

BATH AND NORTH EAST SOMERSET

PENSION BOARD

Thursday, 8th November, 2018

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

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

43 EMERGENCY EVACUATION PROCEDURE

The Democratic Services Officer advised the meeting of the procedure.

44 APOLOGIES FOR ABSENCE

Apologies were received from Mark King.

45 DECLARATIONS OF INTEREST

There were none.

46 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

The Chair reminded Members of the role and purpose of the Board, which is to help the administering authority to secure compliance with LGPS Regulations and the requirements of the Pensions Regulator, and to ensure the efficient and effective governance and administration of the Avon Pension Fund scheme.

The Chair announced that since the last meeting he had attended a meeting with other Local Pension Board chairs and the Chair of the Scheme Advisory Board. There had been discussion about the need for effective communications between the national SAB and local pension boards. The Chair of the SAB had agreed that further work needed to be done to integrate the work of the SAB and LPBs and to clarify their roles. A copy of the first of a new series of post-meeting communiques for pension boards and pension committees, which had been issued after the February SAB meeting, had been forwarded to Members.

47 ITEMS FROM THE PUBLIC

There were none.

48 ITEMS FROM MEMBERS

There were none.

49 MINUTES OF PREVIOUS MEETING: 19 JULY 2018

RESOLVED that Mark King be added to the apologies for the meeting, and that Steve Harman, Mark King and Tony Whitlock be removed from the attendance list of the exempt minutes, and that the public and exempt minutes be approved subject to these amendments.

Matters arising

Item 26, agenda page 7, first paragraph: training for Board Members on the accounting, auditing and reporting of cost savings from pooling: the Chair suggested that this be picked up in 2019.

Item 28, agenda page 7, fifth paragraph: attendance of Board Members at exempt sessions of the APF Committee and Investment Panel: Members noted from the APF Committee minutes for the 21st September that this had been discussed at that meeting. The Chair and the Head of Business, Finance and Pensions had further discussions subsequently, and they had agreed that Board Members should not be able to attend exempt sessions of the APF Committee and Investment Panel. A Member asked if information had been sought about the practice of other LPBs and pension funds. The Head of Business, Finance and Pensions said that this would probably vary. Where LPB Members were active on pension committees, it gave rise to the potential for conflicts of interest. The Chair reminded Members that they have access to all APF Committee and Panel papers and are able to observe open sessions.

Item 33, paragraph 3: SAB project on academies: the Chair reported that the SAB consultation had ended in September.

50 AVON PENSION FUND COMMITTEE: MINUTES OF THE MEETING OF 21 SEPTEMBER 2018

It was agreed that the Chair should not be classified as an “adviser” in the attendance list.

Before discussing the exempt minutes, the Board having been satisfied that the public interest would be better served by not disclosing relevant information, **RESOLVED** that the public should be excluded during the discussion of AFP Committee exempt minutes of the 21 September 2018, and that the reporting of this part of the meeting be prevented 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 Schedule 12A of the Act as amended.

After discussion it was **RESOLVED** to note the public and exempt minutes of the meeting of the Avon Pension Fund Committee of 21 September 2018.

51 AVON PENSION FUND COMMITTEE INVESTMENT PANEL: MINUTES OF THE MEETING OF 10 SEPTEMBER 2018

RESOLVED to note the public and exempt minutes of the meeting of APF Investment Panel of 10 September 2018.

52 BRUNEL OVERSIGHT BOARD: MINUTES OF THE MEETING OF 18TH JULY 2018

A Member asked when the government might renew pressure for funds to invest in infrastructure. The Head of Business, Finance and Pensions said that infrastructure appeared to be moving up the Government's list of priorities. For funds it was a matter of finding the right opportunities and investment vehicles.

The Chair suggested that it might be another year before it became clear whether cost savings had been made through pooling. The Head of Business, Finance and Pensions agreed that it would take at least a couple of additional transitions to get a better picture. The asset composition of the funds within the pool was changing, so it is not a case of comparing like with like.

Summing up, the Chair said that it appeared that the Brunel Oversight Board was offering an effective challenge to Brunel on governance issues and that APF was maintaining a robust process in relation to pooling; the Board should be reassured by this. The great unknown was whether pooling would deliver significant cost savings, and this would only become apparent at a later date. He thanked officers for their hard and able work in support of pooling.

RESOLVED to note the minutes of the meeting of the Brunel Oversight Board of 18th July 2018.

53 PENSION BOARD ACTION LOG

Administration strategy

The Pensions Manager reported that this would be presented to the next meeting of the Board in March 2019.

SAB Review of Local Pension Boards

The Chair said that he had investigated what is happening with the SAB survey of LPBs. He had found that after the survey had been completed, SAB had produced a very brief statistical analysis, which is available on their website. Some of the results of the survey were incorporated into the guidance to local pension boards about best practice, but SAB is not going to produce a full report. He therefore suggested that this action should be deleted from the log. Members agreed to this.

Missing Scheme Member Addresses

The Pensions Manager reported that some responses had been received from other funds in response to a request for information about their missing address statistics. The Chair requested that responses for funds who had not replied should be chased up.

54 EXTERNAL AUDIT UPDATE: AUDIT FINDINGS REPORT

The Chair was pleased to note that the external auditors had found that the Fund was compliant and that there were no major issues of concern.

A Member said that he would have found it helpful to have had a one-page cover report from officers stating that External Audit had found no cause for concern. This would also have been useful for any scheme member or member of the public who took an interest in the affairs of the Fund.

A Member asked about the delay in the confirmation of the final audit opinion. The Chair explained that the auditors had to be satisfied that the financial accounts were consistent with the text of the Fund's annual report, which is produced later than the financial accounts. The annual report would be presented to the next meeting of the Council. Next year there would be additional requirements for the accounts and the annual report, which would further complicate matters. CIPFA will publish three new guides: on annual reporting, on administration reporting and on costs of pooling.

The Chair thanked officers for their work, which had resulted in a clean report from the external auditors in relation to a £4bn fund.

RESOLVED to note the report of the external auditors.

55 LGPS UPDATES

The Technical Manager presented the report.

The Treasury had reported that all public sector schemes are below the cap floor. The problem for unfunded schemes is that they cannot adjust the level of contributions. SAB has its own cost management process, which will allow changes in benefits to be taken into account before the Treasury process begins. SAB has a sub-group working on a package of benefit changes which will be put to the full SAB for agreement.

There is a move to put all public-sector pension schemes on a 4-year valuation cycle. Any scheme amendments implementing this would take effect from 1st April 2019, so the next valuation period would be 2019-2023.

The Chair said that he believed that there would be little movement on most pension issues in the near future, because so much Government resource was tied up with the Brexit process.

The Chair said that TPR had made a presentation to the Wiltshire LPB, which he also chairs, and suggested that it would be useful for them to meet the Avon Board next year, either in a training session or under an agenda item at a main meeting.

RESOLVED to note the report and latest developments.

56 ISS CONSULTATION

A copy of an email containing the Chair and LPB Members' comments on the draft APF Investment Strategy Statement (ISS) was circulated to Members.

The Head of Business, Finance and Pensions presented the report. He said that he believed that overall the ISS complied with requirements. The Chair suggested that

the Fund should consider whether it had demonstrated engagement with the Local Pension Board. The Head of Business, Finance and Pensions replied that the Committee had agreed to delegate to officers any further non-material changes in the ISS to reflect Brunel Transition. The Fund would be working closely with Brunel, who are managing investment on behalf of the Fund. In addition the APF would be reviewing its ESG strategy in 18 months or so, and he requested the Board consider whether there were any aspects of the issues they had raised that would really add value.

Members discussed this. One Member said that he wondered how materiality would be judged, but he was not able at present to suggest an answer. The Head of Business, Finance and Pensions felt that there was a need for a common understanding of issues, and that in future joint training should be undertaken with the Committee.

The Chair summed up his understanding of what officers were proposing, namely that routine non-material amendments to the ISS proposed by Board Members should be dealt with through emails and a more formal process only be followed for material amendments. Members indicated that they would be happy with this. The Chair said that he felt this arrangement would demonstrate engagement with the Board and comply with 7(2)(e) of the Investment Regulations. It appeared that there was now a common understanding in connection with 7(2)(e) that the Board should focus on long-term material, non-financial factors that might affect investments. It would be useful for Board Members to have further training and engagement about ESG and Responsible Investment when those came up for review.

RESOLVED to note the draft Investment Strategy statement for compliance with the regulations.

57 ANNUAL BENEFIT STATEMENT UPDATES

The Pensions Manager presented the report.

Members noted that all employers had been contacted in January 2018 in preparation for the issue of this year's Annual Benefit Statements. The performance of this exercise this year had been better than last year, reflecting a higher level of engagement with both employers and employer payroll providers throughout the process. Looking ahead, the planned receipt of monthly data returns from all employers should ensure a high level of data accuracy in future years.

Members note the failure rate of 10.1% for deferred employees, which was due to missing addresses. The Chair said that Wiltshire's failure rate was lower and suggested that comparative information should be obtained from other funds in the Brunel pool.

RESOLVED to note the report.

58 COMPLIANCE REPORT

The Pensions Manager presented the report.

A Member said it was good to see progress with IConnect, which was really making a difference to performance.

A Member said that he was very pleased to see by how much performance had improved since the Board began reviewing it. The reports were now very comprehensive, and he was confident as a Board Member that compliance was being taken seriously. He was, however, concerned by the performance of Bristol City Council. The Pensions Manager stated that the particular performance issue was related to a third-party payroll provider. Nonetheless as employer they retained the responsibility for compliance. The Chair wondered whether they should be reported to TPR. The Pensions Manager felt this would not be appropriate at this stage, because the data they provided was of good quality; it was a question of the timeliness of their data provision. A Member asked whether there were any plans to roll out IConnect to third parties. The Pensions Manager said this was not straightforward, and would have to be carefully considered. Payroll providers were not part of the Fund and employers frequently changed them. The Head of Business, Finance and Pensions said that Multi-Academy Trusts were required to harmonise their payroll arrangements.

The Chair noted there was good progress on tracing missing addresses and that the Fund had sufficient resources for this project. He suggested that priority should be given to missing members over 55, as they have a statutory right to withdraw their money from the Fund. He also noted that the legal position that pension overpayments should be reclaimed, though he acknowledged this was challenging from a pragmatic point of view.

The Chair thanked officers for the quality of information provided to the Board and the improvements in performance.

RESOLVED to note:

1. Membership data, Fund and Employer performance for the 3 months to 30th September 2018;
2. Progress and reviews of the TPR Data Improvement Plan.

59 RISK REGISTER UPDATE

The Pensions Manager presented the report.

A Member asked whether Brexit might be added as risk. Officers suggested that there were many potential risks from Brexit and that they were so comprehensive and uncertain as to make adding them to the Risk Register unhelpful.

RESOLVED to note the report.

60 TRAINING AND WORKPLAN UPDATE

The Head of One West presented the report and invited Members to reflect on what training they might require between now and next July.

The Chair suggested training on new CIPFA guidance on annual accounting and annual reporting, including asset pooling costs/savings.

A Member suggested training on Fund processes and procedures.

The Head of Business, Finance and Pensions reminded Members that some Members' terms of appointment would end on 30 June 2018. There was some governance work to be done in relation to the Board and the Committee before then.

RESOLVED to note the report.

61 FORWARD LOOK

It was agreed that all relevant issues had been covered elsewhere on the agenda.

62 DATE OF NEXT MEETING

Noted that the next meeting is scheduled for 7th March 2019 in the Council Chamber, Guildhall, Bath at 14:00.

The meeting ended at 4.06 pm

Chair(person)

Date Confirmed and Signed

Prepared by Democratic Services