan for the implementation of a technical platform change for payroll support.

A Member commented that Risk 7 “Staffing” was common to all local authorities at the moment, and asked what APF’s strategy was to address this risk. The Head of Business, Finance and Pensions replied that a full evaluation would be done of the Investment Team, including pay structures.

The Chair said that with the continuing increase in the number of employers in the Fund, including a 10-fold increase in smaller employers, it might desirable to put extra staff in place now to stay ahead of the game. The Head of Employment, Business and Finance Pensions replied that it should be remembered that additional staff would increase the costs to be funded from contributions; at the last valuation contributions were increase by 0.5% because of additional administration costs. The Chair said that the Board was aware that there was a balance to be struck between achieving compliance and the cost of doing so, and recommended the Pension Committee should consider how legal compliance could be achieved by reprioritisation of resources.

RESOLVED to note the report.

59 TRAINING AND WORK PLANS

The Head of Audit West presented the report. He requested Members to send in their training logs by the end of the calendar year.

The Chair drew attention to the half-day Local Pension Board training session hosted by CIPFA in Cardiff later this month. CIPFA was very active in LPB issues.

It was agreed that training on how the projected cost savings from Brunel Pension Partnership were being assessed, monitored and independently audited would be useful, and that it would be taken forward in 2018.

RESOLVED to note the report and to endorse the high-level Training and Work Plans outlined in Appendices 1 and 2.

60 FORWARD LOOK

The Chair said the Board would look at the Administration Strategy and other issues flagged up under agenda items at a future meetings.

61 DATE OF NEXT MEETING

It was noted that the next meeting would be held at 2pm on 15 February 2018 in the Kaposvar Room, Guildhall, Bath. Steve Harman presented his apologies for this meeting.

The meeting ended at 3.23 pm

Chair(person) ....

Date Confirmed and Signed ....

Prepared by Democratic Services