

BATH AND NORTH EAST SOMERSET

PENSION BOARD

Thursday, 15th February, 2018

Present:- Howard Pearce (Chair), Gaynor Fisher (Employer Representative), Tom Renhard (Member Representative) and David Yorath (Member Representative)

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

62 EMERGENCY EVACUATION PROCEDURE

The Democratic Services Officer advised the meeting of the procedure.

63 APOLOGIES FOR ABSENCE

Apologies were received from Steve Harman, Mark King and Tony Whitlock.

64 DECLARATIONS OF INTEREST

There were none.

65 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

The Chair reminded the Board that its duty is to help the Administering Authority ensure compliance with the LGPS regulations and TPR requirements and the efficient and effective governance and administration of the scheme.

He commented that TPR was currently extremely active. Barnet had become the first LGPS scheme to be fined for failing to submit information to TPR. TPR had publicly stated that they were stepping up enforcement activity because of pension fund scandals like those of BHS, Carillion, British Steel and others.

He noted that auto-enrolment seemed to have been successful in getting more employees into workplace pension schemes and that there was currently a high media profile for pensions issues, which might impact on the level of comments and queries from members of the fund.

66 ITEMS FROM THE PUBLIC

There were none.

67 ITEMS FROM MEMBERS

There were none.

68 MINUTES OF PREVIOUS MEETING: 7TH NOVEMBER 2017

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

Matters Arising

Page 2 (Agenda page 6), third paragraph (wording of ISS): the Chair reminded Members that the draft APF Investment Strategy Statement had been circulated to them in November for comment. Comments from the LPB had been submitted to the APF in December. It was noted that no formal response had been received, but it was expected that one would follow.

Page 5 (Agenda page 9), second paragraph, first bullet point: Brunel website and newsletter: a Member said he was no longer being sent information from Brunel. The Chair said that because of the General Data Protection Regulation Brunel had sent out an email asking people to confirm that they wished to remain on their contacts database. The Member should reregister on the Brunel website.

Page 5 (Agenda page 9), second paragraph, third bullet point: the Oversight Board had agreed that its minutes could be circulated to the Pension Board.

Page 6 (Agenda page 10): information on which APF investment managers had not signed up to the Transparency Code: the Head of Business, Finance and Pensions regretted that he had not an opportunity to ascertain the current position. It was agreed to roll this action forward to the next meeting.

Page 6 (Agenda page 10): workload impact of increasing numbers of employers in the Fund: officers confirmed that this was informing the Administration Strategy, which would come to a future meeting.

Page 6 (Agenda page 10): report on GDPR implementation: this would in fact be presented at the May meeting.

69 PENSION BOARD ACTION LOG

The Board welcome the new Action Log. A Member said that it would helpful if the RAG status of items was indicated by the use of the letter R, A or G against the item, rather than by colour coding, which did not show up on black and white copies.

Replying to the Chair about the timescale for the revision of the Administration Strategy, the Head of Business, Finance and Pensions said that it was being worked on now and the draft Strategy would be presented to the APF Committee in June. The Board and employers would be consulted and it be presented to the APF Committee for approval in September.

The Chair noted that a paper on pension administration legal timescales appeared on the current agenda and that late payers were dealt with in the compliance report. He requested that the issue of tolerances for TPR reporting be picked up under the Compliance Report.

The Scheme Advisory Board report on its survey of Local Pension Boards was still awaited. An interim report, containing only data, had been published. At the last meeting of the SAB, the Chair of the SAB had put pressure on officers to complete and publish the full report.

The Pensions Manager said that he had had conversation with a couple of other Funds about the reporting of breaches, the content of which he was reluctant to disclose in a public forum.

RESOLVED to note the Action Log and items rolled forward to future meetings.

70 MINUTES OF THE MEETING OF THE AVON PENSION FUND COMMITTEE OF 8TH DECEMBER 2017

The Chair noted that the Pension Committee had similar concerns to the Board over poorly performing employers.

RESOLVED to note the Minutes of the Avon Pension Fund Committee of 8th December 2017.

71 MINUTES OF THE APF INVESTMENT PANEL MEETING OF 13TH NOVEMBER 2017

RESOLVED to note the Minutes of the Avon Pension Fund Committee Investment Panel of 13th November 2017.

72 LGPS UPDATE REPORT

The Technical and Compliance Manager presented the report. Members noted the following:

- The Government had issued its response to the consultation on guaranteed minimum pension (GMP) indexation and equalisation in public service pension schemes (https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/675360/Indexation_and_equalisation_of_GMP_in_public_service_pension_schemes_government_response_web.pdf). The consultation had identified three options: case-by-case, full indexation and conversion. The Government had ruled out the case-by-case approach as being challenging and costly to implement and administer. The “interim solution” implemented between 6 April 2016 and 5 December 2016 and 5 December 2018 would be extended for a further two years and four months, during which the Government will investigate conversion as an alternative long-term methodology.
- In conjunction with the latest Cabinet reshuffle the Department of Communities and Local Government had become the Ministry of Housing, Communities and Local Government. The new Minister was the first that had met the Scheme Advisory Board. The Chair said that the Minister had had a meeting with the LGA. He had an investment background and was very interested in pooling.

- The Ministry had lost staff, and new staff were not fully up to speed on pensions, so progress on many issues is slow.
- The case of Elmes v Essex CC had reaffirmed the decision made in the Brewster case in Northern Ireland. An LGPS Fund must pay a partner's pension to the partner (meeting the definition of a co-habiting partner in the Regulations) of a deceased member who has died without completing a nomination form. Therefore all such cases within the period 1st April 2008 and 1 April 2014 must be reassessed.
- MIFID II implementation: the Head of Business, Finance and Pensions confirmed that APF had now achieved professional investor status.
- Academies' review: the Chair said he had learnt from the SAB minutes that academies were not all to be allocated to a single LGPS fund.
- Tier 3 employers: the deadline for the survey had been extended to 31 January. APF had completed the survey.
- The Chair noted the passage of the cross-party Civil Partnership Act which gave civil partners pension and other rights, and could impact on the liabilities and administration of the Fund.
- TPR's Public Service Governance Survey: the Fund had submitted a response to which the Chair had input on behalf of the Board (attached as Appendix 2) before Christmas. He thought the level of detail required and the expectations of public service pension schemes were far higher than in previous years.

The Chair requested that live issues which had been previously reported and which remained unresolved should be left on the list, whether there had been any developments or not; it was important that the Board had a full picture of issues for which the Fund was awaiting official actions or responses and which constituted obstacles to the efficient and effective management of the Fund.

RESOLVED to note the report.

73 BPP VERBAL UPDATE

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

He reported that the first Brunel shareholder meeting had taken place at the end of January, which had approved the accounts. A number of motions had been proposed to amend the Articles of Association following legal advice in connection with the FCA accreditation process. The Terms of Reference of the Oversight Board had been amended to take into account the fact that a Code of Conduct policy had been adopted. Other amendments related to the Risk and Compliance Committee, in order to meet FCA requirements.

At the time Oversight Board update Brunel had around five staff vacancies but was making good progress in attracting high quality staff. The structure of Brunel's investment funds had been considered by the Oversight Board and some of the design principles had been agreed. The next step was for Brunel to achieve FCA accreditation. The assets of the funds were being transferred to Brunel Administrator and scheduled for completion by the end of March 2018. The Funds have set aside additional contingency to support transition.

The Board noted the Brunel-Avon Pension Fund Risk Dashboard circulated with the agenda.

The Chair noted that the business case had been based on £24bn of assets, whereas Brunel's assets were now valued at £28bn, which meant that savings were potentially greater. He wondered whether the payback period had also been brought forward. The Head of Business, Finance and Pensions responded that this could be the case, but the payback period was different for the individual funds. The Chair noted that at the previous meeting (minute 59) that the Board had requested training on how APF cost savings from pooling would be assessed, monitored and audited. It was agreed that this would be arranged for later this year.

The Chair informed Members that the Brunel annual report and accounts were now available on their website. The Brunel AGM took place on 31st January. There was no open invitation for LPB members or scheme member representatives to attend, despite indications given at the Engagement Days that this would be the case; apparently this is being considered for future years.

RESOLVED to note the update and the good progress being made and that training would be provided to the Board on how APF cost savings from pooling would be assessed, monitored and audited.

74 FUND ADMINISTRATION - COMPLIANCE REPORT

The Pensions Manager presented the report.

During the reporting period the number of employers in the Fund had increased by 65, the majority of these arising from Academy conversions and the associated Admitted Bodies for outsourced catering and cleaning contracts. There were now 350 employers in the Fund. Each conversion required significant administration work and communication between the Fund and the employer. A number of schools had also changed their payroll provider. A further 69 employers were awaiting admission to the Fund. The Chair noted that about 65 new employers were joining the Fund per quarter. Each one imposed the same administrative burden on the Fund, regardless of their size; this highlighted the pressure on the resources of the Administration team. Responding to a question from a Member, the Pensions Manager said this rate of increase was likely to continue for some time as Academy conversion ran its course, and he thought it likely that the number of employers would reach 500.

The Pensions Manager said that though Appendix 2 demonstrated an overall improvement in performance against SLA targets during the quarter, however the majority of KPIs remained below target. Performance was better against statutory targets, and reports were being developed to make this information available to the

Board. Work continued to identify backlogs. The project to improve the early leavers process had been completed, and plans were in place to address the backlog of Intra fund transfers and Aggregation cases, which numbered about 3,000, and formed the majority of the total backlog. The backlog had impacted considerably on overall performance. Another fund in the southwest of similar size to Avon with a similar number of Aggregation cases was quoted £170,000 by an external agency to clear their backlog.

Turning to the TPR Improvement Plan, the Pensions Manager said that Administration had developed reports to assess compliance in respect of common and scheme-specific data by membership status and data type, as shown in Appendix 4. For active members, employers are being provided with a quarterly exception report. Overall, errors had reduced in the latest quarter. Outstanding errors for B&NES were now down to single figures. B&NES had had to suspend the use of IConnect for some time, because of a change in payroll software, but it was now restored, which should eliminate the problem of missing data.

The Pensions Manager said that he had looked at other funds' performance reports and thought that Avon was now producing the most detailed reports with the most data. The Chair agreed that the Fund now had a much better grip on performance issues. The Head of Business, Finance and Pensions said there were no templates for reporting by funds; it took a great deal of work to prepare these reports for the Board. The Chair suggested that funds ought to make a joint approach to Heywood to make the report formats developed by Avon a standard part of their software.

The Chair requested a list of "repeat offender" late payers who had made late payments in each of the three years since the Board was established to be presented to the next meeting of the Board. If there was no good reason for their persistent late paying, consideration should be given to reporting them to TPR.

The Chair asked the reason for the difference in the number of TPR errors when reported by members (7241) and by type (7759). The Pensions Manager replied that this might be because the records of some members contained more than one error.

The Chair suggested it would be useful if Board Members and Fund staff attended the CIPFA training on calculating TPR errors. It did not appear that funds were using a common method of calculating errors. It would be useful if they did, to provide comparative information.

The Board was pleased to note that the Fund's positive direction of travel in performance. They supported the Fund being given the resources needed to do its job.

RESOLVED to note:

1. Membership data, Employer Performance and Avon Pension Fund performance for the 3 months to 31 December 2017.
2. Progress and reviews of the TPR Data Improvement Plan.
3. That new reporting for the Board was under development.

75 PENSION ADMINISTRATION LEGAL TIMESCALES

A table setting out the legal timescales for LGPS processes and the SLA targets was circulated to Members.

The Chair reminded Members that the Board had requested this following the workshop held on 7th November 2017 (Minute 51 of the Minutes of that meeting). He said the document was a work in progress; he had had begun it, and officers had taken it further.

The Pensions Manager said that at present SLA targets were used for the majority of processes, with only member retirements and death cases being reported against the statutory deadline. The statutory deadlines were distributed in various Regulations and Acts and there was no consolidated source for them, so assembling them was quite a task. He was concerned that to report regularly on performance against statutory deadlines would be a full-time job for a member of staff. Many of the deadlines were imposed some years ago when the administration of funds was much simpler. He suggested that representations might be made to the Scheme Advisory Board and the Ministry about revisiting the requirements. The Chair responded that these were currently legal requirements and so the Board had to have regard to them. There might be a case for suggesting that they should be consolidated into a single list. He accepted that there was an issue about whether it was feasible and useful to report against the statutory standards. The Pensions Manager said there would be no difficulty in devising a report to expand the current KPI's to also measure against legal statutory timescales.

He requested the Board to note that all the SLA targets were much tighter than the statutory standards. SLA targets also had to be achieved in 90% of cases, which might be too high. The Chair felt that where there was a statutory date for an action, such as the issue of Annual Benefit Statements or Pension Savings Statements, performance in meeting that deadline should be reported. Secondly, where there was reporting for the statutory requirements, reports should show performance against the statutory target and the SLA target. Statutory targets not currently reported could be left till later. The Pensions Manager said that he would take this forward. The Chair requested that the Board should be updated on progress at its next meeting, and be informed if the provision of this extra reporting had an undue impact on workload.

RESOLVED to note the report and that a progress report would come to the next meeting.

76 PENSION ADMINISTRATION: MEMBER ADDRESSES

The Pensions Manager presented the report. He said that the Fund had identified approximately 6,000 members for whom there were missing or "gone away" addresses. Currently cases are prioritised by age and searches carried out on a case by case basis. The report outlined a plan for a bulk tracing exercise in partnership with Accurate Data Services. The plan with costings would be presented for approval to the March meeting of the APF Committee as part of the Service Plan 2018/21. The primary motivation for the exercise was to be able to send Annual Benefit Statements to all members by 31st August.

The Chair suggested that use of other services, such as DWP, MFI, Pensions Tracing Service, Pensions Link or Equifact should also be considered. Members discussed other options.

The Chair requested that the Board be kept up to date with developments In this project, pointing out that missing addresses formed the bulk of the Fund's missing TPR data.

RESOLVED to note the member address rectification exercise and that a progress report would come to the next meeting of the Board.

77 INTERNAL AUDIT UPDATE

The Head of Audit West presented the report. He drew attention to Appendix 1, which summarising work done by Internal Audit in relation to the APF over the last five years, Appendix 2, the Draft IA Report on Pension Governance and Appendix 3, the Draft IA report on Pension Transfers and Aggregations. An auditor from the Devon Audit Partnership had led on the audits reported in Appendices 2 and 3. Both these audits had resulted in level 4 ("good") opinions. He also asked the Board to note the areas flagged up for the 2018/18 IA Plan listed in paragraph 4.6 of the report.

The Chair said the reports were good and was pleased to note that no compliance issues had been raised. He suggested that the statutory HMRC reporting could be picked up under 4.46(d) Pensions Payroll and that under 4.6(b) Data Integrity issues there should be a focus on personal data. The Head of Business, Finance and Pensions thought the main risks lay in the integrity of the data provided by employers, rather than the Fund's data security procedures.

RESOLVED to note the report and outcomes from Internal Audit work and the proposed areas to be included in the Bath and North East Somerset Council Audit Plan for 2018/19.

78 RISK MANAGEMENT UPDATE

The Pensions Manager presented the report. He said that resources remained as the key risk. The only change was that the Java technical platform had now been successfully implemented, so the risk associated with this would be downgraded to low.

A Member suggested that it would be useful for the changes to the risk score for each item to be included in the report. The Head of Audit West said he would consider whether this could be done.

The Chair suggested that it would be useful for the Board to look again at the full risk register for APF at a future meeting. Members had access to this online and it was difficult to read in hard copy. He suggested Members looked at it offline to remind themselves of its contents and email the Head of Business, Finance and Pensions if they had any concerns. At the next meeting the Board could consider whether

certain risks were not moving in the right direction, or whether there were underlying issues that should be causing it concern.

RESOLVED to note the report and that Board Members would review the full risk register.

79 TRAINING AND WORKPLAN UPDATE

The Head of Audit West presented the report.

The Chair noted that the draft work plan only went up to 19th July 2018 and requested that it be rolled forward. He suggested that there could be a joint training session with the APF Committee or other LPBS on TPR requirements to be presented by a member of TPR staff. The Head of Business, Finance and Pensions suggested that this could be linked to the APF Employers' Conference on 7th March.

RESOLVED to note the report and endorse the high-level Training and Work Plans outlined in Appendices 1 and 2 and that an updated 2018-19 work plan for the Board would be submitted to the next meeting.

80 FORWARD LOOK

All relevant items had been covered on other parts of the agenda.

81 DATE OF NEXT MEETING

The Board noted that the next meeting is scheduled to be held on Thursday, 24th May 2018 in the Kaposvar Room, Guildhall, Bath.

The meeting ended at 3.33 pm

Chair(person)

Date Confirmed and Signed

Prepared by Democratic Services