

Pension Board

Date: Thursday, 7th March, 2019

Time: 2.00 pm

**Venue: Meeting Room 1.3 West - Civic Centre,
Keynsham**

Board Members: Howard Pearce, Gaynor Fisher, Steve Harman, Mark King, Tom Renhard,
David Yorath and Tony Whitlock

Chief Executive and other appropriate officers
Press and public



Sean O'Neill

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NOTES:

1. **Inspection of Papers:** Papers are available for inspection as follows:

Council's website: <https://democracy.bathnes.gov.uk/ieDocHome.aspx?bcr=1>

Paper copies are available for inspection at the **Public Access points:-** Reception: Civic Centre - Keynsham, Guildhall - Bath, The Hollies - Midsomer Norton. Bath Central and Midsomer Norton public libraries.

2. **Details of decisions taken at this meeting** can be found in the minutes which will be circulated with the agenda for the next meeting. In the meantime, details can be obtained by contacting as above.

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Pension Board - Thursday, 7th March, 2019

at 2.00 pm in the Meeting Room 1.3 West - Civic Centre, Keynsham

A G E N D A

1. EMERGENCY EVACUATION PROCEDURE
2. APOLOGIES FOR ABSENCE
3. DECLARATIONS OF INTEREST
4. TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR
5. ITEMS FROM THE PUBLIC
6. ITEMS FROM MEMBERS
7. MINUTES OF PREVIOUS MEETING: 8 NOVEMBER 2018 (Pages 5 - 14)
8. LPB ACTION TRACKER (Pages 15 - 26)
9. BRUNEL UPDATE (Pages 27 - 40)
10. LGPS REGULATORY UPDATE (Pages 41 - 64)
11. CONSULTATION ON GOVERNANCE CHANGES TO APF (Pages 65 - 102)
12. APF QUARTERLY COMPLIANCE REPORT (Pages 103 - 132)
13. APF RISK REGISTER (Pages 133 - 138)
14. TRAINING, BUDGET AND WORKPLAN (Pages 139 - 146)
15. FORWARD LOOK

16. DATE OF NEXT MEETING

The Committee Administrator for this meeting is Sean O'Neill who can be contacted on 01225 395090.

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

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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Avon Pension Fund Local Pension Board Action Log

A full action-tracker showing complete and pending items is included to monitor progress from the last Pension Board meeting. Actions identified prior to this are included only where they remain outstanding.

RAG progress rating	
Blue	Open
Green (G)	Completed
Amber (A)	In Progress
Red (R)	Outstanding

Ref	Action	Who	Deadline	Comments	Status
	(1) November 2017				
1.0	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	Admin GC	Spring 2019	The Draft Pensions Administration Strategy will be submitted to the Pensions Committee in March 2019	Open
	(4) July 2018\$				
4.0	Missing Member Addresses - The Board have asked for statistics for missing addresses from other LGPS funds to compare with APF Supp – Nov 19 (PB Chair requested statistics from Brunel pool)	Admin GC		Partial response received from Funds. No further response to December chaser APF will raise at next POG in April	Amber

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AVON PENSION FUND COMMITTEE

Minutes of the Meeting held

Friday, 7th December, 2018, 2.00 pm

Bath and North East Somerset Councillors: David Veale (Chair), Patrick Anketell-Jones, Shaun Stephenson-McGall and Lisa O'Brien

Co-opted Voting Members: Councillor Mary Blatchford (North Somerset Council), Councillor Toby Savage (South Gloucestershire Council), William Liew (HFE Employers), Richard Orton (Trade Unions), Shirley Marsh (Independent Member) and Pauline Gordon (Independent Member)

Co-opted Non-voting Members: Wendy Weston (Trade Unions)

Advisors: Steve Turner (Mercer)

Also in attendance: Tony Bartlett (Head of Business, Finance and Pensions), Liz Woodyard (Investments Manager), Nathan Rollinson (Assistant Investments Manager), Geoff Cleak (Pensions Manager) and Martin Phillips (Finance & Systems Manager (Pensions))

40 EMERGENCY EVACUATION PROCEDURE

The Democratic Services Officer advised the meeting of the procedure.

41 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Apologies were received from Councillor Rob Appleyard, Cheryl Kirby and Councillor Steve Pearce.

42 DECLARATIONS OF INTEREST

There were none.

43 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

There was none.

44 ITEMS FROM THE PUBLIC - TO RECEIVE DEPUTATIONS, STATEMENTS, PETITIONS OR QUESTIONS

Mr David Searby of Fossil Free B&NES made a statement urging the Fund to disinvest from fossil fuels. He believed that the creation of the Brunel Pensions Partnership gave opportunities for greater progress with low-carbon investments. In a survey of council investment in fossil fuels published a year ago it was estimated

that Avon PF had about £180m invested in fossil fuels. £21m of this was invested in Shell, whose target to halve its net carbon footprint by 2050 he believed to be woefully inadequate. He suggested that Shell was also a bad choice in commercial terms, as its share price had fallen by about 8% in the last six months. Shell had a £4m stake in Cabot Oil and Gas, which had been fined \$US4m for polluting water in the US, and £7m in Rio Tinto, which had emitted more than 26m tonnes of carbon in the year ending in July 2017. The Avon Fund's Responsible Investing Annual Report 2017/18 shows that though the Fund was 28.5% more carbon efficient than the benchmark, more than 50% of the generating mix of its energy investments was still in oil, gas and coal. Fund managers placed a lot of emphasis on engagement with the fossil fuel industry, but experience had shown this to be ineffective. Thirteen UK Councils had committed to completely disinvest from fossil fuels. He urged Avon PF to follow their lead.

The Chair thanked Mr Searby for his statement.

45 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

There were none.

46 MINUTES: 21ST SEPTEMBER 2018

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

47 PENSION BOARD MINUTES:

RESOLVED to note the public and exempt minutes of the Pension Board meeting of 8th November 2018.

48 REVIEW OF GOVERNANCE ARRANGEMENTS

The Head of Business, Finance and Pensions presented the report.

He said that the presentation of this paper to the Committee had been delayed by about eighteen months, because of the demands of the pooling process and the establishment of Brunel Pensions Partnership on staff time.

There were three main aims behind the proposals in the report. The first was to ensure that the membership of the Committee was appropriate for current circumstances. The number of academies had increased significantly, and they were now the largest group of employers in the Fund without representation on the Committee. There was also the need to achieve the optimum balance between lay members and those with professional investment experience, important if professional investor status under MIFID II is to be maintained. The second was to ensure that the Committee, Investment Panel and Pension Board work together more efficiently. At present about 70% of the papers coming to the Committee are simply for noting. Efficiencies could be achieved if the Pension Board dealt with more of the administrative and compliance issues, and if reporting from the Panel to the Committee was formalised. This would free the Committee to focus on core strategic

matters. Some of the papers currently coming to the Committee would instead go to the Board or the Panel, but would be available for Members of the Committee to view. There would still be the opportunity for Members of the Committee to raise issues from those papers at Committee meetings. The third aim was to facilitate liaison with Brunel PP. At the moment the main link to Brunel was through the Chair of the Committee and himself. He thought this was insufficient to provide adequate assurance to the Council as shareholder and to the APF as a client fund. It was therefore recommended that an informal Brunel working group be established

The addition of an academy representative and another Independent Member with professional experience would need to be offset by a reduction in the number of B&NES Councillors on the Committee. This had been discussed with the leaders of the Council's political groups, and no significant concerns had been expressed. Members discussed the proposals. The following points were made in discussion:

- An additional Independent Member would be welcome. Those with professional knowledge are able to understand issues more quickly and can help new members get up to speed. An Independent Member with actuarial experience would be a valuable addition to the Committee.
- The large and still increasing number of academies in the Fund justifies the appointment of an academy representative to the Committee, but how will the nomination process work? It would be helpful to see a proposal for this.

The Head of Finance, Business and Pensions agreed that a nomination process would have to be worked out taking account of the fact that there are both multi-academy trusts and independent academies. There would need to be some sort of election process. An invitation to nominate would be sent to all academy employers. Details of a proposed process will be tabled at the next Committee meeting.

- A reduction in the number of B&NES councillors on the Committee might lead to a reduction in the diversity of the membership, less chance of minority views being heard, and an increased risk of group think. The reduction of the number of B&NES councillors on the Panel to 2 will make it hard to achieve political proportionality. B&NES is the administering authority of the Fund, so if the number of B&NES councillors is reduced, it might be desirable to review how the Council will discharge its responsibilities in this role.
- A member raised the point that Brunel working group can hardly be 'informal', since it will be constituted under section 4 of the Committee's Terms of Reference. Likewise what does 'informal' mean in paragraph 7.2(b) of the report: 'move some regular reporting to an informal accessible format'? The working group should be established as a formal sub-committee.

The Head of Business, Finance and Pensions responded that there is no intention to operate behind closed doors. The proposal is that there should be a small group of Members focussed on Brunel, which would report formally to the Oversight Board, Committee or the Council as shareholder, without, in the interest of efficiency, being constrained by formal procedures all the time. As far as 'informal' reporting was concerned, it was the process that would be informal, not the papers themselves. The papers would still be accessible by Members, those that were not exempt would be in the public domain, and Members would still be able to raise issues about them

at Committee meetings. The point is that much of the information currently brought to the Committee is just for noting.

- There is no explanation in the report of the proposed reduction in the number of trade union representatives from 3 to 2.

The Investments Manager replied that the current number of trade union representatives had reduced to 2 because of union mergers.

- Consideration should be given to having a scheme member representative on the Committee.
- A reduction in the quantity of paper sent to Members will be very welcome.

After the discussion was concluded, it was **RESOLVED** to:

1. agree to consultation on proposed changes to Committee membership, namely:
 - a. a reduction in Bath and North East Somerset Council representation from 5 to 3;
 - b. addition of a further Independent Member to the Committee;
 - c. addition of an Academy Representative;
 - d. to consult with Employers over these proposed changes;
2. to defer the consideration of the establishment of a Brunel Working Group until the March 2019 meeting;
3. agree to the proposed changes to Terms of Reference of:
 - a. the Avon Pension Fund Committee, with the exception of section 4 (Brunel Pension Partnership Working Group);
 - b. the Avon Pension Fund Board for consultation with the Board;
 - c. to consult with the Avon Pension Fund Board in respect of these changes.

49 APPROVAL OF INVESTMENT STRATEGY STATEMENT

The Investment Manager presented the report. She drew attention to the comments from the Pension Board on the draft ISS contained in Appendix 3, the information about the Board's review of the ISS in section 5 of the report, and the proposed future process for consulting with Board described in paragraph 5.6.

A Member noted that many of the comments by the Board related to responsible investing (RI), and asked whether it would be better for the Committee to consider them as part of the review of the RI policy, rather than as part of the review of the

ISS. The Investment Manager replied that it is the role of the Board to assess whether the Fund had followed a proper process in its review of the ISS, and not to recommend particular policy outcomes. The Board's comments and queries should be considered in this light. The Board had agreed that the ISS complies with the LGPS regulations and statutory guidance. It is hoped that the RI policy will be reviewed in 2019/20.

A Member suggested that the last bullet point in paragraph 7.4 of the ISS should state that climate change poses an 'actual' not a 'potential' long-term financial risk to the Fund.

A Member noted that in a reply by the Fund to a comment from the Board it was stated that "APF policy is not to exclude purely on moral grounds at the strategic level" (agenda page 79), and asked whether there was information about the practice of other funds and whether any had decided to accept a lower return as a consequence of ethical investment. The Head of Business, Finance and Pensions said that funds had taken a variety of positions. Some had decided to exclude fossil fuels entirely. Avon had so far not decided to do so. Avon would want to consider the impact of exclusions on the Fund. The proper time to consider this would be after the strategic review and the ESG review. It was noted that while the Fund retains overall responsibility for setting strategic investment objectives, Brunel will increasingly be responsible for appointing managers and assessing ESG criteria and cost implications for the ten funds in the partnership.

A Member referred to paragraph 7.16 of the ISS, "Social Investment", and said that he could not recall that the Committee had ever discussed this as an objective of the Fund. The Investment Manager confirmed that it had not, but social investment could include some investments in infrastructure. This was something that could be discussed in a future review.

RESOLVED:

1. to note the conclusion from the Pension Board that the Draft ISS complies with the regulations and statutory guidance;
2. to note the comments from the Pension Board and agrees a process for consulting with the Board on social, environmental and corporate governance factors when reviewing policy as articulated in paragraph 5.6 of the report;
3. to approve the ISS for publication.

50 ANNUAL RESPONSIBLE INVESTING REPORT

The Assistant Investments Manager presented the report. He said that the report details the Fund's policies and activities throughout the year that contribute to its responsible investing objectives, including the appointment of a manager of a low-carbon tracker fund, into which the Fund's legacy passive equity assets had been transitioned.

A Member referred to table 11 'Generation Mix' on agenda page 157 and asked why the Fund was below the benchmark for renewables. The Investment Manager said that she would need to investigate and report back on this. Another Member said

that unless the Fund specifically invested in renewables, it was unlikely to increase the generation mix percentage of renewables. The Investments Manager cited the difficulty in accessing renewable 'pure plays' in listed markets, and further highlighted that, through the Fund's 2.5% commitment to Renewable Infrastructure, it was possible that the Fund had a higher percentage invested in renewables.

A Member asked how the Fund would ensure that the engagement of investment managers with companies actually achieved the Fund's desired outcomes, how the success of engagement is measured, and whether the Fund sets targets for corporate change with divestment as the end point if targets are repeatedly not met. The Head of Business, Finance and Pensions replied that such targets are not set. The Fund has to consider what it can do without suffering an adverse financial impact. It would be a useful question to consider as part of the strategic review. A key consideration at the moment is the role of Brunel, and how it is likely to engage more actively on environmental issues, recognising that the Environment Agency is one of the Brunel client funds. Avon will need to think about how it will engage with Brunel on ESG issues. A Member commented that the Fund could exert influence as a member of the Local Authority Pensions Fund Forum. Shareholder groups have shown that they are able to change company policies; ESG issues could ultimately be raised at a shareholders' meeting. He also suggested that the Fund needs to consider whether fossil fuel production is actually sustainable, and to try to identify suitable alternative investments which would allow it to disinvest from coal, for example. The Head of Business, Finance and Pensions noted that the Welsh Assembly Government has adopted a policy of refusing new applications for coalmining except under wholly exceptional circumstances.

A Member suggested that the Fund should be more proactive in publicising the progress it had made in its Responsible Investing Policy and get the support of scheme members for the effort to balance financial returns against environmental factors.

RESOLVED to approve the annual Responsible Investment Report for 2017/18.

51 UPDATE ON BRUNEL PENSION PARTNERSHIP

The Investments Manager presented the report. She said that the Brunel Oversight Board had met only the previous day, so the minutes of that meeting were not yet available. The minutes of the previous meeting were attached as Appendix 1 to the report.

She drew attention to the information in paragraph 4.1(c) of the report about the work being done by the Client Group and Brunel to develop KPIs to monitor Brunel's performance, which would develop over the next few months, and to the Autumn Progress Report to the Ministry of Housing, Communities and Local Government, which was contained in Exempt Appendix 7.

The TT equity portfolio had been transitioned to Brunel.

The Committee, having been satisfied that the public interest would be better served by not disclosing relevant information, **RESOLVED** that the public should be excluded from the meeting for the remainder of this item 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 the discussion was concluded, it was **RESOLVED**:

1. to note the progress made on the pooling of assets;
2. the updated project plan for the transition of assets.

52 2018 INTERIM VALUATION UPDATE

The Committee, having been satisfied that the public interest would be better served by not disclosing relevant information, **RESOLVED** that the public be excluded from the meeting during this item of business 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 the discussion was concluded, the Committee **RESOLVED** to note the information in the report.

53 REPORT ON INVESTMENT PANEL ACTIVITY

The Assistant Investments Manager presented the report.

RESOLVED to note the Panel's decisions as recorded in the meeting minutes.

54 REVIEW OF INVESTMENT PERFORMANCE FOR QUARTER

The Investment Manager presented the report. She said that because of the impact of Brexit concerns on currency volatility, it had been decided to roll all positions early this month ahead of the House of Commons vote on the Brexit deal.

Mr Turner presented the Mercer investment report and responded to comments and questions from Members. He asked Members to note that the funding level had remained stable over the quarter, hovering around 97%, despite falls in equity markets, so they should be confident that the equity protection strategy was working well. There was a great deal of uncertainty in markets because of Brexit.

RESOLVED to:

1. note the information set out in the report;
2. note LAPFF Quarterly Engagement Report at Appendix 3.

55 GMP RECONCILIATION - VERBAL UPDATE

The Technical Manager presented the report.

He invited Members to note the letter sent from the South West Area Pension Officers Group (SWAPOG) to both the Chair of the Scheme Advisory Board (SAB) and Minister for Housing Communities and Local Government (MHCLG) on 19 November 2018. A response was awaited.

RESOLVED to note the update.

56 PENSION FUND ADMINISTRATION - PERFORMANCE INDICATORS FOR QUARTER AND RISK REGISTER

The Pensions Manager presented the report and responded to questions and comments from Members. He said that 37 new employers had joined the Fund during the period. There were 60 potential employers in the pipeline for admittance. Four apprentices had joined both the member services and the employer services teams. Administrative performance against SLA targets continued to be below benchmark, whilst comparative performance measurements against statutory deadlines were in target in all primary cases. Employer performance in notification of member retirement generally fell short of SLA targets. There were a number of ongoing projects as detailed in paragraph 5.6 of the report.

[Councillor Toby Savage left the meeting at this point.]

Two thirds of missing and 'gone away' member addresses had been found. Unfortunately the project had stalled because of lack of resource, but a temporary resource had now been recruited.

Following discussion it was **RESOLVED** to note:

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

57 BUDGET AND CASH FLOW MONITORING 2018/19

The Finance and Systems Manager (Pensions) presented the report.

RESOLVED to note:

1. the administration and management expenditure incurred for 7 months to 31 October 2018;
2. the Cash Flow Forecast at 31 October 2018.

58 UPDATE ON LEGISLATION

The Technical Manager presented the report.

RESOLVED:

- 1. to note the current position regarding the developments that could affect the administration of the Fund;
- 2. to note the response sent to MHCLG regarding the policy consultation issued in October.

59 WORKPLANS

RESOLVED to note the workplans.

The meeting ended at 4.41 pm

Chair(person)

Date Confirmed and Signed

Prepared by Democratic Services

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Brunel Pension Partnership

BOB

Brunel Oversight Board Meeting

Minutes

Purpose: To review Brunel/Client progress agree next steps
Date and time: Thursday 27 September 2018, 10:30 – 13:00
Location: Brunel Offices, 101 Victoria Street, Bristol, BS1 6PU
Dial-in details: Dial In: 0330 336 1949 | Participant Pin: 566525

<i>Pension Committee Representatives</i>		
David Veale	Avon	
John Chilver	Buckinghamshire	
Derek Holley	Cornwall	Phone
Ray Bloxham	Devon	
Peter Wharf	Dorset	Apologies
Joanne Segars	EAPF	Apologies
Hywel Tudor	EAPF	
Ray Theodoulou	Gloucestershire	Chair
Kevin Bulmer	Oxfordshire	Vice-Chair - Apologies
Mark Simmonds	Somerset	
Tony Deane	Wiltshire	
<i>Member representative observers</i>		
Andy Bowman	Scheme member rep.	
Ian Brindley	Scheme member rep.	
<i>Fund Officers and Representatives</i>		
Tony Bartlett	Avon	
Julie Edwards	Buckinghamshire	Phone
Mark Gayler	Devon	
David Wilkes	Dorset	Phone
Craig Martin	EAPF	
Mark Spilsbury	Gloucestershire	
Sean Collins	Oxfordshire	Chair – CG
Nick Weaver	Wiltshire	
Jenny Devine	Wiltshire	
Nick Buckland	JLT – Client Side Executive	
Sophie McClenaghan	JLT – Client Side Assistant	Minutes
<i>Brunel Pension Partnership Ltd</i>		
Denise Le Gal	Brunel, Chair	
Steve Tyson	Brunel Shareholder NED	
Matthew Trebilcock	Brunel, CRD	
Dawn Turner	Brunel, CEO	
Joe Webster	Brunel, COO	
Mark Mansley	Brunel, CIO	
Faith Ward	Brunel, CRIO	Item 5 only

David Anthony	Brunel, CFO	
Laura Chappell	Brunel, CCO	Item 4 only

Item	Agenda	Paper provided	Owner
1	Apologies and welcomes Confirm agenda Requests for AOB Any new declarations of conflicts of interest	Agenda C of Interests	Chair
	<p>Apologies were received from Joanne Segars, Kevin Bulmer and Peter Wharf.</p> <p>NW introduced Jenny Devine who will be taking over from him at Wiltshire.</p> <p>No AOB was received.</p> <p>No new conflicts of interest were received.</p>		
2	Review 18 July BOB minutes <ul style="list-style-type: none"> Matters arising - SRMs 	Minutes	Chair
	<p>A query was received from HT around the level of detail included in the July minutes and whether the exact figures should be included. It was noted that the minutes were written to be publically available and as such, in some instances, are deliberately light in detail. Any supporting figures will be included in the supporting documentation.</p> <p>The July minutes were agreed and confirmed as final.</p> <p><u>Matters arising</u></p> <p>Two shareholder reserved matters requests (SRMs) were issued in July, both of which required 100% shareholder approval.</p> <ol style="list-style-type: none"> Private markets – approved Remuneration policy – consisted of 4 items <ol style="list-style-type: none"> Maximum chair and NED payments – approved Recognition awards - rejected Salary caps linked to CPI - rejected External review, once every 2 year – approved <p>Brunel has confirmed it can continue to be operational for this year (to the end 31 March) without the two remuneration policy items having been approved.</p>		
3	Pricing Policy	Report	DT/JW
	The original interim pricing policy expires in March 2019, however the review needs to be brought forward as the ACS is not included in the		

	<p>current policy. The paper presented was designed to be futureproof by detailing the high level principles of the pricing policy rather than exact detail.</p> <p>MG noted that the original pricing policy was always intended to be an interim policy during the set up of Brunel. He confirmed that the CG had reviewed the document and believes the principles are fair and appropriate. It was queried whether the CG are happy with the definition of direct costs. MG and MS confirmed this has been reviewed by the CG.</p> <p>It is a requirement of the shareholders agreement that Brunel provide a pricing schedule to Clients for the following year by the end of February. The Clients will receive invoices to provide evidence of the Brunel costs. Investment management fees within the ACS will be will be charged as units but Clients will receive statements that will detail the amounts.</p> <p>The CG will bring the draft reporting templates to BOB before they are finalised. The costs will be reported in the business plan which will also come to BOB for approval.</p> <p>Track changes had not been used for this policy as this was a significant rewrite from the previous version; however, the main changes were highlighted in the cover report.</p> <p>The BOB supported the recommendations included in the cover report.</p> <p>I. The Oversight Board support the revised Pricing Policy and the issuing of a Special Reserve Matter.</p>		
4	<p>Business Plan</p> <ul style="list-style-type: none"> • Draft Business Plan • Business Case Review • Transition Plan options 	Report and presentation	DT/JW
	<p>DT provided an overview of the business case review via a presentation. It was noted that the figures included in the report have been calculated using a sophisticated financial model. The FSG had not yet scrutinised and audited the model and they would be doing so the following week during a full day meeting.</p> <p>The original business case demonstrated that pooling would be advantageous to Clients. Brunel has updated the business case to reflect its position today, then it is evaluating how Brunel can proceed going forward.</p> <p>MS noted that the FSG has invited any additional CG members to attend the upcoming meeting, and that three additional CG members will be attending the FSG model validation session.</p>		

	<p>The UK active equities transition resulted in investment management fees of around 50% of the original estimate. Part of the reason for this high level of saving was the full procurement exercise that was undertaken. However because of this, where Brunel had originally estimated that each selection process would take 6 months per portfolio, it revised its estimates to around 9 months. This was a key learning point for future transitions. In addition to the desire to do a fully transparent procurement, FundRock, the ACS provider will require Brunel to undergo a significant level of due diligence. DT highlighted that in addition to the lack of resource identified within Brunel the underlying Funds have also struggled to meet timelines.</p> <p>The open, transparent tender process meant that Brunel can build up research on all managers in that area. Portfolios include a blend of managers so mitigate the risk of a manager underperforming. Brunel is using other companies' assessments such as Inalytics. MM was keen to point out that they didn't select a manager because of the lowest fee, the weighting is quite low for fees in the selection process, they attempt to find the best managers and then negotiate on fees.</p> <p>Brunel presented three potential options for the transition of assets two of which resulted in some delay in the remaining portfolios. Option 2 was highlighted as the favoured option. It was also noted that the UK and Low Vol portfolios were completed early, transitioning in November 2018 rather than in July 2019, as per the indicative timetable in the original business case. In addition the private markets portfolios have been brought forward vs the business case.</p> <p>Brunel doesn't believe option 3 is deliverable, as it will take time to get additional resource.</p> <p>Option 2 is indicative. Option 1 pushes out the business plan to 2024 which Brunel and the CG think is too far to produce the benefits.</p> <p>Option 2 is a halfway house but the assumptions are to be assessed by the FSG and then the timetable will be finalised. Brunel and the CG are looking for support from BOB that options 1 and 3 are not attractive and that the direction of travel that should be further explored is option 2.</p> <p>It was asked whether the right resource was available. DT responded that this was the issue with option 3, Brunel and the CG do not believe recruitment can happen fast enough to make option 3 feasible, however it is believed that option 2 is a reasonable lead time, and, to date. Brunel has not had any problems with recruitment.</p> <p>DH asked if next year there will be another set of delays. SC as Chair of the CG noted that the CG has emphasised to Brunel that the business plan in November needs to be a realistic timetable and therefore needs to include sufficient recourse. The UK and Low Vol portfolios are the first time the process has been thoroughly tested; previous timeframes have been</p>	
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	<p>based on estimates.</p> <p>LC joined the meeting and provided an overview of the impact regulation has caused. MiFID II has put some robust and painful requirements around transparency on the entire firm in addition to the day to day work. The ACS vehicle also brings with it additional regulatory requirements; however this method reduces the tax burden significantly.</p> <p>LC left the meeting.</p> <p>A question was asked on "Overlay services", and these were described as bring more bespoke to individual funds such as LDI or TAA.</p> <p>BOB agreed that option 2 is the favoured direction of travel and supported Brunel refining the detail with examination of the figures from the FSG, to be presented at the 1 Nov BOB meeting.</p> <p>The timeline was highlighted as the new business plan being presented to the BOB meeting on 1 November, and provided it was agreed, the business plan will be incorporated in the engagement days 5, 6, and 7 Nov. this will provide addition opportunity for the shareholder reps to ask any questions.</p> <p>A Special Reserved Matter Request will be issued after the engagement days on 8 November with shareholders having 20 business days to respond. It was emphasised that the agreement of this SRM is crucial to Brunel's on-going operation so Brunel requested that Funds raise any potential issues early.</p> <p>It was requested that Brunel send this timetable to the shareholder reps notifying them of the process and indicating the significance. The notice should indicate that this was agreed in March.</p> <p>It was noted that it is the CG representatives' role to keep the shareholders informed throughout this process.</p> <p>The BOB supported the recommendations included in the cover report.</p> <ul style="list-style-type: none"> I. The Oversight Board note the figures included in this report are indicative and although they provide a robust view of the potential outcomes they still require the detailed assurance review by the Financial Services Group (FSG) II. ii. The Oversight Board note the progress made on the full review of the Original Business Case. III. iii. The Oversight Board note the lessons learnt from establishing the first three portfolios within the core markets and the implications for the core markets transition plan. IV. iv. The Oversight Board noted the options under consideration and resolved to ask Brunel to incorporate a worked up option 2 into the Business Plan to be presented to the Oversight Board 01 November 	<p>Brunel</p>
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	2018.		
5	Stewardship policy	Paper	FW/MM
	<p>FW joined the meeting and presented the Brunel policy. She highlighted that it had been written for multiple audiences which is why definitions are included in text boxes.</p> <p>The RI sub Group have extensively reviewed the policy but have not highlighted any fundamental issues. The policy will be published in November so FW asked for any comments by end October, however this is a dynamic document and will evolve over time.</p> <p>The policy goes above and beyond the UK Stewardship Code as Brunel is a global investor. The Policy incorporates issues from other regions, particularly any areas Brunel believes may be incorporated in the UK stewardship code in the next year. There will be a slight adjustment in the wording around the split voting to make it stronger.</p> <p>Stock lending won't be available until early 2019 so the policy will come out towards the end of the year. Brunel will provide a paper indicating the stock lending discussion factors for the end October. The stewardship policy and stock lending will be discussed at the November engagement days.</p> <p>FW is happy to draft the individual stewardship statement should Funds wish.</p> <p>IB requested that it was made clear that shareholder resolutions shouldn't attempt to influence the business plan of companies. FW agreed to make that reflection, but some judgement calls will be required.</p>		Brunel
6	<p>AOB</p> <p>Future meeting dates</p> <ul style="list-style-type: none"> - 1 November 2018 - Agree next year dates <p>Engagement days</p> <ul style="list-style-type: none"> - Oxford - Mon 5 Nov - Bristol - Tue 6 Nov - Exeter - Wed 7 Nov 		Chair
	<p>MT attended the CPCG on 26 September 2018, and a meeting of Chairs of Funds had been scheduled by the LGA to look at Infrastructure. MT noted that if Chairs haven't been invited they should ask their officers to contact Jeff Houston at the LGA.</p> <p>JLT and Brunel agreed to plan next year's BOB meeting dates.</p>		<p>Chairs/ Officers</p> <p>JLT/ Brunel</p>

	The engagement days are open to all attendees. BOB members were encouraged to promote the dates to Committee and Board members.	All
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Produced: JLT on 02/10/2018

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Brunel Oversight Board Meeting

Minutes

Purpose: To review Brunel/Client progress agree next steps
Date and time: Thursday 1 November 2018, 10:30 – 13:00
Location: Brunel Offices, 101 Victoria Street, Bristol, BS1 6PU
Dial-in details: Dial In: 0330 336 1949 | Participant Pin: 566525

<i>Pension Committee Representatives</i>		
David Veale	Avon	
John Chilver	Buckinghamshire	
Derek Holley	Cornwall	
Ray Bloxham	Devon	
Peter Wharf	Dorset	Apologies
Joanne Segars	EAPF	Apologies
Hywel Tudor	EAPF	
Ray Theodoulou	Gloucestershire	Chair
Kevin Bulmer	Oxfordshire	Vice-Chair
Mark Simmonds	Somerset	Phone
Tony Deane	Wiltshire	
<i>Member representative observers</i>		
Andy Bowman	Scheme member rep.	
Ian Brindley	Scheme member rep.	
<i>Fund Officers and Representatives</i>		
Tony Bartlett	Avon	
Julie Edwards	Buckinghamshire	Phone
Mark Gayler	Devon	
David Wilkes	Dorset	Phone
Craig Martin	EAPF	
Mark Spilsbury	Gloucestershire	
Sean Collins	Oxfordshire	Chair – CG
Jenny Devine	Wiltshire	
Nick Buckland	JLT – Client Side Executive	
<i>Brunel Pension Partnership Ltd</i>		
Denise Le Gal	Brunel, Chair	
Steve Tyson	Brunel Shareholder NED	
Matthew Trebilcock	Brunel, CRD	
Dawn Turner	Brunel, CEO	
Mark Mansley	Brunel, CIO	
David Anthony	Brunel, CFO	
Alice Spikings	Brunel, Client Relations	Minutes

Item	Agenda	Paper provided	Owner
1	Election of Chair and Vice-Chair		NB
	<p>NB reminded members of the process for election of Chair and Vice-Chair and invited nominations for the role of Chair. RT put himself forward to continue in the role, and his nomination was agreed and seconded. With no further nominations being received a vote was taken and RT was unanimously elected a Chair. RT thanked the Board for the confidence show in him to continue in the role.</p> <p>RT invited nominations for the role of Vice-Chair. KB expressed his desire to continue in the role and this was agreed and seconded. As no further nominations were received a vote was taken and KB was elected by unanimous vote. KB thanked the Board for their support.</p>		
2	<p>Confirm agenda</p> <p>Requests for AOB (Urgent or for information)</p> <p>Any new declarations of conflicts of interest</p>		Chair
	The agenda for the meeting was confirmed and there were no new declarations of interest or additional items of business received.		
3	<p>Review 27 September BOB minutes</p> <ul style="list-style-type: none"> Matters arising - SRMs 	Minutes	Chair
	The minutes of the meeting on 27 September were agreed by the Board. All ongoing or outstanding items were either complete or elsewhere on the agenda for the meeting, with one exception: MT updated BOB the on the result of the Special Reserve Matter 9 – Pricing Policy. The SRM was approved by 100% of the shareholder representatives.		
4	Business Plan	Report	DLG/DT/SC
	<p>DLG introduced the Brunel Business Plan and highlighted a number of the changes that had happened since the Original Business Case was developed:</p> <ul style="list-style-type: none"> The Assets Under Management had increased to nearly £30bn Estimated level of savings had increased. Actual savings from initial transitions were higher than estimates. Level of work involved in the creation and transition of each portfolio had been under-estimated. To do the work effectively and with the appropriate level of detail it was taking longer. The investment team therefore needed to strengthen its level of resource to ensure it is able to deliver. <p>DLG reminded BOB of the discussions at the last meeting around the options available for the transition and that in reality the “best ” option involved a lengthened transition and additional resource, and that the</p>		

	<p>Business Plan was built on this assumption.</p> <p>DLG concluded by suggesting a small amendment to the wording of the recommendations to keep them consistent with that of the Special Reserve Matter. This amended wording was supported.</p> <p>ST supported the proposals within the Business Plan and commented that the Brunel Board had been scrutinising the plans and had spent a good deal of time questioning the robustness of the plans and ensuring that the additional resource required was enough to deliver the transition plan. It was highlighted that the Client Group had undertaken a significant amount of work to analyse the assumptions and calculations within the proposals. MS was invited to comment in his role as Chair of the Client Group's Financial Sub-group (FSG), which had undertaken a substantial proportion of the assurance work.</p> <p>MS commented on the detail of the work that had been undertaken. He concluded that following the exercise, the FSG and Client Group felt that they had been provided with sufficient information on the non salary budgets to conclude that all major budget increases were supported by detailed and robust costings, and appeared to be justified by business need.</p> <p>Hence overall he summarised that the FSG and Client Group were able to give a high level of assurance to BOB on the detailed budget proposals for 2019/20.</p> <p>DH thanked MS for the assurance and commented that he was generally happy with the proposals. He asked for clarity around the proposal to allow for movement in budgets between year's, and what would get reported to BOB. DT confirmed that the move to allow over and underspends to be carried forward from one financial year to the next would allow for flexibility around particular projects if there was either slippage, or delivery was ahead of schedule. She also confirmed that in the regular budget updates to BOB it would be highlighted if this was likely to happen, and it would also be reported where any issues have arisen that previously would have resulted in a Special Reserve Matter.</p> <p>This was supported generally amongst the Board, and there were further clarification questions around the recommendations, and also the ability for Brunel to recruit the right calibre of staff in the future. The responses received assured BOB on these points.</p> <p>SC was invited to comment, and he confirmed that the Client Group was supportive of the proposals, and that he felt giving Brunel the ability to carry-forward over and underspent positions was sensible and allowed them to take a longer term view over projects.</p> <p>RB commented that he felt that it was essential for Brunel to have the correct level of staffing to enable the proper due diligence on fund manager appointments. He was happy with the proposals and revised timetable. In addition to this comment there were questions around whether the proposed staffing level was enough. DT commented that with what was known at the moment she was content that they would be.</p> <p>On being asked further whether she could guarantee not coming back in the next year's business plan for more budget DT said she could not as there may be changes that are not known yet and she gave three</p>	
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	<p>examples: increase in demands from funds following triennial valuation, regulatory or legislative changes, and understanding of needs as we move further into business as usual. The was accepted as a fair statement and that the rules of engagement if this were to happen were clear and that this would require a Special Reserve Matter.</p> <p>Given the increases in the resourcing levels within Brunel SC was asked whether he felt there was enough resource amongst the clients, in particular within the Client Group. He responded that it was on the agenda to be discussed at the next meeting in the next couple of weeks, and that he would report back to the next BOB meeting.</p> <p>In concluding DT commented that the process of review of the financial aspects of the business plan had been very thorough and she wished to highlight the work that MS had undertaken in leading the work of the FSG. The Chair thanked MS for his work.</p> <p>BOB supported the recommendations (as amended) included in the cover report.</p> <ul style="list-style-type: none"> I. The Oversight Board support the Business Plan and detailed budget for 2019/20 and draft budgets for 2020/2021 and 2021/22, to be issued as a Special Reserve Matter (SRM). II. The Oversight Board support the proposal that underspends from delayed activity in a year, or overspends by bringing activity forward can be managed by Brunel in consultation with the Client Group rather than through an in year SRM if the impact was to exceed the 5% tolerance. If this did occur it would be included with the regular reporting to BOB. III. The Oversight Board notes the current expenditure forecast of £7.795m which is £267k above the 5% budget tolerance within the current Business Plan, and endorses the request for an SRM to approve this additional expenditure funded from the £570k underspend in 2017/18. IV. The Oversight Board endorse the Business Case Review in the context of the savings generated to date from the first three tenders and set out in detail within the main report. 		
5	Client Oversight & Assurance	Presentation	SC
	<p>SC took BOB through a presentation to show where the Client Group were involved in the process of the creation of portfolios, to enable the appropriate levels of assurance to be gained, and given to BOB.</p> <p>The presentation detailed a number of papers that will be issued by Brunel during the portfolio creation and implementation process. SC highlighted a number of areas where there would be input from clients (in the form of the Client Group as a whole) into the process.</p> <p>It was commented that there were a couple of key points within the process where there were specific "Client Group touch-points". SC commented that these points were not for individual clients to be</p>		

	<p>expressing specific views on individual manager appointment; it was to allow the Client Group, as a whole, to assess whether the work that Brunel has done gave any reason to stop the process i.e.</p> <ul style="list-style-type: none"> Was there anything which the clients felt that the portfolio launch process would not deliver to the specification <p>He also highlighted that if at this stage the Client Group felt that there was an issue that hadn't been dealt with by Brunel it would be classed as a formal complaint under the FCA rules. He therefore felt that this was a situation that would be extremely unlikely to arise.</p> <p>There was a specific question to clarify what was meant by the statement on Slide 3 around an individual Fund's fiduciary duty, and the potential need for action ahead of a Brunel portfolio being available. MT clarified that the comment around additional costs being incurred referred to the potential transition costs of needing to move twice, and not any additional charge to be levied by Brunel. He highlighted that the robust transition plan that was now in place should allow Fund to plan.</p> <p>There were questions around the process, and assurance was taken from the work that Brunel and the Client Group had undertaken to develop the formal set of procedures.</p> <p>There were no requests to amend the framework presented and that this would now be presented by one of the fund's officers as part of the engagement day presentation taking place next week on 05, 06 and 07 November in Oxford, Bristol and Exeter respectively.</p>		
6	Brunel Update Report	Paper	MT
	<p>MT summarised the quarterly Brunel update report, and highlighted a couple of specific points:</p> <ul style="list-style-type: none"> He updated BOB on a telephone conversation that he and SC had with Teresa Clay from the MHCLG by way of follow up to the autumn update. He assured BOB that positive feedback was received, specifically with regard to governance structure being used by Brunel. There were also positive comments around the work that was being done in Private Markets. MT highlighted the engagement days that were being held in the next week and encouraged BOB members to ensure that their own Funds had good attendance. This was the opportunity for Fund's to ensure their officers, committee and board members that weren't involved pooling on regular basis were acting in an informed way. 		
7	Shareholder NED update	Paper	ST
	<p>ST presented his update report, and commented that most of his comments had already been discussed as part of the other discussions around the Business Plan. He highlighted the importance to the Partnership has a whole of the Business Plan being agreed, and commented that he</p>		

	felt a little nervous around the progress of the Special Reserve Matter through the shareholder representatives. When asked about this comment he asked that BOB members, who weren't shareholder representatives to highlight the importance of this at a local level and he also acknowledged that different funds operate in different ways and have different decision making processes. He finished by saying that his nervousness really stemmed from the importance of the Business Plan being agreed.		
8	AOB		Chair
	<p>There was no additional business other than to confirm the dates of the engagement days, to be held in Oxford, Bristol and Exeter, and to confirm the dates for BOB meetings in 2019:</p> <ul style="list-style-type: none"> • Thursday 31st January • Tuesday 30th April • Thursday 25th July • Thursday 26th September • Tuesday 5th November. <p>It was highlighted that all key dates for Brunel meetings in 2019 were contained in an Appendix to the Business Plan report.</p> <p>This being the final item on the agenda, the meeting was closed at 12.58pm</p>		

Produced: JLT on 27/11/2018

Bath & North East Somerset Council		
MEETING:	LOCAL PENSION BOARD	
MEETING DATE:	7 March 2019	AGENDA ITEM NUMBER
TITLE:	LGPS: Regulatory update	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report: Appendix 1 – Current matters affecting LGPS administration Feb 2019		

1 THE ISSUES

The purpose of this report is to update the Pension Board on the latest position concerning the Local Government Pension Scheme [LGPS] and any proposed regulatory matters that could affect scheme administration. An updated list is included in Appendix 1. A consultation on 'Fair Deal' was released by MHCLG and APFs proposed response is included in Appendix 2.

2 RECOMMENDATIONS

That the Pension Board:

- 2.1 Notes the current position regarding the developments that could affect the administration of the Fund.

3 FINANCIAL IMPLICATIONS

- 3.1 The administrative and management costs incurred by Avon Pension Fund are recovered from the employing bodies through the employer's contribution rates
- 3.2 Any other specific areas will be reported as required

4 LGPS and Unfunded Public Sector Cost Cap:

- 4.1 The Public Service Pensions Act 2013 set out that public sector schemes were to be monitored to ensure that they are affordable and sustainable. Unlike the unfunded schemes LGPS also has a built in check driven by the Scheme Advisory Board
- 4.2 In September 2018 HM Treasury announced that as a result of scheme valuations all public service pension schemes, including the LGPS had breached the 2% cost cap floor which would lead to member benefits improvements.
- 4.3 SAB has its own cost management which will allow any changes to benefits to be taken into account before the HM Treasury process begins
- 4.4 A small technical group has been set up by SAB to look at changes to benefits
- 4.5 The other unfunded public sector schemes have a further complication in that it was confirmed in the Budget that the SCAPE discount rate used for assessing their employer contribution rate had reduced from 2.8% to 2.4% which means not only will the benefits be improved but the employers will also be paying more into the scheme.
- 4.6 LGPS does not have the same problem but there will be some changes to member benefits.
- 4.7 It was intended that all scheme changes would be effective from 1 April 2019 and will apply until at least March 2023. However, in January, the Government announced a pause in the cost cap process due to uncertainty caused by a court ruling on elements of the 2014/15 scheme reforms and subsequently the SAB confirmed that they would also be pausing their own cost management process until the effects of the outcome of this case is clear.
- 4.8 Therefore, scheme changes are unlikely to be in place for 1 April 2019.
- 4.9 As a result of these four year reviews it is expected that local fund valuations will also be made on a quadrennial timeframe.

5 LGPS 2014: LGPS (Miscellaneous Amendment) Regulations 2018

- 5.1 These regulations were laid before parliament on 18 Dec 2018 and, with a couple of exceptions as detailed in Appendix 1, came into force on 10 Jan 2019
- 5.2 These cover the following
 - Amend the unintentional consequence of the May 2018 amendment regulations
 - Amend the regulations to comply with the Supreme Court judgment in respect of benefits payable to same-sex married or civil partners that they should be entitled to the same as widows.
 - To allow the Secretary of State the power to issue statutory guidance. The proposed changes to the scheme, is to accommodate judgments made and to give some flexibility to respond to future developments.

- 5.3 It will be necessary for administering authorities and employers to amend their discretionary policies following the implementation of these amendment regulations.

6 MHCLG Consultation on Fair Deal

- 6.1 On 10 Jan 2019, MHCLG launched a policy consultation and draft regulations on 'Fair Deal'
- 6.2 The consultation contains proposals to strengthen the pension protections that apply when an employee of a LGPS employer is compulsorily transferred to the employment of a service provider.
- 6.3 The consultation closes on 4 Apr 2019
- 6.4 A response will be sent on behalf of Avon Pension Fund.

7 Treasury Consultations on Exit Payments in the Public Sector

- 7.1 Still no movement on this but seems that some work being done behind the scenes but dependent on parliamentary time.
- 7.2 At the same time there is also a Private Members Bill called the Public Sector Exit Payments (Limitations) Bill 2017. This was introduced into Parliament on 5 September 2017 and has had numerous dates scheduled for the second reading but this has still not happened and the latest update is that the second reading date is to be announced. The contents of the Bill indicate that it is to enact legislation set out in the Small Business, Enterprise and Employment Act 2015.

8 Supreme Court decision Walker v Innospec

- 8.1 The LGPS (Miscellaneous Amendment) Regulations 2018 amend the situation following the judgment made by the Supreme Court on how benefits payable to partners within same-sex marriages or civil partnerships are calculated. Instead of being calculated on a similar basis to widowers it was confirmed that such benefits should be the same as for widows.
- 8.2 At present there is no intention of amending this to include partners of opposite sex marriages and civil partnerships. The initial estimate for this across the public sector pension schemes is £2.8bn. However it is expected that a legal challenge will be made sometime in the future and if successful would require retrospective action to rectify.

9 RISK MANAGEMENT

- 9.1 No specific issues to consider.

10 EQUALITIES

- 10.1 None as this report is primarily for information only.

11 CONSULTATION

11.1 This report is primarily for information and therefore consultation is not necessary.

12 ISSUES TO CONSIDER IN REACHING THE DECISION

12.1 The issues to consider are contained in the report.

13 ADVICE SOUGHT

13.1 The Council's Monitoring Officer (Divisional Director – Legal & Democratic Services) and Section 151 Officer (Strategic Director or Resources) have had the opportunity to input to this report and have cleared it for publication.

Contact person	<i>Kate Shore – Technical & Compliance Advisor 01225 395283</i> <i>Geoff Cleak Pension Manager 01225 395277</i> <i>Liz Woodyard Investment Manager 01225 5306</i>
Background papers	<i>Regulations and accompanying notes;</i> <i>Exit Payment Consultations and Government Response</i> <i>LGA Bulletins</i> <i>Policy Consultation draft regulation documents Oct 2018</i>
Please contact the report author if you need to access this report in an alternative format	

List of current developments affecting or expected to affect Scheme Administration - Feb 2019

SCHEME ADVISORY BOARD [SAB]	
<p>*New Item* Pension Fund Annual Report</p> <p>➤ Action (Completed)</p>	<p>Regulation 57 of the LGPS Regulations 2013 requires administering authorities to publish their pension fund annual report, in relation to the scheme year ending on the 31 March, on or before the following 1 December. On 23 November, Liam Robson emailed all administering authorities requesting that they email him their annual report (or hyperlink) by Friday 30 November at the latest, for publication on the Scheme Advisory Board's website.</p> <p>APF emailed a copy of their Annual Report before the deadline.</p>
<p>*New Item* Local Pension Boards</p>	<p>Following concerns raised at the Investment committee about the effectiveness of some local pension boards, the Board agreed that the Secretariat should prepare a draft survey to build on the one undertaken in 2017. The draft will be considered by the Board when it next meets in April and, subject to their agreement, will be undertaken in the early Summer.</p>
<p>*New Item* Workplan 2019/20</p>	<p>The Board considered a paper setting out an early indicative proposed budget and workplan for 2019/20. Although members were advised that no new major projects were envisaged and that the year should be regarded as a period of consolidation, it was suggested that some work on annual and lifetime tax allowances may be necessary. The Board agreed that the Secretariat should continue to firm up the 2019/20 budget and workplan with the view of this being submitted to MHCLG in February.</p>
<p>Cost Cap Controls</p>	<p>Latest Updates:-</p> <p>On 16 Jan 2019 at the SAB Meeting the Board was advised that since it had last met, there had been ongoing discussions with MHCLG and other interested parties regarding the package of scheme improvements formulated by the technical group commissioned by the Board and subsequently agreed by the Board itself to bring the scheme's costs of 19.0% back to the target cost of 19.5%. It was confirmed that a Q&A document to assist administering authorities in explaining the cost cap arrangement and its implications to scheme employers and others would be produced.</p> <p>Board members expressed concern that in the absence of any agreement by government on the Board's agreed package that the deadline of 1st April 2019 for regulatory changes to be introduced was becoming increasingly challenging.</p> <p>On 30 Jan 2019 the Government announced a pause in the cost cap process due to uncertainty caused by a court ruling</p>

➤ **Action
(Completed
19 Feb 2019)**

on elements of the 2014/15 scheme reforms. The Written Ministerial Statement setting out the reason for the pause can be found [here](#), together with a summary of and the full Court of Appeal ruling in the case of The Lord Chancellor and Secretary of State for Justice and another v McCloud and Mostyn and others [2018] and Sargeant v London Fire and Emergency Planning Authority and others [2018]. Also listed is a letter from MHCLG confirming that the WMS applies equally to the LGPS as to the unfunded public service schemes.

On 7th February the SAB received confirmation that the cost cap pause and the uncertainty caused by the McCloud case announced in the Written Ministerial Statement applies equally to the LGPS as to the unfunded public service pension schemes. Given that confirmation the SAB considered it had no option but to pause its own cost management process pending the outcome of McCloud. As a result there are currently no changes to benefits planned in respect of the cost cap. This situation will be reviewed once McCloud is resolved which is not expected for some months.

On 14th February the SAB published a Q&A on the McCloud case and its potential impact on cost cap for administering authorities, the link can be found [here](#). There was an action for administering authorities to respond to the below question regarding the 2019 valuations:-

Question for LGPS administering authorities

With regards to the 2019 valuations would you prefer:-

A) To receive guidance from the SAB designed to promote a consistency of approach on how McCloud and/or cost management should be taken account of as part of the 2019 triennial valuation exercise. Such guidance would take the form that;

- i. If there is no finalised outcome on McCloud/Cost cap (including a commitment by government to detailed benefit changes) by 31st August 2019 then the scheme benefit design used in the valuation should be as set out in current regulations.*
- ii. Each administering authority would then, with their Actuary, consider how they approach (and reflect in their FSS) the risk around this matter in the same way as they would for other financial, employer and demographic risks.*
- iii. Once the outcome of McCloud is known and appropriate benefit changes are made administering authorities would, if they deem appropriate, re-visit employer contributions under such guidance or provision in regulation as may be available at that time.*
- iv. A consistent approach to delaying or method of estimating exit credits and payments*

Or

B) To have no central guidance and instead leave it to each administering authority to determine their own approach to

their valuation (including any potential cost from McCloud or cost cap) taking advice from their actuarial adviser.

APFs response was submitted in favour of option A as we believe consistency across the scheme is preferable. However the guidance should not be too rigid or prescriptive, leaving funds with local discretion to have flexibility to apply within the framework of their valuation outcome. Therefore the guidance should be limited to principles and direction.

Previous Update:-

SAB members were provided with a summary of the statement made by the Chief Secretary to the Treasury on the 6th September regarding the scheme valuations for the public service pension schemes, including the LGPS.

Unfunded schemes,

A reduction in the discount rate that will significantly increase employer contributions.

the 2% cost cap floor breached leading to member benefits improvements.

Funded Scheme LGPS

Cost cap floor breached but discount rate does not directly impact employer rates.

LGPS, employer rates are set by local fund valuations (next in 2019) but the cost cap mechanism does potentially impact as will lead to improved member benefits.

SAB has its own cost management which will allow any agreed changes to benefits to be taken into account before the HM Treasury process begins.

As advised by the SAB's actuarial adviser, the total cost of the scheme (employer and employee) under the SAB's process is 19% against a target total scheme cost of 19.5%.

SAB agreed to delegate to the Chair and a representative from both the employers and employees' sides, assisted by a small technical group, responsibility for agreeing a package of benefit changes to return the scheme to its total target cost of 19.5% while also looking at employee contributions at the lower end. The resultant package will be put to the full SAB for agreement as soon as possible to ensure that scheme changes are on the statute book by April 2019.

SAB was also advised that discussions are underway to move local fund valuations to a quadrennial timeframe to ensure consistency with future scheme valuations. This will not, however, have any bearing on the 2019 valuation which will proceed as normal.

Improving member data to meet the Pensions Regulator requirements	<p>Project will aim to assist administering authorities in meeting the Pension Regulators requirements for monitoring and improving data. This project would include the identification of scheme specific conditional data and the production of guidance for authorities and employers.</p> <p>SAB are to release guidance as to what constitutes “conditional information” in time for authorities to complete TPR return. Authorities have been advised to complete information as last year and any guidance will now be operative from 2019</p>
Identifying regulations requiring statutory guidance and the drafting of such guidance	<p>It is anticipated that MHCLG will propose a project to identify regulations which may be better sited within statutory guidance and to both propose the necessary amendments and assist with the drafting of guidance. [See MHCLG section draft amendment]</p>
Good Governance in the LGPS (Previously Identifying the potential benefits of further increasing the level of separation between the host authority and scheme manager role.)	<p>Latest Update from SAB Meeting 16 Jan 2019:-</p> <p>The Board was advised that on the 29th November that the project had been awarded to Hymans Robertson. However, concerns were subsequently raised about how Hymans Robertson would manage the potential conflict of interest given their position as clients to a number of LGPS administering authorities and the potential for recommendations to lead to paid work advising on TUPE transfers. At the Board’s request, Hymans Robertson prepared a statement explaining how they would manage any conflict of interest given their position as clients to a number of LGPS administering authorities and the potential for recommendations to lead to paid work advising on TUPE transfers, which was subsequently accepted by the Chair and Vice Chair on the Board’s behalf.</p> <p>The Board also agreed that the project should be re-named from the previous ‘Separation Project’ as this name had given rise to unfounded fears that options around removing the scheme from Local Authority control were being considered. It was agreed that “Good Governance in the LGPS” better reflected the aims and ambitions of the project to enhance the delivery of the function within local authority structures.</p> <p>This work will begin immediately and Hymans Robertson will be in touch with administering authorities with details of the project, including information on how to complete a questionnaire and further engagement plans.</p> <p>Previous Update:-</p> <p>The separation project was put on hold while pooling was in its initial stages however a request has been made to reinstate the project. The objective would be identify both the issues deriving from the current scheme administrative arrangements and the potential benefits of further increasing the level of separation between host authority and the scheme manager role.</p>

Page 49

	<p>respectively - despite being 11% worse funded on average (73% versus 84%, respectively).</p> <p>No recommendations but suggest that DfE and MHCLG consider what changes to academy pension arrangements within the LGPS might be appropriate in order to meet policy objectives. It should be noted that, if changes to the current arrangements are not made, we would expect material volatility in academy contribution rates (against local authority rates and other academies) to persist.</p> <p>Discussed/agreed at SAB meeting 10 Oct 2018</p> <ul style="list-style-type: none"> • The Board agreed that the administration working groups work on agreeing a standard monthly data extract should continue to completion • Further work will also be undertaken on training and improving communication within the academy sector • The future programme of the funding working group is to be the subject of discussion with DfE and MHCLG <p>A link to full information on the review of academies is available on the SAB website here.</p>
Tier 3 Employers	<p>Latest Update from SAB Meeting 16 Jan 2019:-</p> <p>The Board was advised that the work of the third tier employers' project working group had been put on hold due to competing priorities, in particular, work on the Board's cost cap arrangement. Work on this project will now be resumed as a matter of urgency.</p> <p>Previous Update:-</p> <p>Covers those Fund employers with no tax raising powers or guarantee. SAB is keen to identify the risk to LGPS Funds of default by such employers.</p> <p>There are currently two concurrent phases of work involved – Collating data and identification of issues.</p> <p>SAB tier 3 employer project carried out by Aon Hewitt– extension of surveys deadline to 31 January 2018 APF have completed survey</p> <p>SAB will then assess the risks to Funds and consider next steps.</p>

	<p>Discussed / agreed at SAB meeting 10 Oct 2018</p> <ul style="list-style-type: none"> • Aon's report was published on the 24th September • A working group from the Board will evaluation the various options included in the report and report back to the Board <p>A link to full information on Tier 3 Employers is available on the SAB website here.</p>
Code of Transparency - Compliance System	<p>Latest Update from SAB Meeting 16 Jan 2019:-</p> <p>The Board was advised that the deadline for bids for the Compliance contract was the 22nd January and that to date, four bids had been received. Once the procurement process has been completed, recommendations will be made by the bidding panel for the Board's consideration.</p> <p>The Board also agreed that the Northern Ireland LGPS should be added to the Code of Transparency.</p> <p>Previous Update:-</p> <p>The Board has committed to securing a third party checking service</p> <p>Discussed at SAB meeting 10 Oct 2018</p> <ul style="list-style-type: none"> • 91 Signatories have signed up to the code covering £180bn of scheme assets • OJEU contract notice has been published for the procurement of a code compliance utility <p>A link to full information on Code of Transparency is available on the SAB website here.</p>
SAB obtain QC's opinion on the pensions responsibilities of local authority owned companies [EOC]	<p>The Scheme Advisory Board for the LGPS in England and Wales have obtained a Counsel opinion on scheme employer wholly owned companies (EOCs). Link to Opinion included here.</p> <ul style="list-style-type: none"> • Whether the Best Value Authorities Staff Transfers (Pensions) Direction 2007 applies to the transfer of employees from a local authority to a local authority EOC. • Whether the non-statutory Fair Deal guidance issued by HM Treasury in October 2013 applies to the transfer of employees from an academy to an academy EOC. • Whether EOCs meet the requirements of paragraphs 5 or 6 of part 2 of schedule 2 of the LGPS Regulations 2013. • The protections available to employees transferring under TUPE in relation to pensions, and the obligations placed on employers with regard to the provision of pensions. • The situation if an employer to offer different schemes to different employee groups.

	<p>In addressing the final bullet point, Counsel states:</p> <p>This would be highly likely to contravene equal pay legislation. EOC employees would be comparators with each other and with the authority's retained employees."</p> <p>LGA understand that this does not mean that an employer would automatically be contravening equal pay legislation if it offered the staff it employed directly a different pension scheme to the staff it employed via an EOC. The usual potential defences could still apply, such as the material factor defence and whether a comparator is still a valid one in the particular circumstances of the case.</p>
<p>Cross Pooling</p> <p>➤ Action</p>	<p>Latest Update from SAB Meeting 16 Jan 2019:-</p> <p>In January 2019 MHCLG prepared new statutory guidance on LGPS asset pooling. This will set out the requirements on administering authorities, replacing previous guidance, and builds on previous Ministerial communications and guidance on investment strategies. MHCLG are now inviting views on the draft guidance, see link to consultation here.</p> <p>The MHCLG representative confirmed to the Board that the consultation was not a public consultation and has been sent to interested parties (administering authorities, local boards, the SAB and pool companies) for informal comment. Closing date for comments is the 28th March. The Board agreed that member's comments should be sent to the Secretariat who would then draft a composite response to be considered and agreed by the Chair. This would not prevent individual organisations represented on the Board from responding directly to MHCLG provided that it was made clear that it does not represent the views of the Board. Administering authorities are welcome to share the draft guidance with advisors and incorporate their views within the authority's response.</p> <p>Previous Update:-</p> <p>In February 2018 SAB approved an elected member led Cross Pool Forum comprising three representatives from each of the eight pools and three trade union representatives to share and disseminate information on the pooling of LGPS assets and steps are being be taken to establish this</p> <p>As a result of the responses to the consultation on 27th March 2018 the Chairs of LGPS pension committees and local pension boards attended an open session where representatives from the eight asset pools reported on their progress in establishing their organisational structures and governance arrangements. The slides from this session are available here.</p>
Responsible	Latest Update from SAB Meeting 16 Jan 2019:-

Investment	<p>The Board agreed with the recommendation from the Investment, Governance and Engagement committee (“Investment Committee”) that the draft guidance should be extended to include a checklist enabling administering authorities to measure whether their ESG policy, including climate change risk, represents the minimum to comply with the law, good practice or best practice. Work would also be undertaken in conjunction with scheme stakeholders to assist administering authorities in developing a specific policy, if they wish, on climate change risk.</p> <p>Previous Update from SAB Meeting 10 Oct 2018:-</p> <ul style="list-style-type: none"> • SAB agreed that the guidance on Responsible Investment should include reference to the government’s latest position on Environmental, Social and Governance (ESG) and, in particular, climate risk. • SAB was advised that Share Action may be approaching LGPS funds to discuss their approach to ESG policies.
The Pension Regulator	<p>Latest Update from SAB Meeting 16 Jan 2019:-</p> <p>A letter was sent, by the SAB Chair in November 2018, to TPR Chief Executive, Lesley Titcomb, expressing concerns about the burdens being imposed by TPR on individual administering authorities, copy available here. TPR replied in December 2018 and a copy of the response, which can be found here, has been circulated to Board members for comment. Lesley Titcomb also confirmed to the Chair that a senior member of her team will be asked to attend the next Board meeting to discuss the issues further.</p> <p>Previous Update from SAB Meeting 10 Oct 2018:-</p> <ul style="list-style-type: none"> • Further to concerns raised by a number of funds, SAB agreed that the Chair should write to the Pensions Regulator about their activities and approaches in dealing with the scheme. • The Pensions Regulator has advised the SAB’s Chair that the annual Governance and Administration survey will be issued to fund authorities on the 5 November with completion requested by the end of the month. A preliminary note from the Pensions Regulator will be sent to funds beforehand.
MINISTRY FOR HOUSING COMMUNITIES & LOCAL GOVERNMENT [MHCLG]	
New Item MHCLG Consultation on Fair Deal	<p>On 10 January 2019 MHCLG launched a policy consultation and draft regulations on ‘Fair Deal – strengthening pension protection’ in the LGPS. The consultation contains proposals to strengthen the pension protections that apply when an employee of a LGPS employer is compulsorily transferred to the employment of a service provider. The proposed amendments to the LGPS Regulations 2013 would, in most cases, give transferred staff a continued right to membership of the LGPS. These changes are intended to bring the LGPS in line with the government’s October 2013 Fair Deal guidance that applies in relation to transfers from central government. The consultation closes on 4 April 2019.</p>

<p>➤ Action</p>	<p>The LGPC will be responding to the consultation in due course. In addition, the national LGPS Technical Group have created a sub-group to review the impact of the consultation and to make recommendations for response. The sub-group will be working closely with the LGA and MHCLG.</p> <p>Avon Pension Fund will be responding to the consultation and circulating details of the consultation to employers for them to respond also.</p>
<p>*New Item* LGPS (Miscellaneous Amendment) Regulations 2018</p> <p>➤ Action</p>	<p>These regulations were laid before parliament on 18 Dec 2018 and can be found here. They came into force on 10 Jan 2019 with a few exceptions (regulation 4, which has effect from 17 Apr 2018, and regulation 5, which has effect from 5 Dec 2005 for surviving civil partners and 13 Mar 2014 for surviving spouse of a same sex marriage).</p> <p>Main changes:-</p> <p>Regulation 4 - Amends the unintentional consequence of the amendment regulations in May 2018 regarding deferred members before 1 April 1998 voluntarily drawing their pension from age 55. We were expecting regulation 4 to take effect from 14 May 2018, as this is the date the original policy change took effect by virtue of the LGPS (Amendment) Regulations 2018, however it instead takes effect from 17 Apr 2018. MHCLG have confirmed that whilst they appreciate it would have been more appropriate for regulation 4 to take effect from 14 May 2018 they are of the opinion that the alternative date will not cause any significant issues.</p> <p>Regulation 5 - Amend the regulations in respect of benefits payable to same-sex marriage spouses or civil partners as a result of the Supreme Court judgment in the case of Walker v Innospec. Instead of being entitled to the same benefits as widowers it legislates that they should be entitled to the same as widows.</p> <p>Regulation 2 - Allows the Secretary of State the power to issue statutory guidance to administering authorities on the administration and management of the Scheme. Before preparing new guidance or revising existing guidance, MHCLG must consult with persons they consider to be appropriate.</p> <p>Actions for Administering Authorities:-</p> <ul style="list-style-type: none"> Note and make any necessary changes to procedures / documentation to reflect that from 17 April 2018 deferred members who left the Scheme before 1 April 1998 must now make a written election for early payment to the administering authority, instead of their former employer, and no longer have to have left all local government

employment in order to receive early payment of their benefits

- Re-visit calculations of pensions paid to surviving civil partners and same sex spouses and pay any additional amounts due. Await statutory guidance with regard to any further adjustments that may be due e.g. to CETVs, trivial commutations paid to surviving civil partners and same sex spouses and trivial commutations paid to members where the member was in a civil partnership or married to a same sex spouse at the date of payment. MHCLG have confirmed they will issue statutory guidance to assist administering authorities in this exercise.
- Make adjustments to the calculation of some widows' and widowers' pensions where the member dies after 9 January 2019.

➤ **Action**

Disclosure Requirements:-

LGPS administering authorities will need to communicate the changes to scheme members, communication of the changes should take place as soon as possible, and in any event, within three months of the date of change (i.e. by 10 April 2019). The national Communications Working Group met on 15 January 2019 and have agreed to provide template wording to be used to communicate the changes. This will be issued by the end of February.

The MHCLG have issued both a policy consultation [LGPS: Technical amendments to benefits] and draft regulations have been issued to a select group
These cover the following

- Amend the unintentional consequence of the amendment regulations in May 2018 regarding deferred members before 1 April 1998 voluntarily drawing their pension from age 55. This is expected to be backdated to the previous amendment date.
- To amend the regulations in respect of benefits payable to same-sex married or civil partners as a result of the Supreme Court judgment in the case of Walker v Innospec Instead of being entitled to the same benefits as widowers it legislates that they should be entitled to the same as widows.
- To allow the Secretary of State the power to issue statutory guidance. The proposed changes to the scheme, is to accommodate judgments made and to give some flexibility to respond to future developments. The Department's view had no legal force as the Secretary of State has currently no power to issue statutory guidance

A response will be sent from APF by the closing date of 29 November 2018

**October 2018
Policy Consultation
and
Draft Regulations**

	Comments on the draft regulations are required earlier by 16 November 2018
MHCLG/GAD; Review of LGPS Factor Tables	<p>Latest Update:- Factor table amendments required due to the change in the SCAPE discount rate have now all been issued apart from club transfer factors, however admin authorities have been advised not to stockpile these cases.</p> <p>With regards to the ongoing review of factors tables outside of the SCAPE discount rate change, GAD has prepared a document to enable MHCLG to provide LGPS software suppliers and administrators with advance information on the format and formula changes. The document, which can be found here, outlines the layout of affected factors tables and formulas in force immediately prior to the current review and the new layouts that will apply following the review. It does not include any current or revised factor values. Most importantly, none of the changes outlined in the document take effect until they are superseded by the issue of updated factor tables and guidance by the Secretary of State for the Ministry of Housing, Communities and Local Government.</p> <p>It is intended that all of the Scheme's actuarial factors (excluding additional pension) will move to unisex factors, thereafter, the document explains that GAD are proposing table format and/or formula changes to the following:-</p> <ul style="list-style-type: none"> • AA Charges (Calculation of Scheme Pays Offset) • Application of a Pension Credit • Purchase of Additional Pension • Factors for CETVs • NPAs (where not an exact age) <p>Previous Update:- MHCLG and GAD are reviewing all tables and due to another change in the scape rate, announced there may be a delay in issuing these. It is understood that GAD intend to make some tables unisex. The expected effective date of the new factors will be the same as the budget and GAD have advise that they may be at least 6 weeks late so stockpiling will be necessary for transfers.</p>
HM TREASURY [HMT]	
Pension scams: consultation	<p>Latest Update:- Regulations to implement a ban on pensions cold-calling were approved without a vote by Parliament in December and came into force on 9 Jan 2019. The new ban prohibits cold-calling in relation to pensions, except where the caller is authorised by the FCA, or is the trustee or manager of an occupational or personal pension scheme, and the recipient of</p>

	<p>the call consents to calls, or has an existing relationship with the caller.</p> <p>Previous Update:- Government Response issued August 2017 outlines key areas, a link to the consultation can be found by clicking here, and a link to the government response here.</p> <p>a ban on cold calling in relation to pensions, to help stop fraudsters contacting individuals</p> <p>limiting the statutory right to transfer to some occupational pension schemes making it harder for fraudsters to open pension schemes</p>
Indexation and equalisation of GMP in public service pension schemes	<p>Latest Update:- On 4 December, HMT issued an updated direction (dated 3 December 2018) under Section 59A of the Social Security Pensions Act 1975 which replaced the direction issued on 6 April 2016 and is backdated to that same date. The direction continues existing indexation provisions and, as a result of HMT's 2017 consultation on GMP indexation and equalisation, extends the arrangements to some additional groups of pensioners and provides for the payment of increases to survivors whose SPa is after 5 April 2021.</p> <p>Previous Update:- APF responded to consultation in Feb 2017 On 22 January 2018, HMT published its response to the consultation.</p> <p>The government has been implementing an "interim solution" between 6 April 2016 and 5 December 2018. The consultation directs that this solution will be extended for a further two years and four months. This will cover those members of public service schemes with a GMP who reach state Pension Age on or after 6 December 2018 and before 6 April 2021.</p> <p>During this period, the government will investigate the possibility of an alternative long-term methodology, known as "conversion".</p> <p>Government Actuary has issued an addendum to the guidance for Transfer and Divorce calculations</p> <p>HMRC to set up working group in 2019</p>
Reforms to public sector exit	<p>Latest Update:- The Bill was initially expected to have its second reading debate on Friday 25 Jan 2019, however, it now shows that the</p>

<p>payments: response to the consultation</p>	<p>date for the second reading is to be announced.</p> <p>A link to the latest updates on this bill can be found here.</p> <p>Previous Update:- Further clarification on the claw back for re-employment in first year and setting the exit cap at £95k are still awaited Work is going on behind the scenes and subject to Parliamentary time these could be issued by the end of the year</p> <p>The third more broader proposals in the third consultation no immediate development on these has been reported, see link to consultation here.</p> <p>A Private Member's Bill the Public Sector Exit Payments (Limitations) Bill 2017 was introduced in Sept 2017 and its further rescheduled second reading is set for 26 OCT 2018; to date no details have been made available.</p> <p>Link to the Enterprise Act can be found here.</p>
<p>Scheme Valuations</p>	<p>On 6 September 2018, in a Written Ministerial Statement the Chief Secretary to the Treasury, Elizabeth Truss, announced details of the quadrennial national scheme valuation of public service pension schemes. A link to the statement can be found here.</p>
<h2 style="text-align: center;">THE PENSION REGULATOR (TPR)</h2>	
<p>*New Item* Statement on the UK's exit from the EU</p>	<p>On the 24 January 2019, TPR published a statement on the UK's exit from the European Union, aimed primarily at the trustees of defined benefit (DB) pension schemes, available here.</p> <p>The statement confirms that because UK workplace pensions are largely domestic in nature, the TPR does not expect the UK's departure from the EU to have a significant effect in respect of the legislative basis under which schemes operate or trustees' ability to continue to administer their scheme effectively (whether or not the departure is with 'deal' or 'no deal' scenario). However, there are some specific areas that administering authorities may need to pay attention to and these are detailed within the statement (largely relating to cross border activities and the payment of occupational pensions to EU citizens).</p>
<p>*New Item* 2018 Governance and Administration</p>	<p>TPR issued the survey link to scheme managers and scheme contacts on 5 November and encouraged all administering authorities to complete the survey by the closing date of 30 November.</p>

<p>Survey</p> <p>➤ Action (Completed)</p>	<p>APF completed the survey before the deadline.</p>
<p>*New Item*</p> <p>New TPR Website</p> <p>➤ Action (Completed)</p>	<p>On 12 November, TPR launched a new website to give more than three million yearly visitors a clearer and simpler experience. The new site, link here, is a key part of TPR's redesigned branding which highlights how the organisation is changing its approach to become clearer, quicker and tougher.</p> <p>Administering authorities were asked to check their communications to make sure that any links to the old TPR website still work, or update where necessary.</p>
<p>*New Item*</p> <p>Updated Guidance on Annual Benefit Statements (ABS)</p>	<p>In November, TPR published updated guidance for scheme managers, and others involved in administering public sector pension schemes, issuing ABS in the public sector. Updates include a number of case studies and the outcomes of TPR engagement during the 2017 ABS Project. The guidance can be found here.</p>
<p>Proactive engagement with LGPS funds planned for 2018 and 2019</p>	<p>The Pensions Regulator's (TPR) Corporate Plan for 2018-2021 at page 18, link here, includes three new Key Performance Indicators (KPIs) directly related to public service pension schemes. Following the publication of these new KPIs TPR has chosen the Local Government Pension Scheme as a cohort for proactive engagement throughout 2018 and 2019.</p> <p>TPR has chosen Local Government schemes because, in their view, the results of the 2017 Governance & Administration Survey show that improvements in governance & administration standards have slowed when compared to other public service pension schemes.</p> <p>Over the coming months, all LGPS scheme managers will receive written communications from TPR (and others involved with LGPS may also hear from TPR). These will cover governance & administration matters including:</p> <ul style="list-style-type: none"> • the main risk areas scheme managers should already be focusing on • what TPR's expectations are • how those responsible for managing and running schemes can identify and mitigate such risks <p>It is anticipated that up to ten administering authorities will be visited during the period</p> <p>Local authorities have been approached but none to date in the South West Region</p>

ITEMS FROM OTHER SOURCES

<p>*New Item* Lifetime Allowance for 2019/20</p>	<p>The Finance Act 2004 (Standard Lifetime Allowance) Regulations 2019 [SI 2019/29] were made on 10 January 2019 and come into force on 6 April 2019. As announced in the Budget 2018, the lifetime allowance will increase to £1,055,000 for the tax year 2019/2020.</p>
<p>*New Item* Exit Credits</p>	<p>Following the introduction of exit credits with the LGPS (Amendment Regulations) on 14 May 2018, a survey was issued before Christmas by the LGA asking authorities for details of any expected exit credits they will be paying and any paid to date. The expected and paid credits reported are currently £86m. The Secretariat is aware that the payment of exit credits is causing some issues, particularly where there is a side contractual agreement in place with the employer and also where contractors are no longer extending contracts/admission agreements but are looking to terminate the contract and re-bid in order to receive payment of an exit credit.</p> <p>They have now met with MHCLG on this issue – they have agreed that whilst the general thrust of the regulation requiring an exit credit is right, they will consider making a regulatory change or issuing statutory guidance to provide that where the employer bears no risk, this can be taken account in the calculation of an exit credit payment.</p>
<p>*New Item* Discretionary Policies</p> <p>➤ Action</p>	<p>The Secretariat has published revised versions of the Discretionary policy list and guide (versions 1.7 and 1.9 respectively). Clean and tracked changes versions, can be found in the guides and sample document pages of www.lgpsregs.org.</p> <p>Action for administering authorities and scheme employers</p> <p>The documents have very minor changes though will require an amendment to both scheme employers' and administering authorities' mandatory discretionary policies:</p> <ul style="list-style-type: none"> • whether to grant the application for early payment of deferred benefits (in respect of a member who left active membership before 1 April 1998) on compassionate grounds - application may now be granted by the administering authority where the former employer no longer exists. • where a member who opted out of the scheme continues to be employed by a Scheme employer, the member is only entitled to receive their benefits at NRD if their employer consents to them doing so (in respect of a member who opted out of the scheme after 31 March 1998 and before 1 April 2008).
<p>*New Item* Employee Contribution bands</p>	<p>On 17 October 2018, the Office for National Statistics (ONS) announced that the Consumer Prices Index (CPI) rate of inflation for September 2018 was 2.4%. Draft contribution bands, which will be effective from 1 April 2019 have been issued. These are based on the pay bands for 2018/19 as increased by the September 2018 CPI figure of 2.4%, with the</p>

<p>for 2019/20</p> <p>➤ Action (Completed)</p>	<p>result rounded down to the nearest £100.</p> <p>APF have updated their website and also communicated the draft table to all employers.</p>
<p>*New Item* LGPS Technical Group Update</p>	<p>Items of interest from meeting held 11 Dec 2018:-</p> <p>Transfers out and requests for information from claims management companies It was brought to the group's attention that several requests for historical transfer information had been received by at least one administering authority. In particular copies of documentation that the administering authority had provided to a member before making a transfer payment out of the scheme. There is concern that administering authorities could be faced with historical reinstatements (where at a later date it is proven that the transfer was inappropriate - this could be years down the line) if it is proven that the information provided to the member prior to transfer was not sufficiently robust. We are only aware of 1 administering authority to have received such a request, though another mentioned that they had received a similar request by way of FOI.</p> <p>Establishment of sub-groups to review future legislation It was agreed that for future consultations the group would form sub group(s) to examine in more detail the subject to be considered. This will involve, though not limited to, an examination of the regulations to ensure that they are 'fit for purpose' and to make recommendations where in the view of the sub-group this is not the case. The response will be circulated to all standing members for agreement prior to issue by the Chair person. Two sub-groups would be formed to address the forthcoming consultations on Fair Deal and Cost Control.</p> <p>The requirement under the LGPS 2013 Regulations to pay a refund within 5 years of the date of leaving Under the 2014 scheme a refund must be paid on the expiry of 5 years from the date of leaving or, if earlier, at age 75. If payment cannot be made before within this timeframe then this is classified as a breach and as such would need to be reported to pensions committee, Local Pension Board and included on the breaches register.</p> <p>Additionally, the payment could not be treated as a Short Service Refund Lump Sum payment under section 166 and paragraph 5 of the Finance Act 2004 if the member:</p> <ul style="list-style-type: none"> a) Had previously had a BCE in the Scheme, and/or, b) Holds deferred benefits in the Scheme, and/or, c) Has reached age 75

	<p>If any of the above circumstances have occurred, the payment would be an unauthorised payment, as such would need to be reported on the event report and the payment would be subject to both member tax charges and admin authority tax charges.</p> <p>Under all previous regulations there is no time limit by when the refund must be paid and the Technical Group are considering whether the current regulations can be amended to match.</p> <p>In the meantime, Technical Group have made a group policy recommendation on how to approach such cases and this is set out in the minutes available here.</p>
<p>*New Item* Single Financial Guidance Body (SFGB)</p>	<p>The Government's Single Financial Guidance Body (SFGB), after becoming a legal entity in October 2018, has now officially adopted its delivery functions.</p> <p>The SFGB consolidates the services offered by the Money Advice Service, TPAS and Pension Wise. On its official website, the SFGB sets out five core functions, including advice and consumer protection.</p> <p>The SFGB is funded by levies on both the financial services industry and pension schemes. The new body is sponsored by the Department for Work and Pensions, but will also engage with HM Treasury, which is responsible for policy on financial capability and debt advice. The body will also change its name in 2019 as it develops a new outreach strategy, which will include a new integrated service offer and enhanced partnership working with the wider industry, employers and key stakeholders.</p>
<p>DWP commence consultations</p>	<p>Latest Update:- On 11 September 2018, the DWP published a response to the consultation on changes to the Occupational Pension Schemes (Investment) Regulations 2005 (the "2005 Regulations") together with a final version of the regulations, now called the Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 (the "Regulations"), link here.</p> <p>Previous Update:- On 18th June 2018, DWP commenced a consultation entitled <i>Pension trustees: clarifying and strengthening investment duties</i>.</p> <p>The consultation seeks views on the draft Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2018 and does not contain proposals which would directly impact the LGPS, as it covers trust-based pension schemes alone. However, the draft regulations have been consulted upon to tackle issues that also affect the LGPS and we understand the Scheme Advisory Board for England and Wales intend to respond to the consultation.</p>

<p>European Court</p>	<p>Latest Update:- The impact of this ruling for the LGPS is still unclear; however, any changes to UK legislation in light of the ruling are likely to be made as part of the reforms to the Gender Recognition Act 2004. In the meantime, administering authorities should still request that a member produce a copy of their new birth certificate showing their acquired gender before amending their gender for pension purposes.</p> <p>Previous Update:- European Court of Justice ruling on transgender rights The European Court of Justice has ruled in favour of a transgender woman who was refused payment of her UK state pension in 2008 at age 60 (on the grounds that she did not have a Gender Recognition Certificate (GRC)). The LGPC Secretariat will provide further information regarding the impact of this case for the LGPS in a future bulletin. No further information received</p> <p>This matter was discussed at the South West regional meeting and because of the complex and sensitive nature required the consensus was that once full details were received that a collective approach may be beneficial</p>
<p>DWP: Pension's Dashboard</p>	<p>Latest Update:- The results of the feasibility study to explore the options for the delivery of online pensions dashboards were released in the form of a government consultation on 3 December 2018. The consultation was seeking views on how the government can best facilitate an industry-led delivery of pensions dashboards. The consultation closed on 28 January 2019. The consultation proposals included:</p> <ul style="list-style-type: none"> • a non-commercial dashboard be hosted by the Single Financial Guidance Body (SFGB) together with multiple commercial dashboards hosted by different organisations, in order to improve consumer choice and enable them to use the dashboard that most suits their needs. • the establishment of a delivery group convened and stewarded by the SFGB, which would work towards the successful implementation of the technology that will allow pensions dashboards to operate. • a single 'Pension Finder Service' (PFS) will act as a search engine to find pension schemes linked to an individual. • state pension data will ultimately be part of the service. • with the consent of the individual, pension schemes will be required in legislation to provide an individual's data via pensions dashboards. • public service pension schemes be given longer lead-in times to prepare their data prior to on boarding. It is expected that the pensions industry will start to supply data to a dashboard, on a voluntary basis, from 2019. The majority of schemes will be on-boarded within 3 to 4 years from the first dashboards being available to the public.

	<p>Previous Update:-</p> <p>Pensions dashboard – results of feasibility study delayed</p> <p>In bulletin 167, it was reported that DWP were conducting a feasibility study to explore the options for delivering the dashboard and that this was due to be published at the end of March 2018.</p> <p>The findings of this feasibility study have still to be published. Given it is now less than a year until the dashboard was originally due to launch (in April 2019), this would appear to make these timescales increasingly difficult to achieve.</p> <p>There have been some mixed opinions raised as to whether this is still achievable but the Department has recently confirm that it remains a key objective</p>
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Key:- Any text highlighted in Grey was previously reported with latest updates indicated where applicable.
 Newly reported items are labelled *New Item*
 Where action is required, this is indicated in first column where appropriate

Bath & North East Somerset Council	
MEETING:	LOCAL PENSION BOARD
MEETING DATE:	7 MARCH 2019
TITLE:	Review of Governance Arrangements
WARD:	ALL
AN OPEN PUBLIC ITEM	
<p>List of attachments to this report:</p> <p>Annex 1 – Cover Report to Pension Fund Committee (December 2018)</p> <p>Appendix 1 Proposed Terms of Reference of Avon Pension Fund Committee</p> <p>Appendix 2 Proposed Terms of Reference of Avon Pension Board</p> <p>Appendix 3 Current Terms of Reference of Avon Pension Fund Committee</p> <p>Appendix 4 Current Terms of Reference of Avon Pension Board</p> <p>Annex 2 – Formal Consultation Document</p> <p>Annex 3 – LPB Response to Consultation</p>	

1 THE ISSUE

- 1.1 The Pension Fund Committee received a report on proposed changes to the governance arrangements in December 2018 which included changes to the Committee representation, changes to the responsibilities of Investment Panel, Pensions Board and Officer responsibilities.
- 1.2 Employers have been consulted on the proposed changes to the Committee representation and the proposals to change the responsibilities' of the Pension Board were put to the Pension Board.
- 1.3 This report details in full the content of the report received by the Pension Committee in December and contains the formal response to the consultation from the Pension Board.
- 1.4 The purpose of this report is to discuss the review of governance arrangements and the formal response from the Pension Board ahead of the formal Committee meeting on 22nd March.

2 RECOMMENDATION

The Board is asked to:

- 2.1 Note the report.
- 2.2 Review the Pension Board's consultation response

3 EQUALITIES

3.1 An Equality Impact Assessment has not been completed.

4 CONSULTATION

4.1 Discussed in report.

5 ISSUES TO CONSIDER IN REACHING THE DECISION

5.1 The issues to consider are contained in the report.

6 ADVICE SOUGHT

6.1 The Council's Monitoring Officer and Section 151 Officer have had the opportunity to input to this report and have cleared it for publication.

Contact person	Tony Bartlett, Head of Pensions (Tel: 01225 477302)
Background papers	None
Please contact the report author if you need to access this report in an alternative format	

1 THE ISSUE

- 1.1 The existing Governance arrangement including Committee and Investment Panel structures have been in place since 2006 with very little material change. However the environment within which the Committee operates has changed dramatically including increased regulatory oversight via the Pensions Regulator, Scheme Advisory Board and our own Local Pension Board, the introduction of Pooling and formation of Brunel Partnership, the need to be MIFID II compliant and an overall increase in regulatory requirements. The LGPS itself has undergone two fundamental changes, there has been a significant increase in Fund Employers and the investment strategy is increasingly technically complex.
- 1.2 It is therefore timely to review the existing governance arrangements to ensure the Fund remains fit for purpose, has sufficient capacity to focus on key strategic issues and can operate efficiently in what has become an extremely complex and dynamic environment

2 RECOMMENDATION

The Avon Pension Fund Committee is asked to:

- 2.1 **Agree to the proposed changes to Committee membership namely**
 - a) **A reduction in Bath and North East Somerset Council representation from 5 to 3**
 - b) **Addition of a further Independent Member to the Committee**
 - c) **Addition of an Academy Representative**
 - d) **To consult with Employers over these proposed changes**
- 2.2 **Agree to the establishment Brunel Working Group as an informal sub group of the Committee**
- 2.3 **Agree to the proposed changes to Terms of Reference of**
 - a) **The Avon Pension Fund Committee**
 - b) **The Avon Pension Fund Board for consultation with the Board**
 - c) **To consult with the Avon Pension Fund Board in respect of these changes**

3 FINANCIAL IMPLICATIONS

- 3.1 There will be a small impact on costs to fund an additional independent advisor in the region of £20,000 per annum

4 CONTEXT

- 4.1 The environment within which the Avon Pension Fund operates has changed rapidly over recent years, a trend which seems set to continue. Scrutiny, regulation and compliance requirements have had

a significant impact on workload and the continuing development of the Funds Investment and Risk Management Strategies, together with the advent of pooling have further increased the work of both the Committee and Investment Panel. At the same time the Committee is dealing with the challenges represented by an increasingly fragmented and growing employer base and work with the Local Pension Board to ensure administrative compliance.

4.2 It would seem there will be no respite from this dynamic environment for some time to come as pooling transition extends into 2021 and agendas of the Scheme Advisory Board, Pensions Regulator and indeed CIPFA seek to improve standards across public sector pensions overall. It should also be noted that the Fund will undertake the triennial valuation in 2019/20 and comprehensively review its Investment Strategy at the same time.

4.3 This “dynamic” creates a number of ongoing challenges for the Fund which now need to be addressed viz:

- a) Ensuring the Committee has sufficient capacity and enhanced capability to deal with all the strategic challenges it faces. MIFID II requires the Fund to demonstrate its overall competency to become a “professional” investor
- b) Ensuring there is sufficient oversight of core strategy and policy development and implementation; Administration, Funding and Investment including managing the relationship with Brunel and Brunel Oversight Board
- c) Having sufficient time to consider emerging and crystallising issues of national and global significance issues and their strategic impacts
- d) How to ensure the committee remains representative of its employer interests, reflecting the changing composition of the employer base within the Fund. The Fund is only partially compliant with this aspect of the Governance Compliance statement

4.4 In considering these issues and in particular working towards a more efficient governance structure, consideration needs to be given to the role of the Committee, Investment Panel, the Local Pensions Board and indeed officers in achieving this.

4.5 Furthermore the Fund has a track record of operating in a highly transparent and open manner which should remain a key principle underpinning any changes to governance arrangements. Finally the Committee should consider how digital communications could also play a role in efficient operations.

5 STRENGTHENING REPRESENTATION & CAPABILITY

5.1 The design (from 2006) of the Committee as it currently stands represents an employer base dominated by fewer large employers. Whilst it is still the case that large employers still reflects a substantial part of the membership, the actual employer base has grown by

several hundred in over the past twelve years due in large part to growth of Academies and associated admission bodies, together with ongoing Council outsourcings.

- 5.2 Administratively, Academies represent the funds single biggest logistical challenge and as an employer group is likely to undergo significant transition over the next few years.
- 5.3 It would be expedient to extend Committee representation to the academies sector to both mitigate Governance Compliance Statement issues and enable a focal point to support improved communications and operational relationships with Academy employers
- 5.4 In 2006 the Fund also sought to manage its continuity challenges with the appointment of two independent members. This has been successful in bringing additional knowledge and experience to the Committee. At a time when the Funds Investment strategy is increasingly complex and the Funds regulatory compliance requirements are equally challenging, it is recommended that the Committee would benefit by strengthening its position with the addition of a further independent member, which would also support retention of the Fund's professional investor status.
- 5.5 To ensure the Committee remains manageable and to reduce the exposure of the Committee to the vagaries of the electoral cycle (the Fund still has 2/3 of its Committee subject to the Electoral cycle), it is recommended that the number of Local authority representatives on the Committee be reduced by limiting the B&NES representation to three voting members.

6 REFLECTING THE DEVELOPING BRUNEL RELATIONSHIP

- 6.1 The Brunel Partnership is now fully engaged in the asset transition programme and the Brunel Oversight Board is fully engaged in ensuring this happens. The relationship with Brunel is complex, the Administering Authority having a role both as Shareholder and Client Fund. At present, engagement with Brunel is undertaken primarily by the Chair of the Committee, Head of Business Finance and Pensions and the Investments Manager through their roles on Oversight Board and Client Group and to date this has primarily been around issues of business start-up and transition planning.
- 6.2 Whilst the transition of assets by Brunel will be monitored and reported on by the Investment Panel (and in time, the monitoring of the Brunel portfolios), the Fund has broader responsibilities particularly in relation to the role of the Shareholder over which the Committee needs to gain assurance. In order to achieve this in a pragmatic way it is recommended that an informal working group of the Committee is formed to include Oversight Board Representative, named Oversight Board substitute plus the Chair and/or Vice Chair if not the BOB representative / substitute plus an independent committee member.

- 6.3 The purpose of the Working Group would be to consider matters of material interest in respect of the structure, operations and contractual arrangements with Brunel including reserved matters informally and advise Committee and/or Shareholder as necessary.

7 CREATING CAPACITY & IMPROVING EFFICIENCY

- 7.1 The workload of the Committee is significant and has been growing annually. Many of the reports provide the Committee with information to enable the Committee to undertake its oversight role and are for comment or noting, whilst only 30% are for decisions. There is also significant duplication between the Committee and Board particularly in respect of Administration.

- 7.2 In order to improve the efficiency of the Committee and generate some capacity to better manage the workload it is proposed to

- a) Change the terms of reference of the Avon Pension Board to make better use of that resource and remove duplication
- b) Move some regular reporting to an informal accessible format; this will enable the Committee and Panel to focus on strategy and policy at meetings
- c) Formalise reporting arrangements from the Investment Panel and Avon Pensions Board to the Committee
- d) Amend the Terms of Reference to accommodate the above changes and clarify the Officers role in relation to operational investment matters

- 7.3 Specifically the intention is to;

- a) Enable the Pensions Board to monitor the implementation of the Administration Strategy and associated projects, together with the monitoring of compliance, providing the Committee with an update of progress and issues
- b) Formalise the arrangements between the Investment Panel and Committee to enable the Panel to regularly update the Committee on Strategy Implementation, developments and matters of strategic importance
- c) Provide a repository for information reports which can be disseminated on an informal basis whilst still affording discussion at Committee as necessary
- d) Maintain the high levels of transparency by ensuring that information remains publicly available via the Fund Website

8 TIMETABLE & PROCESS

- 8.1 The changes proposed to the Committee membership should be consulted on with Employers early in 2019; likewise the changes to the Avon Pension Board should be consulted with the Board.

- 8.2 This will allow the Committee to take a final decision in March 2019 and propose any changes to Council at the Annual General Meeting in May 2019. Implementation will then follow thereafter.

9 RISK MANAGEMENT

- 9.1 The proposals contained in this report are intended to strengthen the Governance arrangements of the Committee particularly in relation to increased compliance requirements and the developing relationship with Brunel Pension Partnership Limited.

10 EQUALITIES

- 10.1 An Equality Impact Assessment has not been completed.

11 CONSULTATION

- 11.1 Discussed in report.

12 ISSUES TO CONSIDER IN REACHING THE DECISION

- 12.1 The issues to consider are contained in the report.

13 ADVICE SOUGHT

- 13.1 The Council's Monitoring Officer and Section 151 Officer have had the opportunity to input to this report and have cleared it for publication.

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TERMS OF REFERENCE

1 Avon Pension Fund Committee

Bath and North East Somerset Council, in its role as administering authority, has executive responsibility for the Avon Pension Fund. The Council delegates its responsibility for administering the Fund to the Avon Pension Fund Committee which is the formal decision making body for the Fund.

The Avon Pension Fund is a member of the Brunel Pension Partnership (Brunel). Brunel Pension Partnership Ltd (BPP Ltd) will gradually become responsible for implementing the Fund's Investment Strategy. The Fund's assets will transfer to portfolios offered by Brunel from April 2018 with most of the quoted assets transferring within 3 years. Once Avon's assets are within a Brunel portfolio, the appointment, monitoring and deselection of managers will be the responsibility of BPP Ltd. The Terms of Reference reflects this transition.

Function and Duties

To discharge the responsibilities of Bath and North East Somerset Council in its role as lead authority for the administration of the Avon Pension Fund. These include determination of all Fund specific policies concerning the administration of the Fund, the investment strategy and the investing of Fund monies and the management of the Fund's solvency level. In addition, the Committee is responsible for all financial and regulatory aspects of the Fund. At all times, the Committee must discharge its responsibility in the best interest of the Avon Pension Fund.

The key duties in discharging this role are:

1. Having taken appropriate advice determining the following:
 - a. the investment strategy and strategic asset allocation
 - b. the administration strategy
 - c. the funding strategy.
2. Monitoring the performance of the investment strategy, scheme administration, and external advisors.
3. Ensuring that the investment strategy can be delivered by the portfolios offered by BPP Ltd. If not, agree alternative arrangements. In relation to Brunel Pension Partnership:
 - a. Monitoring the performance of BPP Ltd in delivering investment services to the Fund. Make representations to the Brunel Oversight Board on matters of concern regarding the service provided by BPP Ltd and the performance of its portfolios.
 - b. Monitoring the governance of Brunel Pension Partnership and making recommendations to the Brunel Oversight Board. Terminating the Service Agreement with BPP Ltd.

4. Approving and monitoring compliance of statutory statements and policies required under the Local Government Pension Scheme Regulations.
5. Approving the annual budget and 3 year Service Plan and resource requirements to deliver the work plan.
6. Approving variances to budget within a financial year.
7. Approving the annual budget for the Pension Board subject to the approval of Pension Board's work plan.
8. Commissioning actuarial valuations in accordance with the provisions of the Local Government Pension Scheme Regulations.
9. Making representations to government and responding to consultations as appropriate concerning any proposed changes to the Local Government Pension Scheme.
10. Nominating a representative (and named substitute) from the Committee to represent the Committee on the Oversight Board for Brunel Pension Partnership.

Delegations

In discharging its role the Committee can delegate any of the above or implementation thereof to the Sub-Committee (referred to as the Investment Panel) or Officers. The current delegations are set out in Sections 2 & 3 below.

Membership of the Committee

Voting members (12)	3 elected members from B&NES (subject to the rules of political proportionality of the Council) 3 independent members 1 elected member nominated from each of Bristol City Council, North Somerset Council and South Gloucestershire Council 1 nominated from the Higher and Further education bodies 1 nominated from the Academy bodies 1 nominated by the trades unions
Non-voting members (3)	1 nominated from the Parish Councils Up to 2 nominated from different Trades Unions

The Council will nominate the Chair and Vice Chair of the Committee. The Vice Chair will be the Chair of Investment Panel.

Meetings

Meetings will be held at least quarterly. Meetings will be held in public, though the public may be excluded from individual items of business in accordance with the usual exemption procedures.

Quorum

The quorum of the Committee shall be 5 voting members who shall include at least 1 member from Bath and North East Somerset Council

Substitution

Named substitutes to the Committee are allowed.

2 Investment Panel

The role of the Avon Pension Fund Committee Investment Panel shall be to consider, in detail matters relating to the investment of the assets within the strategic investment framework and performance of investment managers in achieving the Fund's investment objectives.

The Investment Panel will:

1. Review strategic and emerging opportunities outside the strategic asset allocation and make recommendations to the Committee.
2. Review the performance of the investment and risk management strategies
3. Report matters of strategic importance to the Committee.

And have delegated authority for:

4. Monitoring the transition of assets to the Brunel portfolios and allocate assets to the relevant portfolio offered by Brunel
5. Approve and monitor tactical positions within strategic allocation ranges.
6. Approve allocations to emerging opportunities within the strategic allocations.
7. Approve commitments to Brunel's private market portfolios at each commitment cycle to maintain strategic allocations.
8. For Risk Management strategies, monitor the implementation of the structures, consider strategies for restructuring, and monitor collateral requirements.
9. For assets held outside Brunel:
 - a) Implement investment management arrangements in line with strategic policy..
 - b) Monitor investment managers' investment performance and make decision to terminate mandates on performance grounds.
10. Monitor the investment performance of the portfolios managed by BPP Ltd and report to Committee on investment matters with specific reference to strategy delivery.
11. Delegate specific decisions to Officers as appropriate.

Panel Membership

The Panel shall comprise a maximum of 6 voting Members of the Avon Pension Fund Committee, of which 2 shall be Bath and North East Somerset Councillors. The membership shall include the Chairman of the Committee and /or the Vice- Chair and 4 other Members (or 5 if the Chair or Vice-Chairperson is not a member of the Panel).

Note: The appointment of Bath and North East Somerset Councillors to the Panel is subject to the rules of political proportionality of the Council.

Members shall be appointed to the Panel for a term of one year.

The Council will nominate the Chair of the Panel.

Panel Meetings

Though called a “Panel”, it is an ordinary sub-committee of the Committee. Accordingly, meetings must be held in public, though the public may be excluded from individual items of business in accordance with the usual exemption procedures.

The Panel shall meet at least quarterly ahead of the Committee meeting on dates agreed by Members of the Panel.

Panel Quorum

The quorum of the Panel shall comprise 3 Members, who shall include at least one Member who is a Bath & North East Somerset Councillor.

Panel Substitution

Substitutes for the Panel must be members of Committee or their named Committee substitute.

Panel Minutes

Minutes of Panel meetings (whether or not approved by the Panel) shall appear as an item on the next agenda of the meeting of the Committee that follows a meeting of the Panel.

3 Brunel Oversight Board (Board) Representative

Brunel Oversight Board is the primary governance body within the Brunel Pension Partnership. Each Fund within the partnership has a representative on the Board and this representative represents the Committee when discharging its duties.

Acting for the administering authorities in their capacity as shareholders in BPP Ltd., the Board has responsibility for ensuring that BPP Ltd delivers the services required to achieve investment pooling across the Brunel Pension Partnership.

Subject to the terms of reference for the Board and the applicable shareholder documentation, the Board’s role is to consider and address relevant matters on behalf of the administering authorities. These include the monitoring and strategic oversight functions necessary to its role, as well as acting as a conduit and focus of shareholder requirements and views.

Consistent with this role, the Board’s duties include reviewing and discussing any matter which it considers appropriate in relation to BPP Ltd including BPP Ltd.’s services, performance, operations, governance, strategy, financing and management.

The main duties of the Board Representative are:

1. To represent the Committee and Shareholder on the Brunel Oversight Board.
2. To ensure that the Committee's views are communicated to the Board and BPP Ltd.
3. To ensure the Fund's and shareholder's interests are protected within Brunel in line with the legal framework within which Brunel operates.
4. To report back to the Committee and Shareholder all relevant issues discussed by the Board and recommendations to the Brunel Client Group and/or the Shareholders.
5. To seek the consensus view of the Committee for Shareholder and Board matters where necessary.
6. To raise issues with the Board at the request of Committee members, the shareholder representative or Head of Pensions.

4 Brunel Pension Partnership Working Group

This is an informal group of Committee members whose role is to consider in greater detail any issues arising from Brunel Pension Partnership with Officers, for example Reserve Matters, papers to be discussed at BOB. This would not include routine investment matters which are monitored by the Investment Panel.

This group will consist of the BOB Representative, named BOB substitute plus the Chair and/or Vice Chair if not the BOB representative / substitute plus an independent committee member. As a working party it would meet informally, on an adhoc basis, normally via conference calls.

5 Officer Delegations

Officers are responsible for:

1. Implementation and day to day monitoring of the administration, investment and funding strategies and related policies.
2. Implementing investments in emerging opportunities within strategic allocations, either to be managed outside Brunel or instruct allocation to Brunel portfolio.
3. Implementing investment management arrangements in line with the strategic policy as follows:
 - a. For assets managed outside Brunel, this includes the setting of mandate parameters and the appointment of managers, in consultation with the Investment Panel.
 - b. For assets managed within Brunel, deciding and instructing the allocation to each Brunel portfolio.

4. Restructuring the risk management strategies as required where sensitive to market prices or technical in nature, having taken expert advice.
5. Rebalancing the investment assets to target strategic allocations, when deemed prudent to do so, taking account of tactical allocations approved by the Investment Panel.
6. Representing the Fund on the Brunel Client Group to develop Brunel investment strategies and policies which effectively support the interests of the Fund.
7. Commissioning Elective Services from BPP Ltd and issuing instructions as permitted by the Brunel Service Agreement to BPP Ltd.
8. The appointment of specialist advisors to support the Committee and Officers in discharging their functions.
9. Determining policies that support the investment and funding strategies having taken expert advice.
10. Authorising expenditure from the Fund in accordance with the annual budget.
11. Admitting new admitted bodies into the Fund subject to them meeting Fund policy.
12. The Section 151 Officer has authority to dismiss investment managers, advisors and 3rd party providers if urgent action is required (does not refer to performance failures but to their inability to fulfil their contractual obligations or a material failing of the company).
13. The Section 151 Officer has authority to suspend policy (in consultation with the Chairs of Committee and Panel) in times of extreme market volatility where protection of capital is paramount
14. Under its wider delegated powers, the Section 151 Officer has delegated authority to effectively manage the liabilities of the Fund including the recovery of debt.
15. Exercising the discretions specified in the Local Government Pension Scheme Regulations in connection with deciding entitlement to pension benefits or the award or distribution thereof.

TERMS OF REFERENCE FOR THE PENSION BOARD FOR AVON PENSION FUND

Function and role

The regulations state that the role of the local Pension Board (the “Board”) is to assist the administering authority.

- a) to secure compliance with:
 - i. The LGPS (Amendment) (Governance) Regulations 2014 (the “regulations”)
 - ii. Any other legislation relating to the governance and administration of the Scheme
 - iii. Requirements imposed by the Pensions Regulator in relation to the Scheme; and
- b) to ensure the effective and efficient governance and administration of the Scheme.

The Board has an advisory role in assisting the Administering Authority by making recommendations about compliance, process and governance. The Board does not have a decision making role with regard to strategy or policy nor will it ratify or challenge decisions made by the administering authority. Its role is to have oversight of the governance process for making decisions and agreeing policy and assisting the Avon Pension Fund Committee in improving its governance and administrative arrangements.

The Board will exercise its responsibilities in the following areas:

1. Through monitoring and progress reporting to the Committee including making recommendations on the following activities;
 - a. Implementation of the Pensions Administration Strategy
 - b. Implementation of the Communications policy including the emerging digital strategy.
 - c. Monitoring compliance with the relevant legislation and Codes of Practice as set out by The Pensions Regulator;
 - d. Reviewing all new and emerging regulatory issues and themes and identifying material implications for the Fund
2. That governance arrangements and controls are in place to;
 - a. Ensure strategies policies and processes are in place to deliver the objectives of the Avon Pension Fund Committee
 - b. Policies and processes are in place to achieve Employer and Fund compliance with their obligations under the Scheme and regulations

- c. Monitor the administration performance, including implementation of compliance and improvement projects
 - d. Review Internal and External audit reports and other external inspection reports
 - e. Recommending improvement actions on the above to Committee where necessary.
3. From time to time the administering authority may consult the Board or ask assistance on specific issues.

The costs of the Board will be met by the Avon Pension Fund (as set out in the regulations) subject to approval of their annual workplan and budget. This may enable the Board to commission independent advice as appropriate. It is important that the Board maintains its independence from the Avon Pension Fund Committee's decision-making process in order to effectively scrutinise the decision-making process.

Board Membership

There will be seven Board members comprising three member representatives, three employer representatives and an Independent Chairperson. Member representatives can be drawn from the membership and are not restricted to Trades Union representatives. Employer representatives should be representative of the employers within the scheme. No officer or councillor of the administering authority who is responsible for the discharge of any function under the LGPS regulations can be a member of the Board. In respect of the Chairperson the term independent means having no current employment, contractual, financial or other material interest in either the Council or any scheme employer in the Avon Pension Fund, and not being a member of the Avon Pension Fund. The Chairperson can delegate to another Board member if unable to attend a meeting.

Appointment process

The Avon Pension Fund will facilitate the nominations process for all Board members; the appointment process will be undertaken by the Strategic Director of Resources. The appointment of the Chair will be following an advertised competitive process, which shall be subject to the Board's approval of the successful candidate.

The selection process for employer and employee reps will take into account their capacity to fulfil the role as set out in the Role and Person Specification.

Role of advisors

The Board may appoint professional advisors as appropriate to their work plan. The cost will be met within the budget approved by the administering authority. Where possible the advisors should be independent from those used by the administering authority.

Role of officers

Democratic Services will be responsible for providing secretariat services to the Board. The Strategic Director of Resources will ensure appropriate officer support is provided to the Board. Avon Pension Fund officers will be required to provide information to the Board for the Board to fulfil its task.

Frequency of meetings

Meetings will be held quarterly. Meetings will be held in public, though the public may be excluded from individual items of business in accordance with the usual exemption procedures.

Voting rights

The objective is to reach consensus on all issues; however, each employer and employee rep has one vote. The Under Regulation 106 (7) of the LGPS Regulations 2013 the Independent Chairperson is explicitly excluded from having the right to vote.

Board Quorum

The quorum of the Board shall comprise three members who shall include at least one member and one employer representative.

Substitutes

Substitutes will not be permitted as they would have to be nominated as part of the appointment process.

Sub-committees

Sub-committees will not be permitted.

Board work plan and Budget

The Board will agree its work plan annually and the budget required to deliver it. As the expenses of the Board are to be met by the Avon Pension Fund the Board's workplan and budget, having taken advice from the Strategic Director of Resources, will be submitted to the Avon Pension Fund Committee for approval annually. The Board will be required to operate within the approved budget and approved budget purposes. It is envisaged that the Board will review aspects of the pension fund over time rather than react to the regular monitoring cycle of the pension committee.

Access to Board papers

Board meetings will be held in open session with closed sessions where appropriate. The agenda papers will be circulated in advance of meeting in line with council policy. The minutes of meetings will be recorded and published in line with Council policy.

Term of office

Two of the initial appointments (one employer representative and one member representative) will be for a two year period. All other appointments will be for a four year term with the maximum term of Board membership limited to two terms.

Code of Conduct

Board members are required to adhere to the Council's Code of Conduct

Declarations of Interest and Conflicts of interest

Board members are required to adhere to the Council's policy for declarations of interests. Members must provide information that the administering authority may reasonably require from time to time.

The Board is required to act within its Terms of Reference. The Board should ensure that in addition to the Council Policy it has its own policy for managing conflicts of interest in line with any further stipulations from the Pensions Regulator and members must abide by this policy.

Removal from Board

A Board member can be removed from the Board in the following circumstances (but not limited to):

- A poor attendance record;
- If a member does not undertake training as requested by the administering authority; If a member is in breach of Council's Code of Conduct / Declarations policy; If a member has a conflict of interest that cannot be managed in accordance with the Board's conflicts policy;
- If a representative member ceases to represent his constituency e.g. leaves the employer so no longer has the capacity to represent the Fund's employers. If there is an unsatisfactory annual review of individual members

If there is a vote of no confidence in the Chairperson by the Board then the Administering Authority will conduct a process to appoint another Chairperson

The Council's Standards Committee and Monitoring Officer will determine any removal from the Board.

Expenses

The pension fund will meet reasonable meeting expenses, reasonable training expenses relevant to discharging the role and independent advice required to support work agenda (including legal, technical and other professional advice).

Allowances

An annual allowance will be paid to the Independent Chairperson.

Knowledge and understanding

The Board are required to agree and maintain a policy and framework to address the knowledge and understanding requirements, as set out in various legislation and the Pension Regulator's Code of Practice, that apply to its members. The knowledge and understanding requirement applies to each Board member individually rather than to the members as a collective group. The policy and framework will be considered in light of the role of the Board; however, Board members will need to understand the duties and obligations of the administering authority in order to be able to assist it.

Board members will be required to undertake training to ensure they acquire the appropriate level of knowledge and understanding and keep a record of the learning activities of individual members and of the Board as a whole.

Reporting

The Board will publish an annual report to Council containing any recommendations on process or governance. This should be circulated to members and employers.

The annual report will cover:

- i. summary of the work of the Board
- ii. details of areas the Board has investigated and how they have been dealt with
- iii. details of conflicts of interest that have arisen in respect of the Board members and how have been managed
- iv. whether there are any risks or other areas of potential concern which the Board wishes to raise with the Administering Authority
- v. details of training a future training needs
- vi. the work plan of the last year and draft work plan for following year
- vii. details of expenses and other costs incurred and anticipated expenses for forthcoming financial year.

Direct reporting line if the Board has material concerns – The Director of Finance

The Board minutes will be circulated to administering authority (the pension committee) S151 Officer and Monitoring Officer.

The Board is required to report breaches of law or material (and not actioned) breaches of the Code of Practice to the Pensions Regulator.

Where any breach of duty is committed or alleged to have been committed by the Administering Authority (the Pensions Committee) the Board shall:

1. Discuss the breach or alleged breach that is identified with Pension Committee Chair and the proposed actions to be taken by the Board
2. Enable the Chair of the Committee to review the issue and report back the Board on the breach
3. The Board will determine action and if sufficiently material will report the breach to the Pensions Regulator or the Scheme Advisory Board as set out in the regulations.

Data protection and Freedom of Information

For legal purposes the Board is considered a committee of and part of the administering authority legal entity. Therefore the Board must comply with the Council's Data Protection and Freedom of Information policies.

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TERMS OF REFERENCE

1 Avon Pension Fund Committee

Bath and North East Somerset Council, in its role as administering authority, has executive responsibility for the Avon Pension Fund. The Council delegates its responsibility for administering the Fund to the Avon Pension Fund Committee which is the formal decision making body for the Fund.

The Avon Pension Fund is a member of the Brunel Pension Partnership (Brunel). Brunel will gradually become responsible for implementing the Fund's Investment Strategy. The Fund's assets will transfer to portfolios offered by Brunel from April 2018 with most of the quoted assets transferring within 3 years. Once Avon's assets are within a Brunel portfolio, the appointment, monitoring and deselection of managers will be the responsibility of Brunel. The Terms of Reference reflects this transition.

Function and Duties

To discharge the responsibilities of Bath and North East Somerset Council in its role as lead authority for the administration of the Avon Pension Fund. These include determination of all Fund specific policies concerning the administration of the Fund, investing of Fund monies and the management of the Fund's solvency level. In addition, the Committee is responsible for all financial and regulatory aspects of the Fund. At all times, the Committee must discharge its responsibility in the best interest of the Avon Pension Fund.

The key duties in discharging this role are:

1. Determining the investment strategy and strategic asset allocation.
2. Determining the pensions administration strategy.
3. Making arrangements for management of the Fund's investments in line with the strategic policy. For assets managed by Brunel this is limited to allocating to the relevant portfolio offered by Brunel.
4. Monitoring the performance of investments, scheme administration, and external advisors. Monitoring the performance of investment managers for assets held outside Brunel pool. Monitoring the performance of Brunel and its portfolios.
5. Approving and monitoring compliance of statutory statements and policies required under the Local Government Pension Scheme Regulations.
6. Approving the Pension Fund's Statement of Accounts and annual report.
7. Approving the annual budget for the Pension Board subject to the approval of Pension Board's workplan.
8. Commissioning actuarial valuations in accordance with the provisions of the Local Government Pension Scheme Regulations.

9. Making representations to government as appropriate concerning any proposed changes to the Local Government Pension Scheme.
10. Nominating a representative from the Committee to represent the Committee on the Oversight Board for Brunel Pension Partnership.

Delegations

In discharging its role the Committee can delegate any of the above or implementation thereof to the Sub-Committee (referred to as the Investment Panel) or Officers. The current delegations are set out in Sections 2 & 3 below.

Membership of the Committee

Voting members (12)	<p>5 elected members from B&NES (subject to the rules of political proportionality of the Council)</p> <p>2 independent members</p> <p>1 elected member nominated from each of Bristol City Council, North Somerset Council and South Gloucestershire Council</p> <p>1 nominated from the Higher and Further education bodies</p> <p>1 nominated by the trades unions</p>
Non-voting members (4)	<p>1 nominated from the Parish Councils</p> <p>Up to 3 nominated from different Trades Unions</p>

The Council will nominate the Chair of the Committee.

Meetings

Meetings will be held at least quarterly. Meetings will be held in public, though the public may be excluded from individual items of business in accordance with the usual exemption procedures.

Quorum

The quorum of the Committee shall be 5 voting members, who shall include at least one Member who is not a Bath & North East Somerset Councillor.

Substitution

Named substitutes to the Committee are allowed.

2 Investment Panel

The role of the Avon Pension Fund Committee Investment Panel shall be to consider, in detail matters relating to the investment of the assets within the strategic investment framework and performance of investment managers in achieving the Fund's investment objectives.

The Investment Panel will:

1. Review strategic and emerging opportunities outside the strategic asset allocation and make recommendations to the Committee.

2. Review the Statement of Investment Principles and submit to Committee for approval.
3. Report regularly to Committee on the performance of investments and matters of strategic importance

and have delegated authority to:

4. Approve and monitor tactical positions within strategic allocation ranges that are not managed within Brunel pool.
5. Approve investments in emerging opportunities within strategic allocations that are not managed within Brunel pool.
6. For assets held outside Brunel, implement investment management arrangements in line with strategic policy, including the setting of mandate parameters and the appointment of managers.
7. Approve amendments to investment mandates for assets held outside Brunel pool within existing return and risk parameters.
8. For assets held outside Brunel, monitor investment managers' investment performance and make decision to terminate mandates on performance grounds.
9. Monitor the transition of assets to Brunel and the investment performance of the portfolios managed by Brunel.
10. Delegate specific decisions to Officers as appropriate.

Panel Membership

The Panel shall comprise a maximum of 6 voting Members of the Avon Pension Fund Committee, of which 3 shall be Bath and North East Somerset Councillors. The membership shall include the Chairman of the Committee and /or the Vice- Chair and 4 other Members (or 5 if the Chair or Vice-Chairperson is not a member of the Panel).

Note: The appointment of Bath and North East Somerset Councillors to the Panel is subject to the rules of political proportionality of the Council.

Members shall be appointed to the Panel for a term of one year.

The Council will nominate the Chair of the Panel.

Panel Meetings

Though called a "Panel", it is an ordinary sub-committee of the Committee. Accordingly, meetings must be held in public, though the public may be excluded from individual items of business in accordance with the usual exemption procedures.

The Panel shall meet at least quarterly ahead of the Committee meeting on dates agreed by Members of the Panel.

Panel Quorum

The quorum of the Panel shall comprise 3 Members, who shall include at least one Member who is not a Bath & North East Somerset Councillor.

Panel Substitution

Substitutes for the Panel must be members of Committee or their named Committee substitute.

Panel Minutes

Minutes of Panel meetings (whether or not approved by the Panel) shall appear as an item on the next agenda of the meeting of the Committee that follows a meeting of the Panel.

3 Officer Delegations

Officers are responsible for:

1. Day to day implementation and monitoring of the investment, administration, funding strategies and related policies.
2. Approve investments in emerging opportunities within strategic allocations, to be managed within Brunel pool, in consultation with the Investment Panel.
3. Implement investment management arrangements in line with the strategic policy, including the setting of mandate parameters and the appointment of managers to be managed within Brunel pool, in consultation with the Investment Panel.
4. Appointment of specialist advisors to support the Committee in discharging its functions.
5. The Section 151 Officer has authority to dismiss investment managers, advisors and 3rd party providers if urgent action is required (does not refer to performance failures but to their inability to fulfil their contractual obligations or a material failing of the company).
6. The Section 151 Officer has authority to suspend policy (in consultation with the Chairs of Committee and Panel) in times of extreme market volatility where protection of capital is paramount
7. Under its wider delegated powers, the Section 151 Officer has delegated authority to effectively manage the liabilities of the Fund including the recovery of debt.
8. Exercising the discretions specified in the Local Government Pension Scheme Regulations in connection with deciding entitlement to pension benefits or the award or distribution thereof.
9. Through delegations from Council, the S151 Officer has authority to progress the development of Brunel Pension Partnership pool.

Approved by Avon Pension Fund Committee 22 June 2018

TERMS OF REFERENCE FOR THE PENSION BOARD FOR AVON PENSION FUND

Function and role

The regulations state that the role of the local Pension Board (the “Board”) is to assist the administering authority.

a. to secure compliance with:

- i. The LGPS (Amendment) (Governance) Regulations 2014 (the “regulations”)
- ii. Any other legislation relating to the governance and administration of the Scheme
- iii. Requirements imposed by the Pensions Regulator in relation to the Scheme; and

b. to ensure the effective and efficient governance and administration of the Scheme.

The Board has an advisory role in assisting the Administering Authority by making recommendations about compliance, process and governance. The Board does not have a decision making role with regard to strategy or policy nor will it ratify or challenge decisions made by the administering authority. Its role is to have oversight of the governance process for making decisions and agreeing policy.

The Board will exercise its duties in the following areas:

- i. Compliance with the relevant legislation and Codes of Practice set by The Pensions Regulator;
- ii. Policies and processes are in place to deliver the objectives of the pension fund;
- iii. Policies and processes are in place to ensure that employers comply with their obligations under the Scheme and regulations;
- iv. The processes for setting strategy, policy and decision-making are robust;
- v. A framework of controls is in place to ensure fund and employer compliance;
- vi. From time to time the administering authority may consult the Board or ask assistance on specific issues.

The costs of the Board will be met by the Avon Pension Fund (as set out in the regulations) subject to approval of their annual workplan and budget. This may enable the Board to commission independent advice as appropriate. It is important that the Board maintains its independence from the Avon Pension Fund Committee’s decision-making process in order to effectively scrutinise the decision-making process.

Establishment

The Board is to be established by 1 April 2015 and must be operational by 31 July 2015. The Terms of Reference must be approved by the Administering Authority and formally adopted by the Board once it is established.

Board Membership

There will be seven Board members comprising three member representatives, three employer representatives and an Independent Chairperson. Member representatives can be drawn from the membership and are not restricted to Trades Union representatives. Employer representatives should be representative of the employers within the scheme. No officer or councillor of the administering authority who is responsible for the discharge of any function under the LGPS regulations can be a member of the Board. In respect of the Chairperson the term independent means having no current employment, contractual, financial or other material interest in either the Council or any scheme employer in the Avon Pension Fund, and not being a member of the Avon Pension Fund. The Chairperson can delegate to another Board member if unable to attend a meeting.

Appointment process

The Avon Pension Fund will facilitate the nominations process for all Board members; the appointment process will be undertaken by the Strategic Director of Resources. The appointment of the Chair will be following an advertised competitive process, which shall be subject to the Board's approval of the successful candidate.

The selection process for employer and employee reps will take into account their capacity to fulfil the role as set out in the Role and Person Specification.

Role of advisors

The Board may appoint professional advisors as appropriate to their work plan. The cost will be met within the budget approved by the administering authority. Where possible the advisors should be independent from those used by the administering authority.

Role of officers

Democratic Services will be responsible for providing secretariat services to the Board. The Strategic Director of Resources will ensure appropriate officer support is provided to the Board. Avon Pension Fund officers will be required to provide information to the Board for the Board to fulfil its task.

Frequency of meetings

The Frequency to be determined by Board once agreed workplan, with a minimum of three meetings annually.

Voting rights

The objective is to reach consensus on all issues; however, each employer and employee rep has one vote. The Under Regulation 106 (7) of the LGPS Regulations 2013 the Independent Chairperson is explicitly excluded from having the right to vote.

Board Quorum

The quorum of the Board shall comprise three members who shall include at least one member and one employer representative.

Substitutes

Substitutes will not be permitted as they would have to be nominated as part of the appointment process.

Sub-committees

Sub-committees will not be permitted.

Board work plan and Budget

The Board will agree its work plan annually and the budget required to deliver it. As the expenses of the Board are to be met by the Avon Pension Fund the Board's workplan and budget, having taken advice from the Strategic Director of Resources, will be submitted to the Avon Pension Fund Committee for approval annually. The Board will be required to operate within the approved budget and approved budget purposes. It is envisaged that the Board will review aspects of the pension fund over time rather than react to the regular monitoring cycle of the pension committee.

Access to Board papers

Board meetings will be held in open session with closed sessions where appropriate. The agenda papers will be circulated in advance of meeting in line with council policy. The minutes of meetings will be recorded and published in line with Council policy.

Term of office

Two of the initial appointments (one employer representative and one member representative) will be for a two year period. All other appointments will be for a four year term with the maximum term of Board membership limited to two terms.

Code of Conduct

Board members are required to adhere to the Council's Code of Conduct

Declarations of Interest and Conflicts of interest

Board members are required to adhere to the Council's policy for declarations of interests. Members must provide information that the administering authority may reasonably require from time to time.

The Board is required to act within its Terms of Reference. The Board should ensure that in addition to the Council Policy it has its own policy for managing conflicts of interest in line with any further stipulations from the Pensions Regulator and members must abide by this policy.

Removal from Board

A Board member can be removed from the Board in the following circumstances (but not limited to):

- A poor attendance record;
- If a member does not undertake training as requested by the administering authority; If a member is in breach of Council's Code of Conduct / Declarations policy; If a member has a conflict of interest that cannot be managed in accordance with the Board's conflicts policy;
- If a representative member ceases to represent his constituency e.g. leaves the employer so no longer has the capacity to represent the Fund's employers. If there is an unsatisfactory annual review of individual members

If there is a vote of no confidence in the Chairperson by the Board then the Administering Authority will conduct a process to appoint another Chairperson

The Council's Standards Committee and Monitoring Officer will determine any removal from the Board.

Expenses

The pension fund will meet reasonable meeting expenses, reasonable training expenses relevant to discharging the role and independent advice required to support work agenda (including legal, technical and other professional advice).

Allowances

An annual allowance will be paid to the Independent Chairperson.

Knowledge and understanding

The Board are required to agree and maintain a policy and framework to address the knowledge and understanding requirements, as set out in various legislation and the Pension Regulator's Code of Practice, that apply to its members. The knowledge and understanding requirement applies to each Board member individually rather than to the members as a collective group. The policy and framework will be considered in light of the role of the Board; however, Board members will need to understand the duties and obligations of the administering authority in order to be able to assist it.

Board members will be required to undertake training to ensure they acquire the appropriate level of knowledge and understanding and keep a record of the learning activities of individual members and of the Board as a whole.

Reporting

The Board will publish an annual report to Council containing any recommendations on process or governance. This should be circulated to members and employers.

The annual report will cover:

- i. summary of the work of the Board
- ii. details of areas the Board has investigated and how they have been dealt with
- iii. details of conflicts of interest that have arisen in respect of the Board members and how have been managed
- iv. whether there are any risks or other areas of potential concern which the Board wishes to raise with the Administering Authority
- v. details of training a future training needs
- vi. the work plan of the last year and draft work plan for following year
- vii. details of expenses and other costs incurred and anticipated expenses for forthcoming financial year.

Direct reporting line if the Board has material concerns – The Strategic Director of Resources.

The Board minutes will be circulated to administering authority (the pension committee) S151 Officer and Monitoring Officer.

The Board is required to report breaches of law or material (and not actioned) breaches of the Code of Practice to the Pensions Regulator.

Where any breach of duty is committed or alleged to have been committed by the Administering Authority (the Pensions Committee) the Board shall:

1. Discuss the breach or alleged breach that is identified with Pension Committee Chair and the proposed actions to be taken by the Board
2. Enable the Chair of the Committee to review the issue and report back the Board on the breach
3. The Board will determine action and if sufficiently material will report the breach to the Pensions Regulator or the Scheme Advisory Board as set out in the regulations.

Data protection and Freedom of Information

For legal purposes the Board is considered a committee of and part of the administering authority legal entity. Therefore the Board must comply with the Council's Data Protection and Freedom of Information policies.

Avon Pension Fund

Local Government Pension Scheme

Post: Avon Pension Fund, Bath & North East Somerset Council,
Lewis House, Manvers Street, Bath, BA1 1JG

Web: www.avonpensionfund.org.uk

Email: avonpensionfund@bathnes.gov.uk

Tel: 01225 395100

Fax: 01225 395258



Dear scheme employer,

Re: Consultation on proposed changes to Avon Pension Fund Committee

I am writing to all scheme employers to consult on proposed changes to the governance arrangements of the Avon Pension Fund.

The existing governance arrangements including the Committee and Investment Panel structures have been in place since 2006 with very little change. However the environment within which the Committee and Panel operates has changed dramatically including increased regulatory oversight via the Pensions Regulator, Scheme Advisory Board and our own Local Pension Board, the introduction of Pooling and formation of Brunel Partnership, European legislation in respect of Investments I compliance and an overall increase in regulatory requirements. The LGPS itself has undergone two fundamental changes in 2008 and 2014, there has been a significant increase in Fund employers and the investment strategy is increasingly technically complex.

It is therefore timely to review the existing governance arrangements to ensure the Fund remains fit for purpose, has sufficient capacity to focus on key strategic issues and can operate efficiently in what has become an extremely complex and dynamic environment

The Avon Pension Fund Committee is therefore consulting with all employers on the changes proposed to the Committee structure.

In summary the proposed changes to Committee membership are:

- a) A reduction in Bath and North East Somerset Council representation from five to three members
- b) Addition of a further Independent Member to the Committee
- c) Addition of an Academy Representative

A comparison with the current and proposed structures is shown below:

Current Committee structure

Voting members (total 12)	5 elected members from Bath and North East Somerset Council
	1 elected member from each of Bristol City, South Gloucestershire and North Somerset councils (3)
	2 independent trustee members
	1 nominated from Higher/Further Education bodies
	1 nominated by the Trades Unions
Non-voting members (total 4)	1 nominated from the Town and Parish Councils
	Up to 3 nominated from the different Trades Unions

Proposed future Committee structure

Voting members (total 12)	3 elected members from Bath and North East Somerset Council
	1 elected member from each of Bristol City, South Gloucestershire and North Somerset councils (3)
	3 independent trustee members
	1 nominated from Higher/Further Education bodies
	1 nominated from Academy bodies
	1 nominated by the Trades Unions
Non-voting members (total 3)	1 nominated from the Town and Parish Councils
	Up to 2 nominated from the different Trades Unions

Full details of the proposed changes can be read in the *Review of governance arrangements* report discussed at Committee on Friday 7 December. This can be viewed at:

[Item 9 - Review of governance arrangements](#)

Additional documents:

[Item 9 – Appendix 1 - Proposed Terms of Reference of Avon Pension Fund Committee](#)

[Item 9 – Appendix 3 - Current Terms of Reference of Avon Pension Fund Committee](#)

Role of Committee members:

The role of the Committee is to discharge the responsibilities of Bath and North East Somerset Council in its role as lead authority for the administration of the Avon Pension Fund. This includes determination of all Fund specific policies concerning the administration of the Fund, the investment strategy and the investing of Fund monies and the management of the Fund's solvency level. In addition, the Committee is responsible for all financial, regulatory and compliance requirements of the Fund. At all times, the Committee must discharge its responsibility in the best interest of the Avon Pension Fund.

How to have your say

Please read the report and additional documents. If you have any comments about the proposed governance changes please email them to Apfemployers@bathnes.gov.uk by Friday 15 February.

Please use **Committee consultation** in the subject heading

Specifically the Committee would like to know:

- If you agree with the proposed changes to the membership of the Pension Committee?
- If not, then please provide your view?
- Any other comments on the committee arrangements

What happens next?

Any changes to the Committee structure have to be agreed by the Committee firstly and then ratified by the Council as part of its constitutional arrangements, the timetable for which is as follows

- Consultation with employers ends 15 February 2019
- Consultation/proposals considered at Pensions Committee meeting 22 March 2019
- Proposals to Full Council May 2019
- If approved committee member recruitment will begin. Full details of this process will be made available in due course.

Yours sincerely

A handwritten signature in black ink that reads "A R Bartlett". The signature is written in a cursive, slightly slanted style.

Tony Bartlett
Head of Business Finance and Pensions
Bath and North East Somerset Council

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Response to a consultation on proposed changes to the Avon Pension Fund governance arrangements

Introduction

The Local Pension Board (LPB) is grateful for the opportunity to comment on draft proposals to change the current governance arrangements for the Avon Pension Fund (APF), including the LPB's own role and its relationship with the Pensions Committee (PC). This response is based on the paper discussed by the PC in December 2018. It provides feedback on the proposals, and presents other governance options and recommendations, for the consideration of the PC and BANES Council.

Legal context

The LPB is an independent statutory body established by the 2013 Public Service Pensions Act (PSPA). Its remit under the LGPS 2013 Regulations is to assist the LGPS fund Administering Authority (AA) BANES Council to:

- 1) Secure compliance with LGPS regulations and other legislation relating to the governance and administration of the scheme;
- 2) Secure compliance with requirements imposed on the scheme by the Pensions Regulator (TPR);
- 3) Ensure the effective and efficient governance and administration of the scheme.

Under the LGPS 2013 Regulations LPB's have the power to do anything which is calculated to facilitate, or is conducive or incidental to the discharge of their functions.

Members of LPBs have a legal requirement to have knowledge and understanding of LGPS and to undertake on-going training to fulfil their duties. If they fail to fulfil their role, individual LPB members are held personally responsible and can be fined by the Pensions Regulator. Accordingly the advice of the LPB should carry weight in the decision making process of both the PC and BANES Council as the statutory LGPS AA.

However the LPB fully recognises its statutory role is scrutiny and advisory only and BANES Council is the statutory LGPS AA decision-making body in respect of the governance of the APF. Consequently whatever the outcome of this consultation, the LPB will always use its best endeavours to assist the PC and BANES Council fulfil its statutory LGPS role.

APF governance

With assets in excess of £5bn the APF is one of the largest LGPS pension funds in England and Wales, and its membership and assets are set to continue to grow as new staff are recruited by current employers and by the addition of new employers such as academies. Having very robust formal governance is absolutely fundamental to the long-term financial sustainability of APF and quality of pension services received by its current 110,000 members.

The LPB concurs that there is a growing complexity of legislative requirements (eg Public Service Pensions Act, MIFID, asset pooling, GMPs, GDPR) and associated regulatory oversight of LGPS pension funds (eg. TPR, SAB, GAD, MHCLG, FRC, CIPFA). This looks set to continue and increase going forward.

BANES, as an LGPS AA, has a legal duty to ensure that the fund's governance, asset management and administration of members' pension benefits are all effective and efficient by having elected PC members, LPB members, and senior staff with the required level of knowledge, expertise and experience to fulfil their statutory roles.

Having an innovative APF staff recruitment and reward strategy, continuous training and retention incentives such as internal promotion, with clear succession planning of the most knowledgeable and experienced staff is vital to the quality and efficacy of the fund governance by the PC and BANES. Without this there would be serious governance risk for BANES Council.

The LPB supports the importance of the fund's governance and management arrangements operating in a very formal, open and highly transparent manner; and the need for high quality decision making processes and efficient information dissemination for PC/LPB members and APF members respectively.

PC role

Because of the strategic importance of fund governance the PC should consider some further actions before finalising recommendations to BANES Council on what, when, and how to make any changes to the current APF governance arrangements.

This is to ensure the changes the PC recommends to BANES Council will demonstrably and materially improve the APF governance, its cost-effectiveness and quality of services to APF fund members.

By way of example, it is widely recognised as good practice (eg by TPR) that before deciding to make governance changes fiduciaries responsible for UK pension funds should:

a) Ensure they have received formal training on their statutory governance requirements and seek refresher training if there has been new legal or regulatory developments (EG. 2013 Public Service Pensions Act, 2014 LGPS regulations, 2015 TPR and SAB guidance, 2019 MHCLG guidance). Also in the LGPS context it may be worth the APF reviewing and adopting best practice exhibited by leading/award winning funds.

b) Commission independent external effectiveness assessment of their governance. This is to identify what is working well (that does not need changing), and what is working less well where some governance adjustments may be needed. This approach has been used by a number of other LGPS funds to objectively review the strengths and weaknesses of their current governance. There are number of credible service providers including Aon, Hymans Robertson, Barnett Waddington, KPMG, and CIPFA. The time and costs of this are not excessive and the results could be invaluable.

c) Request an options appraisal on the pros and cons and costs and savings and benefits of alternative governance arrangements for reasons of objectivity – some examples are provided later in this response to assist the PC and BANES. The PC may want to seek technical or legal advice from the S151 Officer or Monitoring Officer before the final PC recommendations are considered by BANES Council.

LPB feedback on the proposals

With the growth of the number of academies in the APF the LPB supports the academy sector being represented on the PC.

It is noted the APF appointed 3 independent PC members with pensions/investment expertise before there was a legal requirement in 2015 for the AA to establish a LPB to provide it with independent advice. The use and cost of having 3 (and 4 proposed) independent PC members could arguably result in some possible duplication of the advisory role of the LPB, and the funds other professional advisors.

Before reducing the elected member representation and increasing the number (and cost) of using an additional un-elected, non-APF employer with APF voting powers, it is recommended the PC seek legal advice on the lawfulness of having four unelected independent voting PC members making any financial decisions on behalf of BANES Council.

On adding an informal BPP working party, it is widely accepted good governance involves having and using formal structures. An informal group could lead to an ambiguity risk in respect of PC decision-making. It is recommended that if a new informal decision making group is added to the funds governance structures, it should operate in accordance with public sector openness and transparency principles.

If the proposals are agreed they will result in the need for additional training costs and time commitment from some existing elected members, a new academy member, and new unelected independent member. APF officer time and funding will need to be set aside to provide training, advice, and services to them – even if most information and business is done by using e-information portals, virtual meetings, and tele-conferences.

It is recommended that the PC should seek a formal assurance from the S151 Officer that any proposed governance changes, including PC members and APF officer time and training and IT needs, have been fully-costed, and the financial value of any efficiency savings generated will be captured, so they can be re-allocated by the PC for other legitimate purposes. It might also be helpful for the Monitoring Officer to assure the PC and BANES Council there will be no reduction in the openness and transparency of APF decision making for the beneficiaries of APF and taxpayers.

Other governance options

In light of this and other consultees responses, the PC may wish to vary the December 2018 proposals and or consider other options to improve the funds governance and its efficiency by

1) PC and IP only make legally required approvals for LGPS and BPP Ltd

Under this option the legally required routine decisions (ie annually, periodically, or triennially) and process for any urgent decisions for APF and BPP would be specified and fully integrated into the PC and/or IP Terms of Reference and Scheme of Delegation to PC/IP Chairs and BANES Officers – with no need for an informal or formal BPP working party.

The justification for this is that the LGPS regulations only require each AA to make a limited number (c20) approvals (vis the APF statutory strategies, policy statements, actuarial valuations to set employer contributions, and annual reports and accounts). The BPP shareholder agreement also has a limited number of decisions required by the shareholder funds, with agreed provisions and processes for handling urgent business.

Adopting this option would reduce the number and volume of PC/IP information papers/reports, and enhance the focus on statutory approvals, with all day-to-day operational matters being delegated to APF officers. Such streamlined decision-making, with very clear and robust legally required delegations to the PC or IP (for urgent business to PC/IP Chairs and senior officers) is an approach some other LGPS funds are adopting.

2) Elected member decision making supported by enhanced specialist professional advice

Rather than using 3 (4) independent members for professional advice, the PC may also wish to consider the governance model successfully used by other LGPS funds to help ensure their PC's receive consistent high quality professional advice (over several local election and valuation cycles) from the fund's actuary, investment consultant, governance adviser and legal advisor. Their advice and comment on APF officers' recommendations could be included in PC decision papers, or they could be asked to attend specific PC meetings (on request to minimise costs) depending on the PC decisions being taken. They would, of course, not be permitted to vote on any financial or investment decisions, which continue to be reserved for elected PC members.

3) Combined PC and LPB

Another governance option the PC may wish to consider is combining the roles of the PC and LPB. This would reduce the total number of meetings required and save officer time and APF costs (>20k). The national LGPS SAB has published legal advice on how a combined PC/LPB can be established and BANES would need to ensure necessary legal requirements were met. This option has been adopted and approved by Government for at least two other LGPS funds (Hampshire and Hackney) and is under consideration by the Environment Agency PF (part of BPP). These funds have satisfied both the avoidance of conflict of interest requirements and the equal numbers of employer and scheme member representatives required by law.

4) Joint LPBs

Another option for the APF PC and LPB to consider is to develop joint working with other LPBs, maybe in the BPP family, which could save some APF officer time and costs. This option is being taken forward by some LGPS funds in other asset pools that have shared service arrangements or outsourced fund administration. Using common LGPS compliance reporting formats for fund administration, benefit payments and fund accounting would significantly increase the opportunity for comparative inter-fund benchmarking, and could deliver individual fund performance improvements. Establishing formal joint LPB working would require agreement on each fund's employer and scheme member representation, agreed reporting lines and also the approval of Government. The PC should note the Home Office is encouraging joint LPBs for Fire Fighters Pension Scheme.

Proposed changes to the LPB role

The statutory role of the LPB was set out on page 1 of this response. The LPB has no decision-making responsibilities and its role is to provide scrutiny and advice only - which the PC can accept or reject.

The LPB is committed to monitoring the implementation of the APF administration strategy and to provide advice and recommendation to the PC in respect of legal

compliance. In order for the LPB to fulfil its statutory duties, the LPB anticipates it would be a consultee on any future changes to the APF administration strategy (and other APF draft statutory strategies, statements and reports) to provide its independent advice and recommendations for the PC and BANES Council.

It is noted that the current APF LPB terms of reference omits some elements of the national LGPS SAB guidance on the setting up and operation of LPBs. For example the SAB guidance states that the role of the LPB should be interpreted as covering all aspects of the governance and administration of the LGPS, including funding and investments. LGPS investment regulation 7 requires the AA to take into account LPB views on certain investment decisions. The 2019 statutory guidance on asset pooling also makes specific reference to the important role of LPBs on investment governance.

It is recommended that it would be helpful for the PC and BANES Council to use the SAB guidance and national template when updating the terms of reference for the APF LPB, and make clear reference to the LPB role on fund investments.

It is recommended that the PC new terms of reference should also specifically include a statement that the PC will formally consider the LPB advisory recommendations (for example in the LPB minutes and LPB Annual Report) and if it disagrees with LPB it should formally respond and explain its reasoning to the LPB. The LPB recommends that its Annual Report is submitted to the AGM of BANES Council.

Future process

During 2019 the national LGPS SAB is undertaking a project to recommend good governance structures that accommodate LGPS functions within democratically accountable LA framework in a way that ensures conflicts of interest are both addressed and managed to improve fund governance on these topics.

It is recommended that BANES Council should in 2020 commission an independent external effectiveness review of the funds governance to take into account the recommendations of the project above and the completion (as required by Government) of asset pooling.

Such a review should propose further changes if any are required, either from a legal, regulatory or operational perspective. For example the vast majority of APF investments are likely to be managed by BPP, and so it would be logical to review the need for and role of the IP, and to check and ensure the PC's oversight of BPP is robust.

Howard Pearce
Independent Chair of the Local Pension Board
February 2019

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Bath & North East Somerset Council	
MEETING:	LOCAL PENSION BOARD
MEETING DATE:	7th MARCH 2019
TITLE:	PENSION FUND ADMINISTRATION – COMPLIANCE REPORT (1) SUMMARY PERFORMANCE REPORT TO 31st December 2018 (2) PERFORMANCE INDICATORS TO 31st December 2018 (3) TPR COMPLIANCE
WARD:	ALL
AN OPEN PUBLIC ITEM	
<p>List of attachments to this report:</p> <p>Appendix 1 – Membership data</p> <p>Appendix 2 – Performance against SLA and Workloads</p> <p>Appendix 2a – SLA Measurement Schedule</p> <p>Appendix 2b – Performance Measurement against Statutory Legal Deadline</p> <p>Appendix 2c – Statutory Legal Measurement Schedule</p> <p>Appendix 3 – Employer Performance</p> <p>Appendix 4 – TPR Data Improvement Plan</p> <p>Appendix 5 – Late Payers</p>	

1 THE ISSUE

- 1.1 The purpose of this report is to inform the Pension Board of performance figures for Fund Administration for the three months to 31st December 2018.
- 1.2 Further to the introduction of The Pension Regulator (TPR) Code of Practice 14 and The Public Service Pensions (Record Keeping & Miscellaneous Amendments) Regulations 2014, this report includes progress on the TPR Data Improvement Plan and levels of employer compliance.

2 RECOMMENDATION

The Pension Board is asked to note:

- 2.1 Membership data, Fund and Employer performance for the 3 months to 31st December 2018.
- 2.2 Progress and reviews of the TPR Data Improvement Plan.

3 FINANCIAL IMPLICATIONS

- 3.1 There are no direct financial implications related to this report as it is an information report.

4 MEMBERSHIP TRENDS

- 4.1 *Appendix 1* provides a detailed breakdown of employer/member ratio and split between whole time and multiple employment membership as well as a snapshot of individual employer and member make up. The increasing number of new smaller employers to the Fund as part of the fragmentation of the employer base (newly created Academies/MAT's and Transferee Admitted Bodies) has a direct impact on the administration workload with increased movement between employers, especially within the education sector. Continued development of data reporting going forward will enable further understanding of the demographic nature of employer type and associated member make up as employers continue to evolve.

5 AVON PENSION FUND – ADMINISTRATIVE PERFORMANCE

- 5.1 Key Performance Indicators for the 3 months to 31st December 2018.
- 5.2 The information provided in this report is based on the Avon Pension Fund's performance against the Service Level Agreement which falls in line with the industry standards set out by the LGPC & used in CIPFA benchmarking. All standards fall within the regulatory guidelines set out in The Occupational & Personal Pension Schemes (Disclosure of Information) Regulations (as amended) which require provision of information to members.
- 5.3 Full details of APF performance against SLA targets, in tabular and graph format, are shown in *Appendix 2; Annex 1 to 4*. *Appendix 2a* provides further context around the measurement of APF performance against the SLA.
- 5.4 *Appendix 2b* sets out APF performance against legal statutory deadlines and *Appendix 2c* provides legal context. In all cases the legal deadlines are less stringent than the SLA targets.
- 5.5 Performance against SLA targets are reported and show mostly improvements on the last quarter.
- 5.6 Performance against legal statutory deadlines have also improved on the last quarter and where flagging up as amber were down to factors outside of the control of the administration team for retirements from active and transfer out payment stage.
- 5.7 The project to clear the backlog of aggregation cases began on the 1st July with 3,869 cases identified as project work. The project continues to be very successful with 3,313 cases being cleared as at 31st December leaving a further 556 cases outstanding meaning the team had cleared approximately 85% of the cases. The project is on track for completion within the designated 8 month period. The Trivial Commutation project, to extinguish the number of small pensions, we are currently paying to pensioners, by making a one-off commutation payment, is underway and we are currently in discussion with the

scheme actuary to determine how to proceed with this and what support they can offer.

- 5.8 Admin Case Workload *Annex 5 & 6*: The level of work outstanding from tasks set up in the 3 month period is reported in *Appendix 2; Annex 5 & 6* by showing what percentage of the work is outstanding. As a snapshot, at 31st December there were 5,911 cases outstanding (a significant decrease of 1,891 cases from previous report) of which 36.17% represents actual workable cases, ie 2,138 cases, and 63.83% represents cases that are part complete, pending a third party response. The decrease in outstanding cases is mainly due to the volume of cases being cleared by the aggregation project.

6 EMPLOYER PERFORMANCE

- 6.1 Employer Performance *Appendix 3* highlights employer performance for the 3 months to 31st December 2018. The report is now updated to show performance for retirements only as leaver forms are not required for other types of leaver (eg refunds and deferred benefits) once employers are using monthly online returns.
- 6.2 During the period from 1st October to 31st December a total of 1,206 leaver forms were received with an average accuracy rate of 66%.
- 6.3 Once all the Unitary Authorities and larger employers are submitting monthly online returns there should be an overall reduction in leaver forms of at least a third.
- 6.4 The project to roll out monthly online returns (IConnect) across the APF portfolio commenced at the end of March 2018. As at the end of December app 189 employers are now live and submitting returns monthly, covering app 75% of the active membership. Phase 1 (employers with less than 50 members) is now complete and Phase 2 (employers with more than 50 members) of the project is now under way. Due to the proximity of year end a decision has been made about which employers will realistically go live before year end. This has been narrowed to North Somerset, Strictly Education and Wiltshire CC. The three extracts will cover a total of 58 employers (4,287 members). The aim will be for the remainder of employers to do an old style year end return and go live with IConnect between April and September 2019.
- 6.5 A review of the reporting of data from the online returns is currently under way.

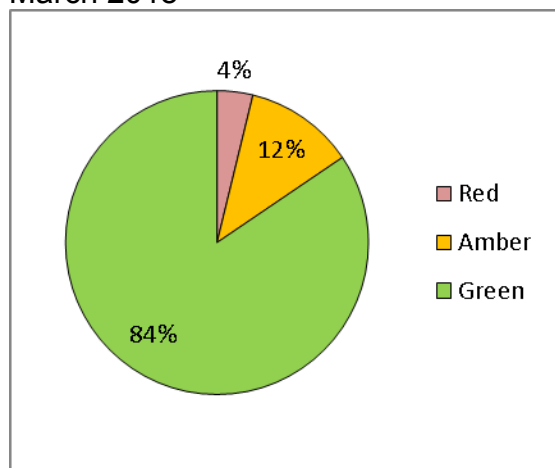
7 TPR DATA IMPROVEMENT PLAN

- 7.1 A 'Data Score' has now been added to the TPR reporting as shown in *Appendix 4*. This has been calculated in accordance with the Pension Regulator's guidance. The Fund's overall data score as at 31 December 2018 is calculated as 94.63%.
- 7.2 Although the overall data score has remained constant the split of queries for active members is now across an increased number of smaller employers who may only need one or two data queries to put them in the red category.
- 7.3 A summary of the RAG rating by employer is shown below. The RAG rating has been adjusted so that outstanding queries over 10% = Red, between 0.1% & 10% = Amber and 0% = Green.

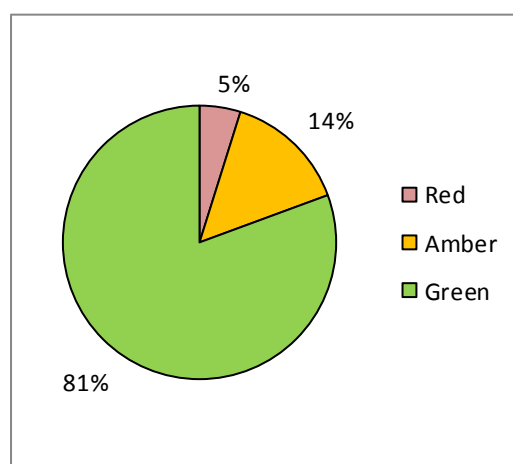
No of employers Mar 2018	No of employers June 2018	No of employers Sept 2018	No of employers Dec 2018	Queries	RAG rating
14	19	58	43	10% >	Red
43	57	89	72	0.1 to 10%	Amber
310	316	257	321	0%	Green

Equivalent % rating of whole Fund

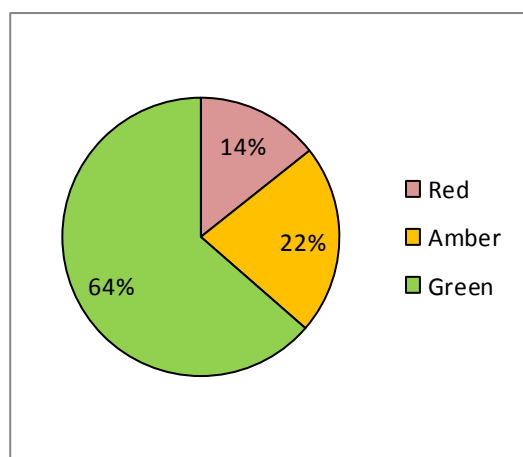
March 2018



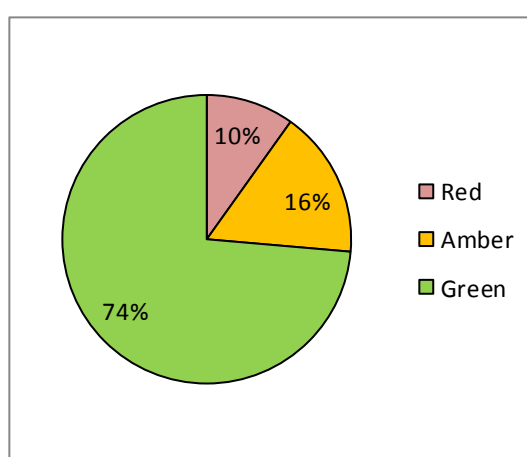
June 2018



September 2018



December 2018



Data for the Unitary Authorities is listed below.

Unitary authorities	Queries Mar 18	Queries Jun 18	Queries Sept 18	Queries Dec 18	Member ship	RAG	
BANES	38	187	194	136	3235	4.2%	Amber
Bristol City	64	199	159	198	8970	2.21%	Amber
North Somerset	0	240	76	49	2214	2.21%	Amber
South Gloucestershire	54	81	62	71	6375	1.11%	Amber

7.4 The Pension Committee has previously agreed the Fund's proposal to use a tracing agency to locate both missing and 'gone away' member addresses.

7.5 Results to date are shown in the tables below.

5,236 cases sent to Tracing Company

Tracing stage	Number of cases	%
Stage 1: Mortality screening	606	11.5
Stage 2: Autotrace	1,166	22.0
Stage 3: Manual Basic search	1,706	32.5
Total cases found	3,478	66.0
Total cases not found (Consider next stage)	1,758	34.0

7.6 Of the 3,478 cases found the first batch of trace letters were issued in June & July 2018. The second batch in December of 2018 and January 2019.

	30 Sept 18		31 Dec 18	
	Number of cases	%	Number of cases	%
New addresses updated	854	25.0	1,248	36.0
Letters returned - not at address or gone away	43	1.0	69	2.0
Member confirmed as deceased	122	3.5	160	4.5
Letters issued awaiting response	1,427	41.0	2,001	57.5
Letters still to be issued	1,032	29.5	0	0

7.7 All letters have now been issued. The next stages are to consider a follow up plan where no response has been received to our trace letter and decide which cases are taken forward to the manual forensic tracing level.

8 LATE PAYERS

8.1 The Fund is required to monitor the receipt of contributions and report materially significant late payments to the Pensions Regulator.

8.2 The Fund maintains a record of all late payments, showing the days late, the amount of payment and reason for delay and whether the amount is of significance.

8.3 *Appendix 5* reports late payers in the period to 31st December 2018. There were a small number of late payments in the reporting period, none of which were of material significance and therefore recorded internally but not reported to TPR. The Fund has taken mitigating action in each case to ensure employers are aware of their responsibilities going forward.

9 GMP DATA RECONCILIATION UPDATE

- 9.1 The Avon Pension Fund [APF] in conjunction with HMRC, have been carrying out a reconciliation of records held in respect of Contracting out of the Second State Pension.
- 9.2 This is required as a result of the introduction of the new Single State Pension in April 2016. A brief outline explaining the process is included at Annex 1
- 9.3 HMRC have supplied details of the records they consider they hold for APF. APF have been checking these against their records with the first priority to identify records that do not appear to belong to APF.
- 9.4 The main area of risk could occur on pensioner records where there is an incorrect or no GMP held on the system that has been replicated onto payroll. This is where pension increases could have been overpaid. The Pension Committee have been requested to approve how any such cases should be dealt with and have asked for further details to be provided following discussions with other South West Funds. A letter was sent by the South West Area Pension Officers Group [SWAPOG] to MHCLG and the Scheme Advisory Board [SAB] for some guidance on this matter.
- 9.5 From an initial comparison there appear to be a number of cases where this may have occurred but more in depth checks are still to be undertaken. This could be a very sensitive area as the highest overpayments could potentially affect some of the oldest pensioners as it could have built up over a long period beyond SPA and therefore it is imperative that a full investigation takes place before any action can be taken..
- 9.6 HMRC will be assessing all the information received from other pension providers and there may be some further cases that are considered to belong to APF. These will need to be investigated in due course. It is expected that these cases will finalised by the end of March 2019.
- 9.7 The project has now entered the second stage where the APF records will be updated where required.
- 9.8 Following this the last stage will be to administer any changes required on payroll.

10 YEAR END

- 10.1 The 2017/18 year-end exercise has now been completed.
- 10.2 A total of 22 employers have incurred penalty charges. Training for the fined employers took place on 18th January. All employers attended apart from one multi academy trust, who received fines for three of their schools. They are now engaging with the Fund to resolve the outstanding data issues.
- 10.3 Year end 2018/19 is now under way. Employers have been split between those needing to provide an old style year end return and those on IConnect who will need to ensure their March extract is submitted by the end of April, to meet the deadline. All employers will also be asked to sign a year end declaration confirming the accuracy and quality of their data for the year.

11 EQUALITIES

- 11.1 No items in this report give rise to the need to have an equalities impact assessment

12 CONSULTATION

12.1 None appropriate

13 ISSUES TO CONSIDER IN REACHING THE DECISION(S)

13.1 There are no issues to consider not mentioned in this report.

14 ADVICE SOUGHT

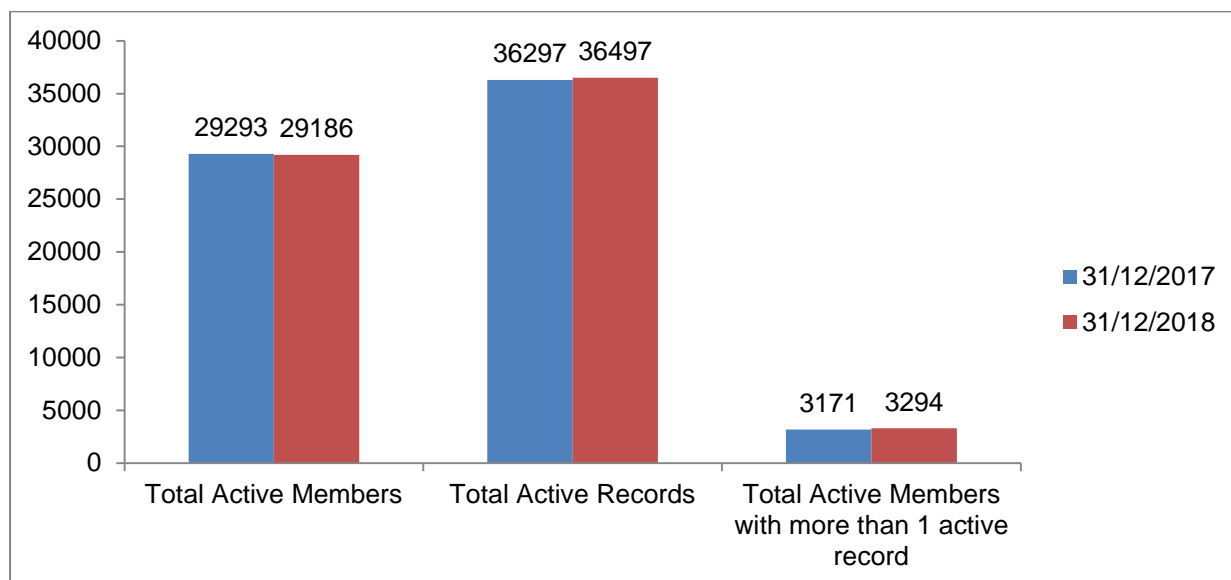
14.1 The Council's Monitoring Officer (Divisional Director – Legal & Democratic Services) and Section 151 Officer (Strategic Director of Resources) have had the opportunity to input to this report and have cleared it for publication.

Contact person	<i>Geoff Cleak, Pensions Manager; Tel 01225 395277</i>
Background papers	<i>Various statistical documents.</i>
Please contact the report author if you need to access this report in an alternative format	

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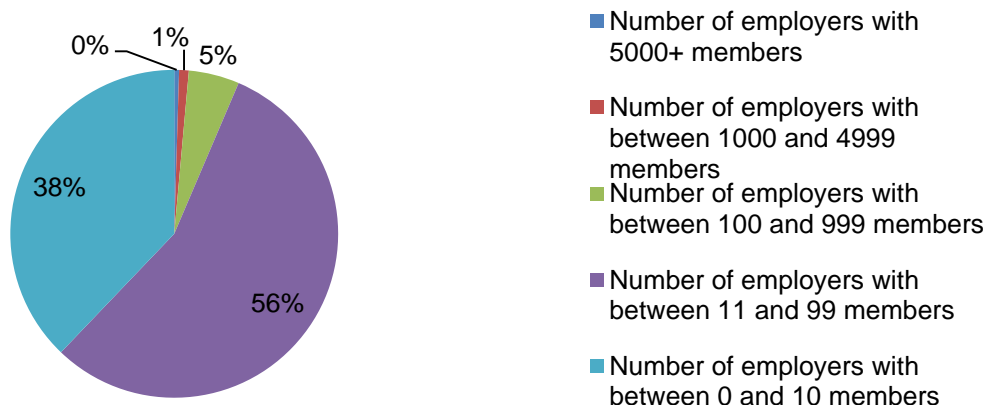
Annex 1

Active membership	31/12/2017	31/12/2018	+/-
Total Active Members	29293	29186	-107
Total Active Records	36297	36497	+200
Total Active Members with more than 1 active record	3171	3294	+123


Annex 2

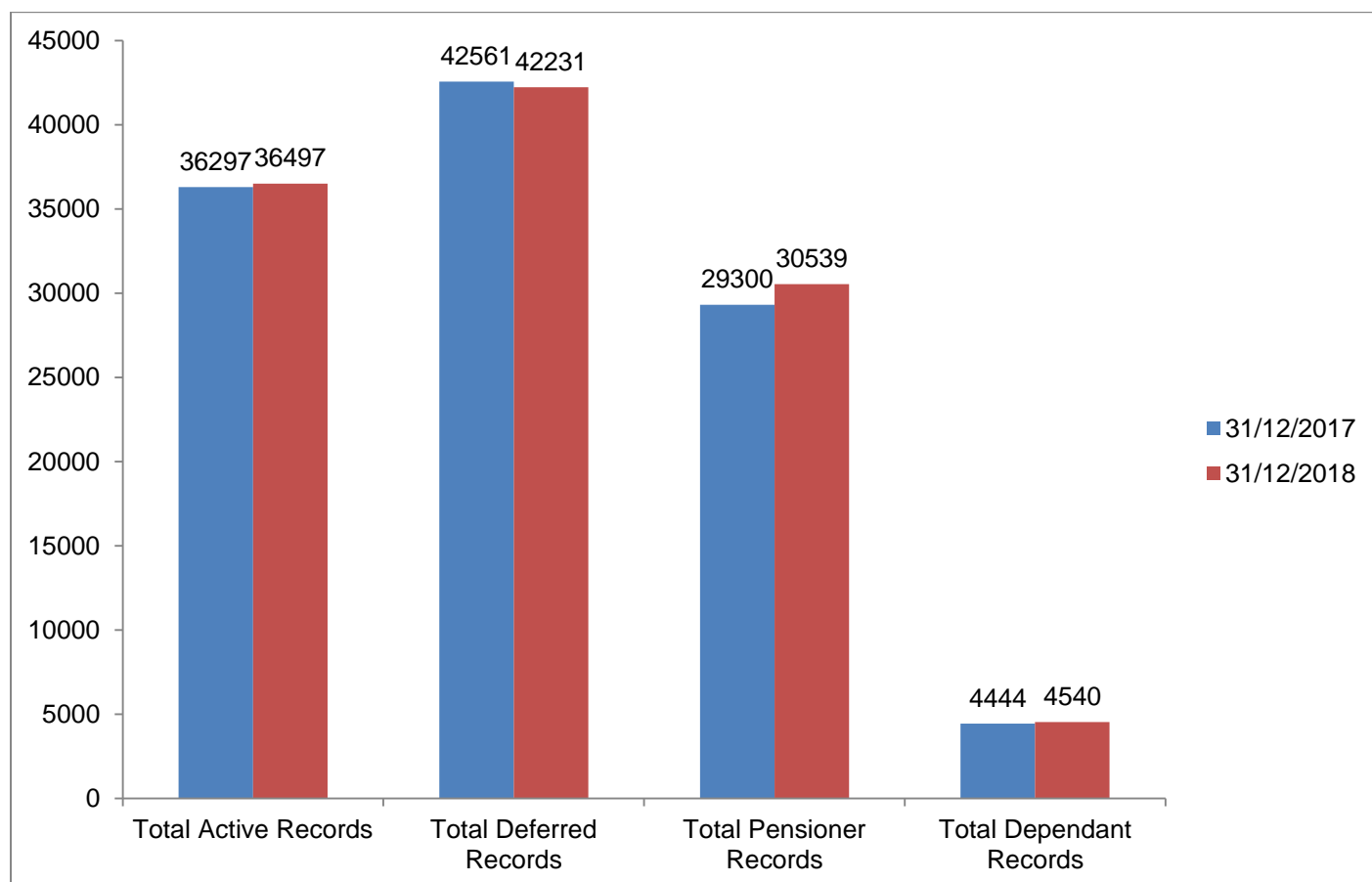
Employers/Active Members Ratio	31/12/2017	31/12/2018	+/-
Number of employers with 5000+ members	2	2	+0
Number of employers with between 1000 and 4999 members	5	4	-1
Number of employers with between 100 and 999 members	16	21	+5
Number of employers with between 11 and 99 members	190	234	+44
Number of employers with between 0 and 10 members	138	159	+21
Total	351	420	+69

Employers/Active Member Ratio as at 31/12/2018



Annex 3 – Total number of member records by type

	31/12/2017	31/12/2018	+/-
Total Active Records	36297	36497	+200
Total Deferred Records	42561	42231	-330
Total Pensioner Records	29300	30539	+1239
Total Dependant Records	4444	4540	+96



Annex 1

		Cases Last Quarter				
		Measured Against SLA				
		Total Processed	Total Processed in Target	Percentage Processed within Target	Total Processed within 5 days of Target	Percentage Processed within 5 days of Target
Retirement (from Active)	Quote - 5 days	213	145	68.08%	43	88.26%
	Payment - 5 days	233	180	77.25%	32	90.99%
Retirement (from Deferred)	Quote - 30 days	71	51	71.83%	9	84.51%
	Payment - 5 days	191	167	87.43%	11	93.19%
Deaths	Notification - 5 days	97	84	86.60%	8	94.85%
	Payment - 5 days	82	37	45.12%	18	67.07%
Refund of contributions	Quote - 10 days	311	267	85.85%	17	91.32%
	Payment - 10 days	290	263	90.69%	16	96.21%
Deferreds (early leavers)	20 days	693	326	47.04%	85	59.31%
Transfers In	Quote - 10 days	67	45	67.16%	10	82.09%
	Payment - 10 days	17	9	52.94%	3	70.59%
Transfers Out	Quote - 10 days	124	58	46.77%	21	63.71%
	Payment - 10 days	19	11	57.89%	4	78.95%
Estimates	10 days	288	161	55.90%	63	77.78%
		2696	1804	66.91%	340	79.53%

RAG key	
Red	Less than 75%
Amber	75 - 89%
Green	90 - 100%

		Tasks Last Quarter							
		Average Days to Process	Actual Days to Process						
			0 - 5	6 - 10	11 - 15	16 - 20	21 - 25	26 - 30	31+
Retirement (from Active)	Quote - 5 days	6	140	43	7	6	3	2	11
	Payment - 5 days	4	175	32	17	3	3	1	2
Retirement (from Deferred)	Quote - 30 days	98	60	1	1	0	4	1	5
	Payment - 5 days	-5	167	11	11	0	2	0	0
Deaths	Notification - 5 days	3	84	8	1	2	0	2	0
	Payment - 5 days	11	36	18	10	8	3	1	6
Refund of contributions	Quote - 10 days	8	218	46	17	5	0	2	23
	Payment - 10 days	5	230	31	16	9	0	1	3
Deferreds (early leavers)	20 days	29	63	137	74	47	85	55	232
Transfers In	Quote - 10 days	10	21	21	10	10	1	2	2
	Payment - 10 days	10	6	3	3	5	0	0	0
Transfers Out	Quote - 10 days	16	32	23	21	17	18	4	9
	Payment - 10 days	10	9	2	4	2	1	0	1
Estimates	10 days	12	82	69	63	25	19	15	15

RAG key	Processed
Red	More than 5 days over target
Amber	Within 5 days of target
Green	Within target

SLA Standards for Processing Admin Tasks						
Work Type	Target Processing SLA	Q1 Jan 18 - Mar 18	Q2 Apr 18 - Jun 18	Q3 Jul 18 - Sept 18	Q4 Oct 18 - Dec 18	Trend
Retirement (from Active)	Quote - 5 days	91.42%	77.11%	74.05%	68.08%	
	Payment - 5 days	90.21%	80.10%	78.88%	77.25%	
Retirement (from Deferred)	Quote - 30 days	47.92%	55.77%	43.05%	71.83%	
	Payment - 5 days	91.26%	79.56%	78.57%	87.43%	
Deaths	Notification - 5 days	96.81%	89.47%	88.54%	86.60%	
	Payment - 5 days	82.22%	55.93%	58.73%	45.12%	
Refund of contributions	Quote - 10 days	14.77%	44.51%	59.51%	85.85%	
	Payment - 10 days	96.56%	89.02%	76.81%	90.69%	
Deferreds (early leavers)	Notification - 20 days	55.67%	88.80%	27.54%	47.04%	
Transfers In	Quote - 10 days	66.67%	62.75%	62.22%	67.16%	
	Payment - 10 days	34.29%	34.29%	35.71%	52.94%	
Transfers Out	Quote - 10 days	24.24%	30.92%	38.54%	46.77%	
	Payment - 10 days	56.52%	43.75%	60.00%	57.89%	
Estimates	Quote - 10 days	44.24%	75.00%	35.78%	55.90%	
Total Cases Processed		3435	3001	2443	2696	

RAG key	
Red	Less than 75%
Amber	75 - 89%
Green	90 - 100%

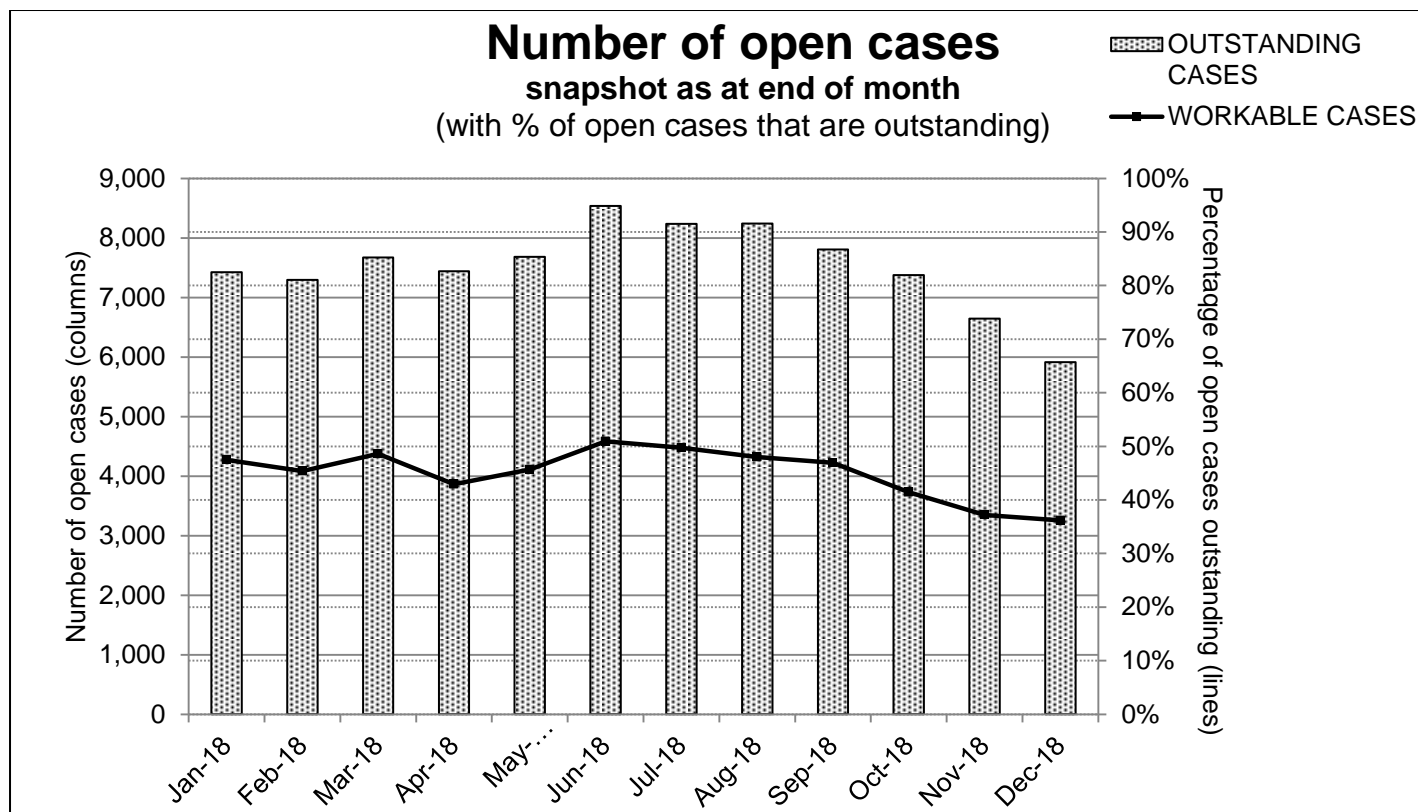
Annex 3

Statutory requirements	Timescale/deadline	3 months to 31/12/18	Notes
Year End data from employer	by 30 June	0	N/A this period
Issue ABS	by 31 August	0	N/A this period
Notify scheme changes	within 3 months	0	N/A this period
Issue Active member newsletter	2 issues per year	0	N/A this period
Issue Deferred member newsletter	1 issue per year	0	N/A this period
Issue Pensioner member newsletter	1 issue per year	0	N/A this period

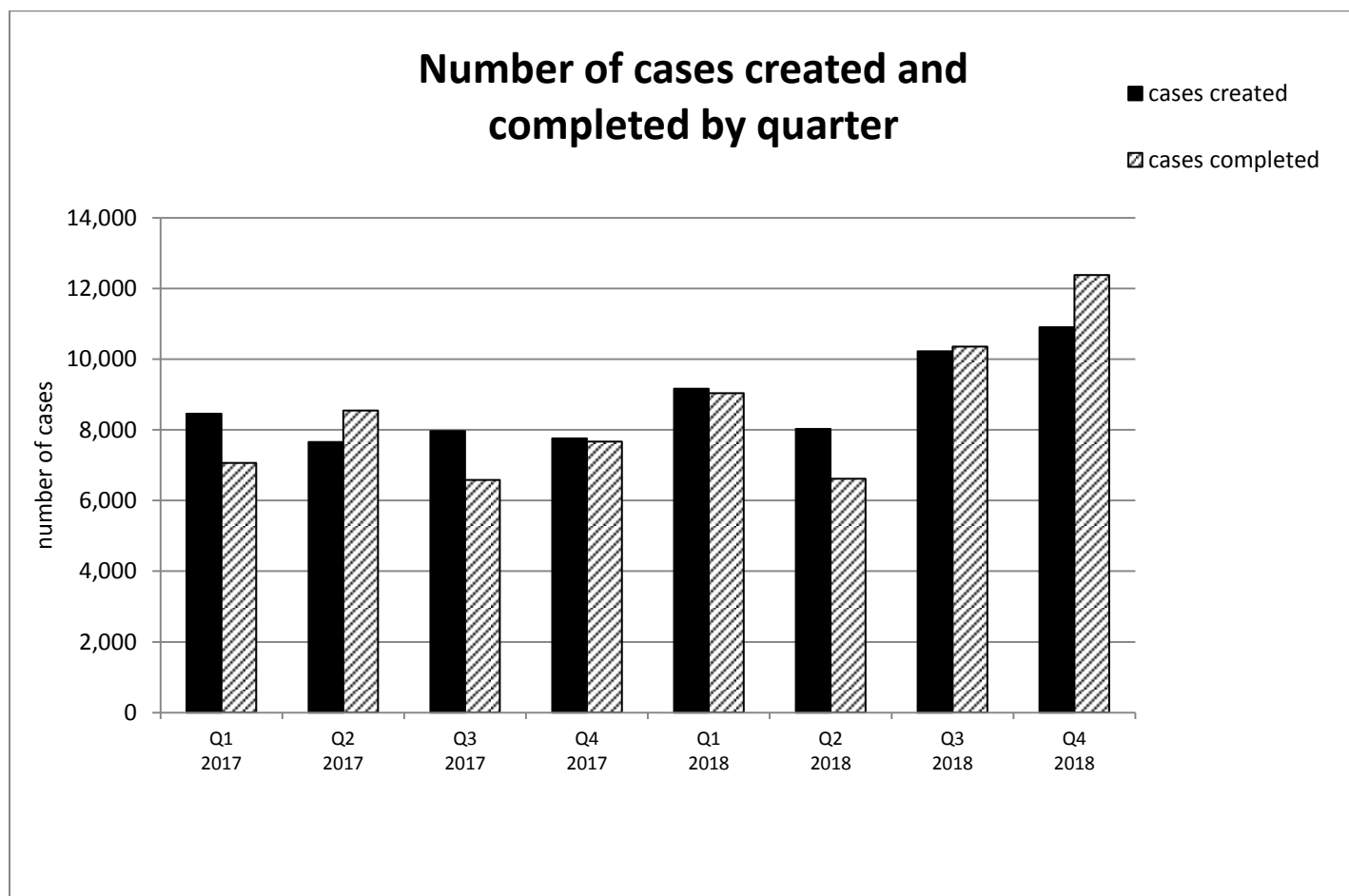
Annex 4

Other performance standards	3 months to 31/12/18	2018/19 target	Notes
Retirements survey - satisfaction %	79%	65%	
% of employers signed up to submit data electronically (ESS/iConnect)	66.3%	70%	
% of active membership covered by ESS/iConnect	96.6%	90%	
% of all members with electronic access (MSS)	21.3%	No target set	
% of active members with electronic access (MSS)	26.7%	No target set	

Annex 5



Annex 6



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	Requirement	Reporting Start Date	Reporting End Date	Other Information
Retirement (from Active)	5 working days from receipt of the leaver notification to write to the member with their options	Date Leaver Notification Received	Date Retirement Options are Printed & Sent	SLA reporting remains the same regardless of whether the member if retiring before, on or after their NPA
Retirement (from Deferred)	Write to the member with their options 1 month before their intended retirement date	1 Month Prior to Retirement Date	Retirement Date	SLA reporting remains the same regardless of whether the member if retiring before, on or after their NPA
Deaths	5 working days from receipt of all necessary information to make payment.	Receipt of Death Certificate	Date Confirmation of Death Benefits Payable are Printed & Sent	We report on the first payment made in respect of a death case only, for example, we may have all necessary information to pay the surviving spouse a pension but may be waiting for further information, such as probate, to enable us to pay the death grant or vice versa.
Refund of Contributions	10 working days in which to send members a quotation of the refund payable where they have not responded, within 30 days, to our initial communication sent to notify them of their rights on leaving.	30 days following initial communication to notify member of rights	Date Refund Options are Printed & Sent	
Deferreds	20 working days to notify member of their deferred benefits from either the date the member elects for deferred benefits or the 30 day deadline where they have not responded to our initial communication sent to notify them of their rights on leaving	30 days following initial communication to notify member of rights or date of receipt of election to defer benefits	Date Deferred Benefit Notification is Printed & Sent	

Transfers In	10 working days to provide a quotation of the benefits the transfer would provide from the point at which we have received the transfer value from the sending scheme	Date of Transfer Value Received from Sending Scheme	Date Transfer In Options are Printed & Sent	
Transfers Out - Notification	10 working days to provide a transfer value quotation to a member from the date of their request.	Date of Request from Member	Date Transfer Quotation is Printed & Sent	
Transfers Out - Payment	10 working days to make payment of the transfer value from the point at which we receive the members election to proceed with the transfer	Date of Election from Member	Date Confirmation of Transfer Payment if Printed & Sent	SLA reporting excludes any days where we are waiting for a response from an external source, such as HMRC to confirm the registration status of the scheme etc.
Estimates	10 working days to provide both members and employers with estimates from the date of their request.	Date of Request from Member or Employer	Date Estimate is Printed & Sent	APF policy on this is to provide one free estimate per year where the request is within 1 year of the intended retirement date. All other requests are chargeable in line with our policy

Appendix 2b

APF Completed Cases - Performance against Statutory Legal Deadline

		Cases Last Quarter - Oct 18 - Dec 18			
		Measured Against Statutory Legal Requirement			
		Target	Total Processed	Total Processed in Target	Percentage Processed within Target
Retirement (from Active)	Notification of Benefits	46 days	96	86	89.58%
Retirement (from Deferred)	Notification of Benefits	23/46 days	74	73	98.65%
Deaths	Notification of Benefits	46 days	79	79	100.00%
Refund of contributions	Notification of Entitlement	46 days	311	311	100.00%
Deferreds (early leavers)	Notification of Entitlement	46 days	693	693	100.00%
Transfers In	Provision of Quotation	46 days	57	50	87.72%
Transfers Out	Notification of Trf Value	69 days	124	120	96.77%
	Payment of Trf Value	138 days	18	16	88.89%
Estimates	Provision of Quotation	46 days	231	218	94.37%

RAG key	
Red	Less than 75%
Amber	75 - 89%
Green	90 - 100%

Comments where performance has fallen below expected target:-

Retirement (from Active) – the majority of the cases where retirement from active notifications have not been processed in target is due to the late submission of a leaver notification from the Employer.

Transfers In – The majority of these cases were late due to high volumes of work at Senior Pensions Officer level meaning that these cases were taking longer than expected to be checked.

Transfers Out (Payment) – The 2 cases that were late were down to a delay in the member providing all of the necessary discharge forms to allow the transfer to go ahead.

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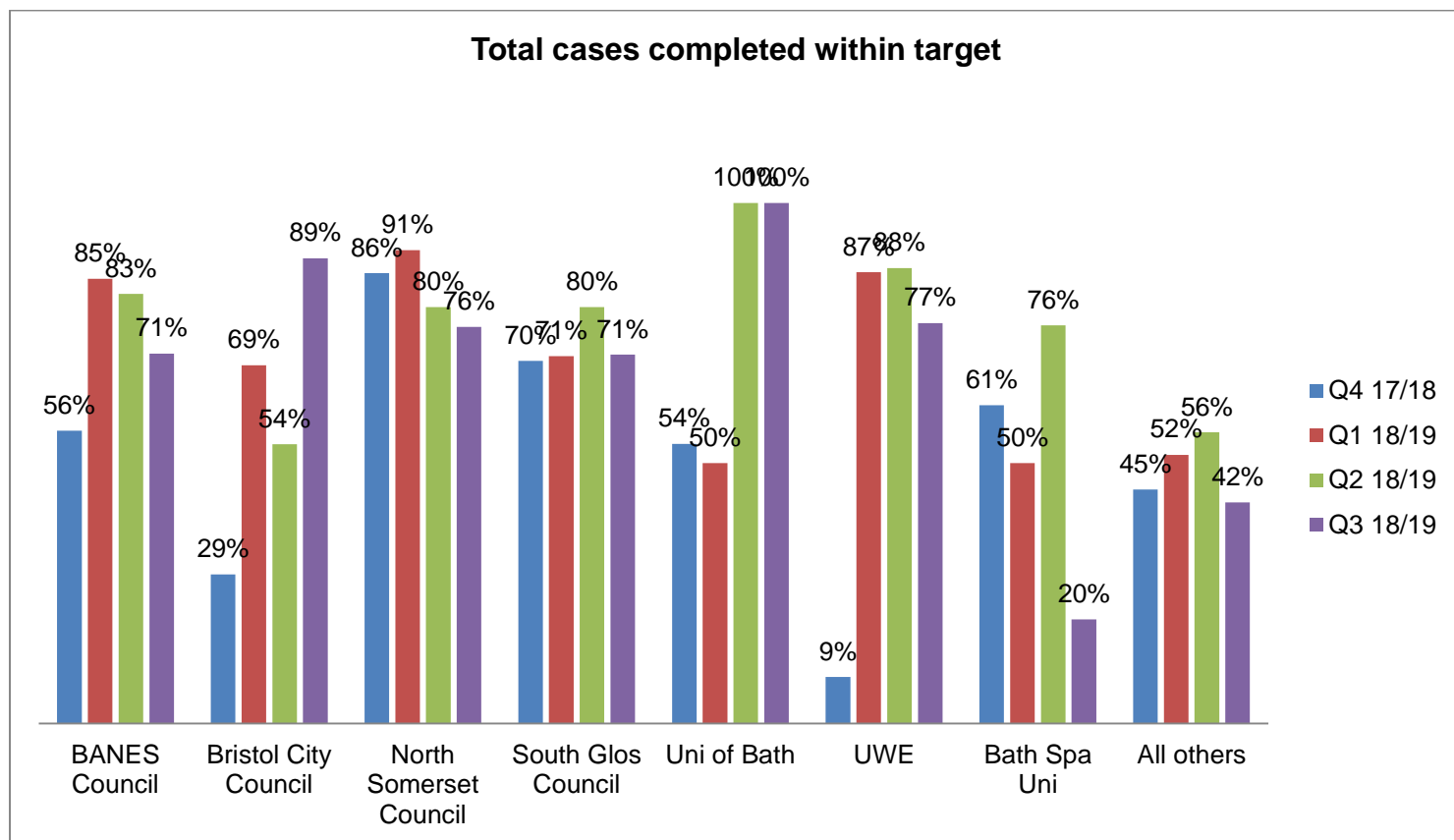
	Requirement	Reporting Start Date	Reporting End Date	Other Information
Retirement (from Active)	Notification of retirement benefits 1 month from the date of retirement if on or after Normal Pension Age or 2 months from the date of retirement if before Normal Pension Age	Retirement Date	Date Retirement Options are Printed & Sent	
Retirement (from Deferred)	Notification of retirement benefits 1 month from the date of retirement if on or after Normal Pension Age or 2 months from the date of retirement if before Normal Pension Age	Retirement Date	Date Retirement Options are Printed & Sent	
Deaths	Calculate and notify dependant(s) of amount of death benefit as soon as practicable but no more than 2 months from becoming aware of death, or from date of request by third party (eg. personal representative).	Receipt of Death Certificate	Date Confirmation of Death Benefits Payable are Printed & Sent	We report on the first payment made in respect of a death case only, for example, we may have all necessary information to pay the surviving spouse a pension but may be waiting for further information, such as probate, to enable us to pay the death grant or vice versa.
Refund of Contributions	To inform members who leave the scheme of their leaver rights and options as soon as practicable and no more than 2 months from the date of initial notification of leaving.	n/a	n/a	APF should always be 100% compliant with this as on receiving a leaver notification we immediately write to a member to notify them of their right to a refund/deferred benefit or to give them the opportunity to advise us where they have re-joined the LGPS with another Employer/Authority.
Deferreds	To inform members who leave the scheme of their leaver rights and options as soon as practicable and no more than 2 months from the date of initial notification of leaving.	n/a	n/a	APF should always be 100% compliant with this as on receiving a leaver notification we immediately write to a member to notify them of their right to a refund/deferred benefit or to give them the opportunity to advise us where they have re-joined the LGPS with another Employer/Authority.

Transfers In	Obtain transfer details for transfer in, and calculate and provide quote to member within 2 months from the date of request.	Date of Request from Member	Date Transfer In Options are Printed & Sent	The clock is stopped on the Legal Requirement Reporting for the period that we are waiting for the transfer value from the sending scheme
Transfers Out - Notification	Provide details of transfer value for transfer out on request within 3 months from the date of request.	Date of Request from Member	Date Transfer Quotation is Printed & Sent	
Transfers Out - Payment	Make Payment of Transfer Value within 6 months of the relevant date. The relevant date is the date of the transfer value quote that was previously provided where they have elected to proceed with the transfer within the 3 month guarantee period, or is the date of processing the payment where they have elected to proceed with the transfer outside of the 3 month guarantee period.	Relevant Date of Transfer	Date Confirmation of Transfer Payment if Printed & Sent	
Estimates	Provide benefit quotations on request for retirements as soon as practicable, but no more than 2 months from date of request (unless there has already been a request in last 12 months).	Date of Request from Member	Date Estimate is Printed & Sent	APF policy on this is to provide one free estimate per year where the request is within 1 year of the intended retirement date. All other requests are chargeable in line with our policy

Completed leaver forms by employers for retirements within SLA targets.

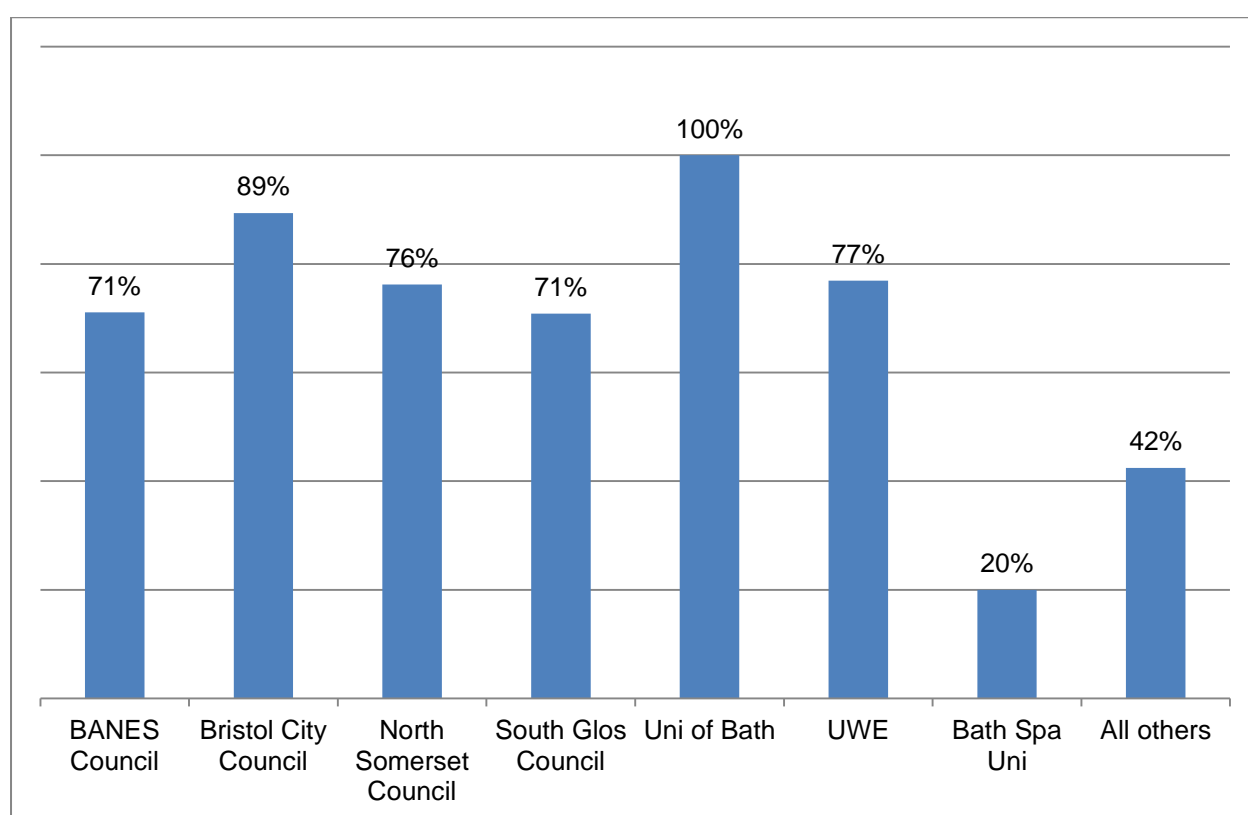
Annex 1 – Total cases - Percentage and number of cases completed within target

	Q4 17/18	Q1 18/19	Q2 18/19	Q3 18/19
BANES Council	56%	85%	83%	71%
Bristol City Council	29%	69%	54%	89%
North Somerset Council	86%	91%	80%	76%
South Glos Council	70%	71%	80%	71%
Uni of Bath	54%	50%	100%	100%
UWE	9%	87%	88%	77%
Bath Spa Uni	61%	50%	76%	20%
All others	45%	52%	56%	42%



Annex 2 – Breakdown by case type within target

Within target	Retirements		
	Cases	Within	%
BANES Council	38	27	71%
Bristol City Council	47	42	89%
North Somerset Council	21	16	76%
South Glos Council	24	17	71%
Uni of Bath	2	2	100%
UWE	13	10	77%
Bath Spa Uni	5	1	20%
All others	73	31	42%



Annex 1 – TPR Errors by Member Numbers

	September 2018				December 2018				
	Member Records	TPR Errors	% Errors	Data Score	Member Records	TPR Errors	% Errors	Data Score	Trend
ACTIVE	35781	539	1.51	98.49%	36651	408	1.11	98.89	▼
UNDECIDED	4545	650	14.30	85.70%	3964	627	15.82	84.18	▲
DEFERRED	43083	4224	9.8	90.2%	42268	4147	9.81	90.19	▲
PENSIONERS	30257	119	0.39	99.61%	30526	136	0.45	99.55	▲
DEPENDANTS	4654	79	1.7	98.3%	4692	71	1.51	98.49	▼
FROZEN	3674	1719	46.79	53.21%	3724	1240	33.3	66.7	▼
TOTALS	121994	7331	6.01%	93.99%	123479	6630	5.37%	94.63	▼

Annex 2 – Outstanding Queries by Type

	September 2018		December 2018		
	TPR Errors	%	TPR Errors	%	Trend
Age 75 exceeded LGPS eligibility issue	51	0.72%	54	0.75%	▲
CARE pay for 2014-2015 required	10	0.14%	10	0.14%	▼
CARE pay for 2015-2016 required	26	0.35%	23	0.32%	▼
CARE pay for 2016-2017 required	80	1.09%	73	1.01%	▼
CARE pay for 2017-2018 required	169	2.3%	133	1.83%	▼
Casual hours data required	36	0.49%	38	0.52%	▲
Correct FTE Pensionable Salary 16-17 req	0	0.00%	1	0.01%	▲
Historic refund case	834	11.35%	826	11.40%	▼
Leaver form required	510	6.94%	538	7.42%	▲
Missing data on leaver form - escalation	8	0.11%	6	0.08%	▼
Correct Forenames required	10	0.14%	10	0.14%	▼
Correct NINO required	154	2.09%	151	2.08%	▼
Correct address required	5415	73.91%	5356	73.90%	▼
Correct title required ie Miss or Mr	8	0.11%	8	0.11%	▼
Pay Ref required	9	0.12%	11	0.15%	▲
Date joined fund	4	0.05%	4	0.06%	▼
Data required from a previous employer	6	0.08%	6	0.08%	▼
Grand total	7330	100.00	7248	100.00	▼

Common Data

Scheme Specific Data

Annex 3 – Outstanding TPR by status

	TPR Errors Sept 2018	%	TPR Errors Dec 2018	%
1 ACTIVE	539	100.00%	432	100.00%
Age 75 exceeded LGPS eligibility issue	0	0.00%	0	0.00%
CARE pay for 2014-2015 required	10	1.86%	8	1.85%
CARE pay for 2015-2016 required	24	4.45%	20	4.63%
CARE pay for 2016-2017 required	74	13.73%	58	13.43%
CARE pay for 2017-2018 required	159	29.5%	111	25.69%
Casual hours data required	27	5.01%	25	5.79%
Correct address required	218	40.45%	186	43.06%
Correct NINO required	5	0.93%	7	1.62%
Correct title required ie Miss or Mr	0	0.00%	0	0.00%
Leaver form required	5	0.93%	0	0.00%
Pay Ref required	7	1.0%	10	2.31%
Correct hours format required	0	0.00%	0	0.00%
Correct FTE Pensionable Salary 16-17	0	0.00%	0	0.00%
Correct date of birth required	0	0.00%	0	0.00%
Correct Forenames required	0	0.00%	0	0.00%
Date joined fund required	4	0.74%	2	0.46%
Data Required from a previous employer	6	1.11%	5	1.16%
2 UNDECIDED	650	100.00%	710	100.00%
Age 75 exceeded LGPS eligibility issue	2	0.31%	1	0.14%
CARE pay for 2014-2015 required	0	0.00%	2	0.28%
CARE pay for 2015-2016 required	2	0.31%	3	0.42%
CARE pay for 2016-2017 required	2	0.31%	15	2.11%
CARE pay for 2017-2018 required	10	1.54%	22	3.10%
Casual hours data required	9	1.38%	13	1.83%
Correct address required	106	16.28%	104	14.65%
Leaver form required	505	77.57%	538	75.77%
Pay Ref required	2	0.31%	1	0.14%
Missing data on leaver form - escalation	8	1.23%	6	0.85%
Correct FTE Pensionable Salary 16-17	0	0.00%	1	0.14%
4 DEFERRED	4224	100.00%	4170	100.00%
Age 75 exceeded LGPS eligibility issue	7	0.17%	5	0.12%
Correct address required	4170	98.72%	4119	98.78%
Correct NINO required	47	1.11%	46	1.10%
5 PENSIONERS	119	100.00%	137	100.00%
Correct address required	118	99.16%	133	97.08%
Correct NINO required	1	0.84%	1	0.73%
Age 75 exceeded LGPS eligibility issue	0	0.00%	3	2.19%
6 DEPENDANTS	79	100.00%	75	100.00%

Correct address required	23	29.11%	24	32.00%
Correct title required ie Miss or Mr	7	8.86%	7	9.33%
Correct NINO required	49	62.03%	44	58.67%
9 FROZEN	1719	100.00%	1723	100.00%
Age 75 exceeded LGPS eligibility issue	42	2.44%	45	2.61%
Correct Forenames required	10	0.58%	10	0.58%
Correct title required ie Miss or Mr	1	0.06%	1	0.06%
Correct address required	780	45.38%	789	45.79%
Correct NINO required	52	3.03%	52	3.02%
Historic refund case	834	48.52%	826	47.94%
Grand Total	7330	100.00%	7248	100.00%

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APPENDIX 5

Late Payers to 31st December 2018

Employer	Payroll Month	Days late	Cumulative occasions	Amount £	Significance	Reason / Action
Aspens	September	18	3	16,852.73	Significant value.	The employer blamed their volume of work. Following talks with Aspens subsequent payments have been on time.
Learning Partnership West (227)	September	32	3	140.83	Significant days late.	September and October paid late following disruption due to staff changes. The change of staff has also raised a question over the legitimacy of the contributions. See December late payment.
Learning Partnership West (227)	October	1	4	140.83	Value/days late not material	See above, paid together with September contributions.
Fit for Sport	October	5	1	236.44	Value/days late not material	The employer did not offer an explanation but subsequent payments have been made on time.
Eurotaxi	October	20	5	368.20	Significant days late.	Eurotaxi left the Fund on 30th November. Any outstanding liabilities will be met by them or their guarantor.
Anne Harris Academy	November	19	1	7,646.22	Significant days late.	The Academy had problems with their bank related to the administrative changes following their transfer from one Multi Academy Trust to another.
KGB Cleaning	November	6	1	494.79	Value/days late not material	Employer had problem with bacs being rejected but not being identified. KGB have now created a system to identify bacs rejects more quickly in future.

Edwards and Ward (872)	November	40	2	60.88	Significant days late.	E-mailed to chase November payment 04/01/2019 and 15/01/2019. Genuine query over Member's requirement to pay contributions. Employer confirmed figures on 17/01/2019 – chased again for payment on 29/01/2019 – paid 31/01/2019
Edwards and Ward (872)	December	9	3	33.63	Value/days late not material	See above note for November. November & December paid together
Future Stars	December	9	1	77.40	Value/days late not material	New employer paid arrears and mistakenly thought December was included. Paid on the day the error was recognised.
Learning Partnership West (227)	December	9	5	140.83	Value/days late not material	Employer queried whether member should be in the scheme. Query not resolved. Employer paid anyway. Currently in correspondence with employer around additional information on the employee in question.
				26,192.78	Over The 4 Months	
Total Contributions in Period (excluding deficit payments)				44,584,169	Late payments value as a % of total = 0.06%. Late Payments received from 8 out of 394 employers.	
All late payers are contacted and reminded of their obligations regarding the timing of payments. Where appropriate they are advised on alternative, more efficient methods of payment. Where material, interest will be charged on late payments at base rate plus 1% in accordance with the regulations.						
Calculation of cumulative occasions is based on a rolling 12 month period, consequently the number of cumulative occasions can go down as well as up.						

Bath & North East Somerset Council		
MEETING:	LOCAL PENSION BOARD - AVON PENSION FUND	
MEETING DATE:	7 March 2019	AGENDA ITEM NUMBER
TITLE:	Risk Management Update – Risk Register	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendix 1 Avon Pension Fund Risk Register Top Ten Risks		

1 THE ISSUE

- 1.1 The purpose of this report to update the current position of the Avon Pension Fund Risk Register and its top ten risks.

2 RECOMMENDATION

- 2.1 That the Board notes the report and comments on the Risk Register.

3 FINANCIAL IMPLICATIONS

- 3.1 There are no direct implications related to the Pension Board in connection with this report.

4 REPORT - AVON PENSION FUND RISK REGISTER

- 4.1 The Risk Register identifies the significant risks that could have a material impact on the Fund in terms of value, reputation, compliance or provision of service and sets out the action taken to manage the risk.
- 4.2 The Risk Register is reviewed every quarter by the pension management team. Risks identified cannot be eliminated but can be treated via monitoring.
- 4.3 The top 10 risks are included as Appendix 1 with the full register available to view at: [S:\Pensions\Users Shared\APF Pensions Board\Risk Register](#)
Members will need to log into the BANES system using their token to access this file
- 4.3 The risks identified fall into the following general categories:
 - (i) Fund administration & control of operational processes and strategic governance processes and TPR compliance – mitigated by having appropriate policies and procedures in place, use of electronic means to receive and send data and information
 - (ii) Service delivery partners not delivering in line with their contracts or SLAs – mitigated by monitoring and measuring performance
 - (iii) Financial loss due to payments in error, loss of assets due to investment strategy and/or managers failing to deliver required return, fraud or

negligence of investment managers or custodian – mitigated by processes to reconcile payments, regular review of strategic return and manager performance and annual review of investment strategy, robust legal contracts to protect against fraud & negligence

- (iv) Changes to the scheme – mitigated by project plans with defined milestones and responsibilities, progress reviewed periodically by management team
- (v) Increasing political pressure to reform scheme structure and governance frameworks and direct investment decisions – mitigated by having well defined investment policies and by engaging with the government through the consultation process

4.4 The Fund continues to invest significantly in systems and resources to ensure the risks are managed effectively and resilience is built into the service. The arrangements in place are supported by external and internal audit reviews.

5 RISK MANAGEMENT

5.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance and there are no significant or material risks to report as this is an information report.

6 EQUALITIES

6.1 A proportionate equalities impact assessment has been undertaken and there are no significant issues to report.

7 CONSULTATION

7.1 Report and Issues have been subject to consultation with the S151 Officer and Strategic Director of Resources.

Contact person	Geoff Cleak, Pensions Manager - 01225 395277 Jeff Wring, Head of Audit West - 01225 477323
Background papers	
Please contact the report author if you need to access this report in an alternative format	

AVON PENSION FUND RISK REGISTER - TOP 10 RISKS

Owner(s): Liz Woodyard / Geoff Cleak

Date updated: 26/02/2019

RISK STATUS KEY	
LOW	1 to 6
MEDIUM	7 to 14
HIGH	14 to 25

	#	DESCRIPTION	DATE ENTERED	RISK OWNER	CATEGORY	RISK SCORE										TOTAL	CURRENT OVERALL STATUS	PERIODS AGO			CURRENT STATUS OF ACTIONS	ACTIONS TO MANAGE RISK
						Likelihood					Impact											
						1	2	3	4	5	1	2	3	4	5							
1	R28 <																					

4	R26	The Fund fails to achieve investment returns sufficient to meet its liabilities as set out in the valuation. This may be due to strategy failure or investment managers appointed for each investment mandate failing to achieve their benchmark. Implications: this could negatively impact employer contribution rates.	01-Jul-08	Pensions Investments Manager	Investment Strategy			3					4	12	MEDIUM	M	M	M	On target	<p>A strategic review of the investment strategy is undertaken at least every 3 years. It determines the appropriate strategy to deliver the returns assumed by the actuarial valuation and takes into account the market outlook.</p> <p>The Fund adopts a diverse strategy across assets and managers which limit the impact of any one asset class or manager on the performance of the fund.</p> <p>The strategy is monitored quarterly and annually by Committee (between strategic reviews) when the investment performance is measured against the liabilities, the strategic benchmark and mandate performance targets. The Fund implements risk management strategies as appropriate to increase probability that funding plan will be achieved (currently LDI and Equity protection strategies).</p> <p>The managers are monitored against their mandate guidelines quarterly by the Investments Panel.</p> <p>Recommendations for action are made to Committee or actioned under delegated powers of the Panel.</p> <p>Significant due diligence is undertaken when appointing managers; process ensures there is not undue reliance on past performance.</p> <p>Specialist advice is commissioned covering both strategic issues, ongoing monitoring of strategy and managers and evaluating potential managers during procurement process.</p> <p>As the assets transition to Brunel, the responsibility for monitoring and selecting investment managers will transfer to Brunel. The Fund's responsibility will be to monitor Brunel's portfolios and Brunel's capability as the manager.</p>
5	R51	Risk of Fund retaining incorrect pensions liability - GMP Reconciliation Exercise. Following the abolishment of contracting out earnings effective from April 2016, requirement to undertake a reconciliation of GMP liability between Fund and HMRC. Completion date due end March 2019	10-Aug-15	Technical & Compliance Advisor	Admin Strategy			3					4	12	MEDIUM	M	M	M	On target	<p>There is a project plan in place linked to 3 year Service Plan which is periodically reviewed. Additional resource identified as 1.5 FTE to carry out reconciliation under management of Technical & Compliance Advisor. Exceptions reported to HMRC and progress/action reports provided periodically to Pensions Committee & LPB. Report on GMP project submitted to PC September 2018. Letter to be sent to SAB & LGA seeking guidance on rectification of overpayment cases awaiting responses - February 2019.</p>
6	R56	Significant increase in employers especially if all schools convert to academy status.		Pensions Manager	Admin Strategy				4			3		12	MEDIUM	M	M	M	On target	<p>Resources have been increased to support employer services within both actuarial and administration teams, reflecting the increase in new schedule bodies and admission bodies. Significant focus on developing more efficient automated processes. The administration of Academies within the LGPS is being reviewed by SAB</p>

7	R05	General Data Protection Regulation – Failure to secure and manage personal data held by the Pension Fund in an appropriate manner and in line with statutory responsibilities. Implications and impact of EU General Data Protection Regulations (GDPR) - ensure systems and processes in place and are complied with.	01-Jul-08	Pensions Manager	Admin Strategy			3					4		12	MEDIUM	M	M	M	On target	All staff undertake to share personal data with 3rd parties through controlled framework; compliant with B&NES DP policies. Awareness of potential risk in not doing so. GDPR privacy notices provided to all members. All staff undertaking GDPR online training programme, which is monitored and recorded. Members including pensioner members are informed regularly (via payslips & newsletters) that data is provided to third parties for the detection / prevention of fraud in accordance with National Fraud Initiative. (On-going) Project set up to ensure GDPR compliance to identify processes that need to be put in place - working with corporate Information Governance team.
8	R54	The Fund is a participating fund in the Brunel Pension Partnership for pooling its assets. The FCA- authorised company is now operational. The key risk is the transition of local fund assets to the Brunel portfolios. A significant delay in this could seriously impact the Fund's and pool's ability to deliver savings according to financial case. Focus in next 12-24 months is transition of assets, operational aspects relating to this and client monitoring and reporting.	01-Jul-16	Pensions Investments Manager	Governance		2						4		8	MEDIUM	M	M	M	On target	The Brunel governance structure is in place. Governance structure ensures Committee, Board and officers effectively manage the new relationship. Expert advice will be commissioned as required to assist the transition. Interim resources in place to support client side of the pool during the transition. Brunel developed a transition plan for 2018-20. Portfolios for quoted assets agreed in Jan 18; non- quoted asset portfolios agreed in April 18. Avon developed its own plan consistent with Brunel timetable to ensure any decisions/governance by Avon is identified and dealt with accordingly. Client Group will monitor plan with Brunel to ensure meets objectives, any changes are understood and agreed by the Shareholders and where necessary, issues are escalated to Brunel Oversight Board. Brunel Transition Plan revised in November 2018. Quarterly Committee agenda includes Brunel update report. Client side sub groups established to work closely with Brunel on portfolios & transition, financial aspects, RI and services delivered by Brunel.
9	R57	Pension Fund does not comply with the Transparency Code for full disclosure of Investment cost in the Annual Report of Accounts from 2018/19. The FCA is issuing a template to managers to provide the info to the Fund. Managers then have 12 months to comply therefore there is a risk that the Fund doesn't have full disclosure for 2018/19. Main risk is reputational if cited as non-compliant.	18-Jul-18	Investments Manager	Investment Strategy				4		2				8	MEDIUM	M	L		On target	The Fund has a project plan in place to collate as much info as possible in line with the Code. The Brunel client group and Brunel are working together to ensure funds in the pool understand the requirements and disclose in a consistent manner. The FCA reporting template has yet to be issued. As a result CIPFA have confirmed 2018/19 disclosure is on best endeavours basis as data is still incomplete.

10	R01	System Failure – Failure of the Fund to ensure it has adequate and robust systems to ensure pensions are administered and paid in accordance with statutory obligations.	12-Sep-13	Pensions Manager	Admin Strategy		2					3			6	LOW	L	L	L	On target	The Fund has policies in place which are periodically reviewed to ensure statutory obligations are met. Financial Systems team provides expert technical support to the Pensions service. Operational agreements in place with/for (i) Financial Systems (ii) SLA with Heywood (software provider) (iii) B&NES IT for corporate systems (iv) APF DR policy (v) B&NES BCP (vi) Daily system back-up. Arrangements with FS & IT to undertake replacement server – expected to complete during 2019/20.
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Bath & North East Somerset Council		
MEETING:	LOCAL PENSION BOARD - AVON PENSION FUND	
MEETING DATE:	7 th March 2019	AGENDA ITEM NUMBER
TITLE:	Pension Board – Training, Budget and Work Plan Update	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendix 1 – Outline Training Plan		
Appendix 2 – Outline Work Plan		

1 THE ISSUE

- 1.1 The purpose of this report is to receive regular updates on Training and Work Plan issues from the Board and request high level training needs from Board Members along with an update on the budget position for the Board.

2 RECOMMENDATION

That the Board

- 2.1 Notes the report and recommends high level Training needs through 2019.

3 FINANCIAL IMPLICATIONS

- 3.1 There are direct implications related to the Pension Board in connection with this report, however these are all currently within the planned budget for the operation of the Board.

4 REPORT

4.1 Training

- 4.2 In developing a training plan Board Members should reflect on their own statutory requirements as set out in previous reports. In summary Board Members should have a breadth of knowledge and understanding that is sufficient to allow them to understand fully any professional advice the Board is given. They should also be able to challenge any information or advice they are given and understand how that information or advice impacts on any decision relating to the Board's duty to assist the Avon Pension Fund.

4.3 As agreed at previous Board meetings individual board members should retain their own training log to evidence how they are fulfilling their responsibilities and update these on a quarterly basis to aid future training needs analysis.

4.4 A high level training plan at Appendix 1 has been developed previously based on the self-assessment completed by Board members and is attached for consideration.

4.5 Members are asked to consider Training needs through the rest of 2019 to fit into the working cycle of the Board.

4.6 **Work Plan**

4.7 In developing a work plan the Board should reflect the need to maintain a balance between building the knowledge and understanding of Board Members along with delivery of the statutory obligations of the Board.

4.8 The views of the Board are vital in informing the nature, frequency and cyclical nature of items as well as the timing of certain time-critical issues for consideration such as Project Brunel.

4.9 An outline of the Work Plan is attached at Appendix 2 for consideration and will continue to be worked on and re-presented at each meeting as the year progresses using the comments and feedback of the Board, Officers and other stakeholders such as the Pension Fund Committee to inform its contents.

4.10 **Budget 2019/20 & Forecast Outturn 18/19**

4.11 The Board have adopted appropriate arrangements to fulfil its terms of reference including a budget to allow for its operation and minor changes were made for the 2018/19 year.

4.12 There are no planned changes for 2019/20 and the current position is below –

Budget Area	2018/19 Budget	2018/19 Forecast	2019/20 Budget
Chairman's Allowance (& Members Expenses)	£8,000	£7,500	£8,000 (No Change - Retain)
Member Training & External Support	£6,000	£2,500	£6,000 (No Change - Retain)
Democratic Support (Meetings)	£6,000	£5,750	£6,000 (No Change - Retain)

4.13 Whilst with all elements of the public sector there is exceptional pressure to demonstrate value for money the Board should consider the under spend in Training (& External Support) alongside its future arrangements.

5 RISK MANAGEMENT

- 5.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance and there are no significant or material risks to report.

6 EQUALITIES

- 6.1 A proportionate equalities impact assessment has been undertaken and there are no significant issues to report.

7 CONSULTATION

- 7.1 Issues have been subject to consultation with the Chair of the Board.

Contact person	Jeff Wring, Service Director – One West, 01225 477323
Please contact the report author if you need to access this report in an alternative format	

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HOW DOES THE BOARD RATE THEIR KNOWLEDGE ON THE FOLLOWING AREAS	Limited	Basic	Good	Skilled	Priority (H/M/L)	Members' Board Papers (Electronic)	Briefing Notes/ Short Seminars (At Board Meetings)	Internal Training Events (Internal & External Specialists)	External Conferences & Training Seminars (LGE Fundamentals etc)	tPR Best Practice Guidance & Trustee Toolkit & E-Learning	TARGET DATE
1. Pensions Legislation			X		L	X	X		X	X	Ongoing
2. Pensions Governance			X		M	X	X		X	X	Ongoing
3. Pensions Administration			X		M	X	X		X	X	Ongoing
4. Pensions Accounting & Auditing Standards		X			L	X	X		X	X	Ongoing
5. Pensions Services Procurement & Relationship Management		X			L	X	X		X	X	Ongoing
6. Investment Performance & Risk Management		X			M	X	X	X	X	X	Ongoing
7. Financial Markets & Products Knowledge		X			M	X	X	X	X	X	Ongoing
8. Actuarial Methods, Standards & Practices		X			M	X	X	X	X	X	Ongoing

Self-Assessment Returns

Howard Pearce	Yes
David Yorath	Yes
Steve Harman	Yes
Tom Renhard	Yes
Gaynor Fisher	Yes
Mark King	Yes
Tony Whitlock	Yes

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Appendix 2 – LPB Work Plan

AGENDA ITEM	08/11/18	07/03/19	13/06/19	TBC Q3/1920	TBC Q4/1920
Board Governance					
Terms of Reference (Governance) review		X			
Code of Conduct/ Conflicts of Interest policy				X	
Work Plan (to be dynamically updated)	X	X	X	X	X
Annual budget setting and monitoring		X	X		
Training Plan (to be updated as required)	X	X	X	X	X
Annual Report to PC and Council approval			X	X	
Scheme and Fund Governance					
Legal, policy, regulatory developments	X	X	X	X	X
Training – APF financial delegations (Council, PC, IP, BOB, and APF officers)	X				
Minutes PC, IP, BOB	X	X	X	X	X
Annual Service Plan			X		
Training – APF internal & external SLA's financial controls			X		
External advisor appointments review process/controls				X	
Risk Register review	X	X	X	X	X
TPR Code 14 Compliance updates			X		
Governance (& FRC) Compliance statement				X	
Internal Audit plan/reports on APF			X		X
External Audit Governance Report and Accounts	X			X	
Benchmarking against other BPP funds			X		X
Funding/Investments					
Statutory Funding Strategy Statement consultation/process/report			X		
2019 Triennial valuation process/controls/report					X
Statutory GAD S13 triennial funding report					
Statutory ISS annual update and associated RI policy			X		
BPP update (delivery/savings)	X	X	X	X	X
Benefits Admin/Comms					
Admin Strategy Statement review and employer charging policy	X		X		
Fund and employers compliance/TPR reporting	X	X	X	X	X
Employer admission agreement policies					X
Breaches policy/register/TPR reporting					X
GDPR compliance					
Record keeping, data security, business recovery			X		
ABS process annual review	X				X
GMP reconciliation (one off exercise)	X				
Discretions policies review					X
Admin performance benchmarking			X		
Comms policy statement and website review				X	
Complaints policy, IDPRs, PO cases review					X

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