

Pension Board

Date: Thursday, 13th June, 2019

Time: 2.00 pm

Venue: Kaposvar Room - Guildhall, Bath

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



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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, 13th June, 2019
at 2.00 pm in the Kaposvar Room - Guildhall, Bath

A G E N D A

1. EMERGENCY EVACUATION PROCEDURE
2. APOLOGIES FOR ABSENCE
3. DECLARATIONS OF INTEREST
4. ITEMS FROM THE PUBLIC
5. ITEMS FROM MEMBERS
6. CHAIRMAN'S INTRODUCTION
7. MINUTES OF PREVIOUS MEETING: 7 MARCH 2019 (Pages 5 - 12)
8. ACTION TRACKER
Paper to follow
9. MINUTES OF AVON PENSION COMMITTEE: 22 MARCH 2019 (Pages 13 - 18)
10. MINUTES OF THE AVON PENSION COMMITTEE INVESTMENT PANEL: 27 FEBRUARY 2019 (Pages 19 - 26)
11. LGPS UPDATES (Pages 27 - 70)
12. PENSION FUND ADMINISTRATION STRATEGY (Pages 71 - 122)
13. PENSION FUND SERVICE PLAN (Pages 123 - 148)
14. COMPLIANCE REPORT (Pages 149 - 178)

15. INTERNAL AUDIT UPDATE REPORT (Pages 179 - 212)
16. RISK MANAGMENT UPDATE (Pages 213 - 218)
17. ANNUAL REPORT (Pages 219 - 232)
18. TRAINING AND WORKPLAN (Pages 233 - 238)
19. DATE OF NEXT MEETING

The next meeting is scheduled for 17 October 2019 in the Guildhall, Bath.

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, 7th March, 2019

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

Also in attendance: Tony Bartlett (Head of Business, Finance and Pensions), Jeff Wring (Service Director - One West), Geoff Cleak (Pensions Manager) and Kathryn Shore (Technical and Compliance Advisor)

63 EMERGENCY EVACUATION PROCEDURE

The Democratic Services Officer advised the meeting of the procedure.

64 APOLOGIES FOR ABSENCE

Apologies were received from Steve Harman.

65 DECLARATIONS OF INTEREST

There were none.

66 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

The Chair reminded Members that the role and purpose of the Board (specified in section 5 of the Public Pension Act 2013) was to assist the administration authority to secure compliance with: Regulations; other legislation relating to the governance and administration of the LGPS; the requirements imposed by the Regulator in relation to the LGPS, and to ensure the effective and efficient governance and administration of the scheme.

The Chair drew attention to the survey on scheme governance commissioned by the Scheme Advisory Board. This would have a particular focus on conflicts of interest. Further information about the survey is available from the SAB and Hymans websites:

http://lgpsboard.org/images/PDF/SAB_statement_on_Good_Governance_Survey.pdf

<https://www.hymans.co.uk/news-and-insights/news-and-blogs/news/scheme-advisory-board-sab-good-governance-in-the-lgps/>

67 ITEMS FROM THE PUBLIC

There were none.

68 ITEMS FROM MEMBERS

There were none.

69 MINUTES OF PREVIOUS MEETING: 8 NOVEMBER 2018

The public and exempt minutes of the meeting of the 8 November 2018 were approved as a correct record and signed by the Chair.

70 LPB ACTION TRACKER

Action Log item 1.0: the Head of Business, Finance and Pensions confirmed that the APF Administration Strategy would be considered at the 22 March 2019 meeting of the APF Committee and would be on the agenda of the 13 June 2019 meeting of the Board.

Action Log item 4.0: the Chair requested the Pensions Manager to continue to seek statistics of missing member addresses from other LGPS funds.

Members agreed that it was their wish to meet the Pensions Regulator, and to receive training on the guidance on annual reporting for LGPS funds and on the MHCLG guidance on asset pooling during the course of the year.

The public and exempt minutes of the 7th December 2018 meeting of the Avon Pension Fund Committee were noted.

71 BRUNEL UPDATE

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

He said that one of the issues the Oversight Board had been considering was client support. JLT had been already been engaged to provide ongoing support to officers and to coordinate contact with Brunel to ensure that the transition process kept to schedule. The Oversight Board felt that further professional support would be desirable.

A copy of the draft Brunel performance report for the period ending 30 September 2018 and the *Brunel Pension Partnership Governance Review* were tabled. The governance review would take place over the summer and would include a review of the service agreement with the client funds.

Progress was ongoing with the private markets portfolio; Brunel had recruited a member of staff to handle this.

The Brunel AGM had taken place at the end of January.

A Member said that the impression given in the report was that everything was on time and going to plan, and yet it appeared that the level of complexity was greater than originally anticipated, the transition had been extended, and extra resources were required. The Head of Business, Finance and Pensions agreed that things were more complex than assumed in the Business Case. However, the extra costs should be viewed in context: the extra resources required were an extra £1m in relation to a £23bn pool. One complicating factor was that the Financial Conduct

Authority did not have the resources to deal with the range of funds with which it now had to interact. The evidence was still that if sufficient time was allowed to do pooling properly then costs savings would be achieved.

The Chair said that Board's focus would be on whether the costs and benefits of pooling were transparent and whether pooling contributed to the overall efficiency and effectiveness of the APF scheme. The Head of Business, Finance and Pensions said that this was something that Government itself wanted to know.

RESOLVED to note the update.

72 LGPS REGULATORY UPDATE

The Technical and Compliance Advisor presented the report.

The Chair commented on the continuing large number of proposed changes to the LGPS emanating from various bodies, and suggested that the Administration Strategy had to be flexible enough to deal with these, and that the Fund should be prepared to provide additional administrative resources if these were required. The Head of Business, Finance and Pensions responded that the main challenges would be to find an appropriate flexible workforce structure and to achieve stability in the workforce. He hoped to make progress on these this year. The Chair suggested that restrictions on local authority recruitment should not apply to LGPS pension funds, which were distinct legal entities.

RESOLVED to note the current position regarding the developments that could affect the administration of the Fund.

73 CONSULTATION ON GOVERNANCE CHANGES TO APF

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

He said that the present Committee structure was reasonably representative of the employers in the Fund, with one significant gap, namely the large number of Academies that had become members through the academy conversion programme. So it was proposed to add an academy representative to the Committee membership. In addition, it was proposed to increase the number of Independent Members from 2 to 3 to help maintain the Fund's status as a professional investor. They also help maintain the continuity and collective memory of the Committee. One of the current Independent Members has a background in administration, the other in investment, and it has been proposed that a new Independent Member with an actuarial background would be a valuable addition. To further redress the balance of the Committee it has been proposed that the number of B&NES councillors should be reduced from 5 to 2. He had consulted the Group Leaders, who had raised no objections, but the change would have to be approved by the full Council.

Another proposal addressed the issue of how to best manage relations with Brunel. APF has a complicated relationship with Brunel and it is considered that there needs to be dedicated group consisting of members and officers to help APF manage this relationship.

A Member expressed concern that a reduction in the number of Councillors on the Committee would decrease democratic accountability. In its response to the consultation the Board had advised that legal advice be taken on the lawfulness of having four unelected members of the Committee taking financial decisions on behalf of the Council. The Head of Business, Finance and Pensions replied that the “democratic backstop” for the Fund was the role of the Council as the administering authority. The Council’s Section 151 Officer also played a role in the governance of the Fund. The Council decided the composition of the Committee and had lawfully chosen to delegate its operational responsibilities to it. There were independent and co-opted members on other Council committees.

Another aspect of the proposals focusses on streamlining current working methods and reducing duplication, by

- enabling the Pension Board to monitor the implementation of the administration Strategy and compliance and provide regular reports to the Committee on these
- moving the responsibility for delivering the investment strategy to the Investment Panel, allowing the Committee to focus on the on the key funding and strategic issues.
- more use of electronic communication to replace the circulation of paper

An updated report and the consultation responses will be circulated with the agenda for the March meeting of the Committee.

The Chair suggested that if certain statutory decisions were delegated to the Investment Panel, the Brunel Working Group Party would not be needed. The Head of Business, Finance and Pensions responded that the Working Group would have no decision-making powers and was only intended to be a channel of communication and would report regularly to the Committee.

The Head of Business, Finance and Pensions responded to suggestions made in the Board’s response to the consultation.

He acknowledged that there were a couple of examples of Joint LPB/Pensions Committee around the country, but he personally could not see how this could be a satisfactory arrangement; how would the scrutiny function performed by the Board be combined with the work of the Committee?

He did not think the Terms of Reference of the Board needed to be changed in their broad content. He felt that the guidance about the role of the Board contained examples of really poor drafting with a confusing mixture of things the Board had to do with things it might do. He believed clarity was necessary to ensure effectiveness.

The Chair pointed out that the statutory guidance on pooling said that the Pension Board could perform a useful role in investment governance. The Head of Business, Finance and Pensions said that this guidance was still in consultation.

The Service Director - One West said that the role and future membership of the Board was under review after its first four years, and Members were invited to comment on this. A Member suggested that the role of the Board would evolve as Brunel developed. Another Member said that he thought scrutiny and, where necessary, challenge, were central to the work of the Board. Another suggested that the Board ought to try to make an understanding of pensions more accessible to scheme members. The Chair felt that there should be a clear distinction between decision-making, which was the role of the Committee, and scrutiny and monitoring, which was the role of the Board.

The Service Director - One West said that two Members had indicated that they wished to continue their membership of the Board, others were considering their positions. He thought that the current makeup of the Board was probably appropriate. There would be an external advert for the appointment of the Chair for the next four years after Easter and recruitment of any new Members would take place after the Summer. A Member suggested that the Terms of Reference should explain the role of the Chair in the appointment of the other Members.

RESOLVED:

1. to note the report;
2. to confirm that the Pension Board is concerned about the democratic deficit that would arise from the proposed reduction in elected councillors on the Committee, and the potential legal and other risks arising from the proposed increase in the number of externally co-opted voting Members.

74 APF QUARTERLY COMPLIANCE REPORT

The Pensions Manager presented the Compliance Report for the quarter ending 31st December 2018.

He said that officers had been working with the scheme actuaries to identify change data in preparation for the valuation.

The project to clear the backlog of aggregation cases had been completed that week, the address-tracing project was reaching its final phase, and the Trivial Commutation project was underway.

Employer forums were held in January and February.

Staff had left and recruitment was in progress.

In reply to a question from the Chair, he said that no response had been received to the letter sent by the South West Area Pension Officers group to MHCLG and the Scheme Advisory Board seeking advice on how GMP cases where overpayments had been made should be treated.

The Chair was pleased to note the transparent reporting and good progress being made.

RESOLVED to note:

1. membership data, Fund and Employer performance for the 3 months to 31st December 2018;
2. progress and reviews of the TPR Data Improvement Plan.

75 APF RISK REGISTER

The Pensions Manager presented the report. He said that no changes had been made since the previous report.

The Chair commented that he thought recruitment and resources remained the major issues, and that in his opinion they deserved a risk score of 25 (the highest level), particularly in the context of asset pooling.

RESOLVED to note the Risk Register.

76 TRAINING, BUDGET AND WORKPLAN

The Service Director - One West presented the report.

He said that the dates of the two meetings of the Board to be held in Q3 and Q4 2019/2020 would be confirmed shortly.

He drew attention to the forecast underspend in the training budget for 2018/19, and re-iterated that budget was available for Members Training. A Member pointed that out training costs would be incurred for new Members of the Board.

The Chair drew attention to the annual Local Pension Board conference to be held in June 2019.

RESOLVED to note the report.

77 FORWARD LOOK

RESOLVED that all relevant issues had been covered elsewhere on the agenda.

78 DATE OF NEXT MEETING

The next meeting is scheduled to be held on 13 June 2019 at 2pm in the Kaposvar Room, Guildhall, Bath.

The meeting ended at 3.53 pm

Chair(person)

Date Confirmed and Signed

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Bath and North East Somerset Council

AVON PENSION FUND COMMITTEE

Minutes of the Meeting held

Friday, 22nd March, 2019, 1.00 pm

Bath and North East Somerset Councillors: Patrick Anketell-Jones (Vice-Chair, in the Chair), Shaun Stephenson-McGall, Lisa O'Brien and Rob Appleyard

Co-opted Voting Members: Councillor Mary Blatchford (North Somerset Council), Councillor Steve Pearce (Bristol City Council), William Liew (HFE Employers), Richard Orton (Trade Unions), Shirley Marsh (Independent Member) and Pauline Gordon (Independent Member)

Co-opted Non-voting Members: Cheryl Kirby (Parish and Town Councils)

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), Martin Phillips (Finance & Systems Manager (Pensions)) and Kathryn Shore (Technical and Compliance Advisor)

60 EMERGENCY EVACUATION PROCEDURE

The Democratic Services Officer advised the meeting of the procedure.

61 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Apologies were received from Cllr David Veale, Cllr Toby Savage and Wendy Weston.

62 DECLARATIONS OF INTEREST

Councillor Anketell-Jones declared a non-pecuniary interest as a member of Greenpeace.

63 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

There was none.

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

David Searby of Fossil Free B&NES made a statement to the Committee. A copy of it is attached as an appendix to these minutes.

65 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

A Member asked whether the Committee complied with the rules of political proportionality in the light of apologies received for today's meeting and the proposed reduction in the number of Bath and North East Somerset Councillor members of the Committee under recommendation 2.1 (a) of agenda item 9. The Democratic Services Officer explained that political proportionality applied only applied to the Bath and North East Somerset Members of the Committee and to the permanent membership of the Committee, not to attendance at an individual meeting. Any decision the Committee reached today on the proposal to which the Member had referred would be constitutionally valid.

66 MINUTES: 7TH DECEMBER 2018

The public and exempt minutes of the meeting of the 7th December 2018 were approved as a correct record and signed by the Chair.

67 PENSION BOARD: MINUTES OF 8TH NOVEMBER 2018

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

68 GOVERNANCE ARRANGEMENTS

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

He drew attention to the comments of the Pension Board on the proposals (Appendix 2); the Board had had a long debate about the proposals its meeting on 7 March. A wider consultation on the proposals had been held following the Committee's discussion at the December meeting; a summary of responses attached in Appendix 1. Employers had generally been supportive. He drew attention to the suggestion that voting rights be extended to the Parishes representative, on which Members were invited to decide.

The Chair suggested that the Committee should debate and vote on the recommendations one by one.

2.1a Reduction in B&NES members from 5 to 3

Some Members objected to this proposal because of the legal responsibility of B&NES as the administering authority of the Fund and because it would cause a reduction in democratic accountability.

Another said that she had always believed that 5 B&NES representatives were too many.

Cllr Pearce said that he was agnostic about this proposal, because it did not address the concern of Bristol CC that its representation on the Committee did not match the proportion of the Fund's assets and liabilities attributable to it.

The recommendation was put to the vote and was carried by 5 votes with one abstention.

2.1b Addition of a further Independent Member

Responding to the Chair, the Head of Business, Finance and Pensions confirmed that this recommendation was independent of the recommendation to reduce the number of B&NES Councillors on the Committee; each recommendation was independent of the others.

Members felt that the existing Independent Members made a valuable contribution to the work of the Committee.

The recommendation was carried by 10 votes in favour and none against.

2.1c Addition of an Academy representative to the Committee

This recommendation was carried by 10 votes in favour and one against.

2.1d Establishment of Brunel Working Group as a sub-group of the Committee

This was approved by 9 votes in favour with one against and one abstention.

2.e (i and ii) Proposed changes to Terms of Reference of the Avon Pension Fund Committee and the Avon Pension Fund Board

Agreed with one abstention.

2.2 Proposed election process for the new Academies representative and Independent Member if agreed by the Council

This was agreed by 10 votes in favour and none against.

2.3 Extension of voting rights to the Parishes representative

A Member said that Town and Parish Councils were not large employers and together did not have many employees in the Fund.

Members said that the views of non-voting Members were listened to and did affect outcomes. Non-voting Members were able to participate in workshops and attend the same training as voting Members.

Members agreed that voting rights should not be extended to the Parishes representative by 3 votes in favour and 5 against.

69 REVISED ADMINISTRATION STRATEGY

The Pensions Manager presented the report.

After discussion, the Committee **RESOLVED** to approve:

1. The draft Communications Policy Statement;
2. the draft ICT Strategy;
3. the draft Performance Standards;
4. the draft Customer Service Charter;
5. the draft Schedule of Additional Admin Charges;
6. the draft Schedule of Chargeable Services;
7. the draft Pensions Administration Strategy and annexes for the Avon Pension Fund for consultation with Employers.

70 SERVICE PLAN 2019-22

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

After discussion it was **RESOLVED** to approve the 3-year Service Plan and Budget for 2019-22 for the Avon Pension Fund.

71 BRUNEL PENSION PARTNERSHIP UPDATE

The Investments Manager presented the report.

RESOLVED to note:

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

72 2019 STRATEGIC INVESTMENT REVIEW PLAN

The Investments Manager presented the report.

Members debated how far climate change and action of fossil fuels should inform the Policy. The Head of Business, Finance and Pensions suggested that the first steps were to gain a greater understanding of what the Fund could legally do, the opportunities available and how that could be incorporated within the Investment Strategy. A Member felt that in general the Council was poor at consultation. He suggested that there should be workshops, other activities and use of social media to allow the public to become involved, so that campaigners did not need to attend every meeting urging it do to better. Another Member pointed out that the Fund was accountable to scheme members not the public, and that the Fund's stance on fossil fuels had to be compatible with its fiduciary duty to members. This was not always understood by the public. The Head of Business, Finance and Pensions said that

climate change was a risk that the Fund had to take account of in its Investment Strategy. He also suggested that communication to public and members was a fundamental issue.

RESOLVED to agree the plan for the Strategic Investment Review.

73 UPDATE ON LEGISLATION

The Technical and Compliance Advisor 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 proposed response to be sent to the MHCLG consultation on 'Fair Deal'.

74 TREASURY MANAGEMENT POLICY

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

RESOLVED to approve the Treasury Management Policy as set out in Appendix 1.

75 REPORT ON INVESTMENT PANEL ACTIVITY - TO FOLLOW

The Assistant Investments Manager presented the report.

RESOLVED to note draft Minutes of the Investment Panel meeting of 27 February 2019 in Appendix 1 and Exempt Appendix 2.

76 REVIEW OF INVESTMENT PERFORMANCE FOR QUARTER - TO FOLLOW

The Assistant Investments Manager presented the report.

Mr Turner presented the Mercer Quarterly Investment Review.

RESOLVED:

1. to note the information set out in the report;
2. to note the LAPFF Quarterly Engagement Report.

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

The Pensions Manager presented the report.

RESOLVED to note:

1. membership data, Fund and employer performance for the 3 months to 31st December 2018;
2. progress and reviews of the TPR Data Improvement Plan.

78 BUDGET AND CASH FLOW MONITORING

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

RESOLVED to note:

1. the administration and management expenditure incurred for 10 months to 31 January 2019;
2. the Cash Flow Forecast at 31 January 2019.

79 WORKPLANS

The Investments Manager presented the report.

A Member suggested that there should be a workstream on ESG issues and that this should be highlighted in agendas.

RESOLVED to note the workplans and training programme for the relevant periods.

The meeting ended at 3.33 pm

Chair(person)

Date Confirmed and Signed

Prepared by Democratic Services

AVON PENSION FUND COMMITTEE INVESTMENT PANEL

Minutes of the Meeting held

Wednesday, 27th February, 2019, 2.00 pm

Members: Councillor Patrick Anketell-Jones (Chair), Councillor David Veale, Pauline Gordon and Shirley Marsh

Advisors: Steve Turner (Mercer), Nick Page (Mercer)

Also in attendance: Liz Woodyard (Investments Manager), Nathan Rollinson (Assistant Investments Manager) and Ileana Constantinescu (Investments Officer)

36 EMERGENCY EVACUATION PROCEDURE

The Democratic Services Officer advised the meeting of the procedure.

37 DECLARATIONS OF INTEREST

Councillor Anketell-Jones declared that he was a member of Greenpeace.

38 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Apologies were received from Cllr Rob Appleyard and Cllr Mary Blatchford.

39 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

There was none.

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

There were none.

41 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

There were none.

42 MINUTES: 12TH NOVEMBER 2018

The public minutes of the 12th November 2018 were approved as a correct record and signed by the Chair.

Due to an oversight the exempt minutes had not been circulated with the agenda; Members agreed to raise any concerns pertaining to the exempt minutes directly with the Investments Manager after the meeting and by email and to defer approval of them to the next meeting of the Panel.

43 BRUNEL PENSION PARTNERSHIP - UPDATE ON POOLING

The Investments Manager tabled a covering report for this item, which summarised developments since the previous meeting of the Panel in November 2018.

She said that the transition to Brunel was still progressing according to plan.

The transition of UK Equities had been completed; the final outcome report would be shared with the Client Group shortly, and would come to the Panel and the Committee.

The tender to select managers for the Emerging Markets Equities portfolio was under way; the scoping paper for this was attached as exempt appendix 1.

The Global High Alpha Equities portfolio had been launched; the launch paper was attached as exempt appendix 2.

Exempt appendix 3 detailed the Liability Driven Investment Offering agreed between Brunel and the Client Group.

The drawdown of commitments to the Secured Income and Renewable Infrastructure portfolios has begun. Since the commitments made in 2018 met the Fund's strategic allocation, no new commitments will be made to these portfolios in 2019.

Before discussing the exempt appendices to this item, the Panel, having been satisfied that the public interest would be better served by not disclosing relevant information, **RESOLVED** that the public should be excluded for the discussion of exempt appendices 1-4b of this item and that the reporting of this part of the meeting should 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.

RESOLVED:

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

44 DRAFT PLAN 2019 STRATEGIC REVIEW

The Investments Manager presented the report. The Panel discussed the draft plan for the Strategic Review. The final plan will be presented to Committee at its March meeting.

Having been satisfied that the public interest would be better served by not disclosing relevant information, the Panel **RESOLVED** that the public should be excluded during the discussion of exempt appendix 1 and that the reporting of this part of the meeting should 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.

RESOLVED to note the draft plan.

45 PRIVATE DEBT - ASSET CLASS UPDATE

The Assistant Investments Manager presented the report, to refresh Panel members about the characteristics of Private Debt.

Mr Turner presented the Mercer *Private Asset Class Update* paper (Appendix 1).

[Councillor David Veale left the meeting.]

Having been satisfied that the public interest would be better served by not disclosing relevant information, the Panel **RESOLVED** that the public should be excluded for the discussion of exempt appendix 2 and that the reporting of this part of the meeting should 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.

The Investments Manager presented the Brunel Private Debt Portfolio Specification.

RESOLVED to note the information contained in the report and appendices.

46 REVIEW OF INVESTMENT PERFORMANCE FOR PERIODS ENDING 31 DECEMBER 2018

The Assistant Investments Manager presented the report.

Mr Turner presented the Mercer Performance Monitoring Report (appendix 2).

Having been satisfied that the public interest would be better served by not disclosing relevant information, the Panel **RESOLVED** that the public should be excluded for the discussion of exempt appendix 4 and that the reporting of this part of the meeting should 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.

Mr Page presented the Mercer Risk Management Framework Quarterly Monitoring Report (exempt appendix 4).

The Panel returned to open session and the Assistant Investments Manager drew attention to the sample Brunel Quarterly Performance Report (appendix 6).

RESOLVED:

1. to note the information as set out in the reports.
2. that there were no issues to report to the Committee.

47 WORKPLAN

RESOLVED to note the workplan.

The meeting ended at 4.15 pm

Chair(person)

Date Confirmed and Signed

Prepared by Democratic Services

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

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Bath & North East Somerset Council	
MEETING:	LOCAL PENSION BOARD
MEETING DATE:	13 June 2019
TITLE:	LGPS: Regulatory update
WARD:	ALL
AN OPEN PUBLIC ITEM	
<p>List of attachments to this report:</p> <p>Appendix 1 – Current matters affecting LGPS administration May 2019</p> <p>Appendix 2 – Copy of final response to informal MHCLG consultation on ‘LGPS Asset Pooling Statutory Guidance’</p> <p>Appendix 3 – Copy of final response to MHCLG consultation on ‘Fair Deal’</p> <p>Appendix 4 – Copy of final response to MHCLG consultation on ‘Late Retirement Factors’</p> <p>Appendix 5 – CIPFA Open Letter</p>	

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 number of consultations that were released by MHCLG have now been responded to by APF, these responses are included as Appendix 2, 3 & 4.

Two further consultations were recently released, one by HM Treasury on ‘Restricting Exit Payments in the Public Sector’ and one by MHCLG on ‘Changes to the Local Valuation Cycle and the Management of Employer Risk’. APF are currently drafting responses to both of these consultations.

2 RECOMMENDATIONS

That the Pension Board:

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

2.2 Notes the responses sent to the MHCLG consultations on ‘LGPS Asset Pooling’, ‘Fair Deal’ & ‘Late Retirement Factors’.

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 SAB COST MANAGEMENT PROCESS

- 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 will not be in place for 1 April 2019. The SAB are in the process of writing to the Minister to open discussions about any alternative cost management package and seek his agreement that the Board must be part of any future discussions surrounding the remedy package should the court ruling stand.
- 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. A consultation has now been released proposing this.

5 MHCLG LGPS CONSULTATIONS

- 5.1 LGPS Asset Pooling - In Jan 2019, MHCLG launched an informal consultation and draft statutory guidance on 'LGPS Asset Pooling' which sets out the requirements on administering authorities, replacing and building on previous non-statutory guidance issued in Nov 2015. The consultation closed on 28 Mar 2019, a copy of the response sent on behalf of APF is included as Appendix 2.
- 5.2 Fair Deal - On 10 Jan 2019, MHCLG launched a policy consultation and draft regulations on 'Fair Deal' containing 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 consultation closed on 4 Apr 2019, a copy of the response sent on behalf of APF is included as Appendix 3.
- 5.3 Late Retirement Factors - On 28 Mar 2019, MHCLG conducted a short consultation on proposed changes to the late retirement increase factors and guidance. The proposals include a change in methodology as well as a change in factors which is intended to remove the 'cliff edge' that was the result of the last factor change in January 2017 for some members. The consultation closed on 17 Apr 2019, a copy of the response sent on behalf of APF is included as Appendix 4.
- 5.4 Local Valuation Cycle and the Management of Employer Risk - On 8 May 2019, MHCLG launched a policy consultation on proposed amendments to the LGPS regulations 2013 covering the following areas:-
- a) Amendments to the local fund valuations from the current three year (triennial) to a four-year (quadrennial) cycle
 - b) A number of measures aimed at mitigating the risks of moving from triennial to quadrennial cycles
 - c) Proposals for flexibility on exit payments
 - d) Proposals for further policy changes to exit credits
 - e) Proposals for policy changes to employers required to offer LGPS membership

The consultation closes on 31 Jul 2019, APF are currently in the process of drafting a response.

6 TREASURY CONSULTATION - Exit Payments in the Public Sector

6.1 On 10 April 2019 HM Treasury launched a further consultation called 'Restricting Exit Payments in the Public Sector'. This is a 12 week consultation closing on 3 July 2019 to which APF are currently drafting a response.

6.2 Introducing a cap on exit payments will have significant implications for employers as well as for administering authorities.

6.3 It is expected that MHCLG will run a separate consultation in relation to the LGPS in England and Wales, which will cover amongst other things the agreement and implementation of a common costing methodology.

7 RISK MANAGEMENT

7.1 No specific issues to consider.

8 EQUALITIES

8.1 None as this report is primarily for information only.

9 CONSULTATION

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

10 ISSUES TO CONSIDER IN REACHING THE DECISION

10.1 The issues to consider are contained in the report.

11 ADVICE SOUGHT

11.1 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>LGA Bulletins</i> <i>MHCLG Consultation Documents</i> <i>HM Treasury Consultation Document</i> <i>SAB Meeting Minutes</i> <i>Technical Group Meeting Minutes</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 - May 2019

SCHEME ADVISORY BOARD [SAB]

<p>*New Item* Annual Report for the LGPS 2017/18</p>	<p>The SAB has published its sixth Annual Report for the LGPS in England and Wales, see link here. The aim of the report is to provide a single source of information about the status of the LGPS for its members, employers, and other stakeholders. Continually improving key information about the Scheme as a whole is one of the top priorities of the Board. This report aggregates information supplied in the 89 fund annual reports, as at 31st March 2018.</p> <p>Here are some key LGPS highlights for 2018:</p> <ul style="list-style-type: none"> • The total membership of the LGPS grew by 197,000 (3.4%) to 5.8m members in 2018 from 5.6m in 2017. • The total assets of the LGPS increased to £275bn (a change of 5%). These assets were invested in pooled investment vehicles (54%), public equities (29%), bonds (7%), direct property (3%), as well as other asset classes (7%). • The Local Authority return on investment over 2017/2018 was 4.4%. This was reflective of the market conditions during the year and set against the UK Return of 0.2%. • The scheme maintained a positive cash-flow position overall. Scheme income was higher than total scheme outgoings by £500m; this is including investment income. • Over 1.7m pensioners were paid over the year.
<p>Local Pension Boards</p>	<p>Latest Update from SAB Meeting 8 Apr 2019:-</p> <p>Board members were advised that a working draft of the new local pension board survey was near to completion. It was agreed that delegated authority should be given to the Chair of the Investment committee to agree the final draft and publication arrangements to ensure that the survey was undertaken outside of the main Summer holiday break.</p> <p>Previous Update from SAB Meeting 16 Jan 2019:-</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>

Workplan 2019/20	<p>Latest Update from SAB Meeting 8 Apr 2019:-</p> <p>The Board considered a follow-up paper to the one agreed at the January 2019 meeting that set out in more detail the requirements for an ongoing reserve and how it would be used in 2019/20. Board members were advised that sufficient funds would be available to pay for any additional work arising from the Good Governance project over and above the contract price. The Board agreed that the 2019/20 budget and workplan as set out in the revised paper should be sent to MHCLG Ministers for consideration and approval.</p> <p>Previous Update from SAB Meeting 16 Jan 2019:-</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>
Cost Cap Controls	<p>Latest Update from SAB Meeting 8 Apr 2019:-</p> <p>The Board was advised that the Civil Service Pension Scheme’s Advisory Board had recently written to their Minister setting out their agreed package to recover the cap breach of 5.4% and asking that the process, despite being paused, should be allowed to proceed as far as is possible. Board members were further advised that similar actions were being taken by the advisory boards of the other public service pension schemes and that it was open to them to agree to do likewise for the LGPS. The Board agreed that a letter in these terms should be drafted by the Secretariat for members to consider and approve. The letter will invite the Minister to open discussions with the Board about any alternative cost management package and seek his agreement that the Board must be part of any future discussions surrounding the remedy package should the McCloud judgement stand.</p> <p>Around 70 responses were received to the previous question posed to Administering Authorities, with regards to the 2019 valuation (see previous update), with the significant majority expressing a preference to receive central guidance, following which board published an advice note covering the implications of McCloud/Cost Cap in relation to the 2019 fund valuations on 14 May 2019.</p> <p>Previous Update:-</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</p>

explaining the cost cap arrangement and its implications to scheme employers and others would be produced.

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.

On 30 Jan 2019 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. 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.

	<p>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.</p>
<p>Projects in Service Plan for 2018/19</p>	
<p>Improving member data to meet the Pensions Regulator requirements</p>	<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>
<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>	<p>Latest Update from SAB Meeting 8 Apr 2019:- The project team at Hymans Robertson updated the Board on progress to date and next steps. Members were advised that Hymans had approached 15 individuals across the scheme to identify relevant issues concerning administration and governance of the scheme as a means to ensure that future stages of the project, including an online questionnaire, are focussed on relevant and topical issues. The UNISON representative expressed concern that none of the options listed in the paper allowed for wholly new bodies, within the local government legal framework, to be recommended. The Board agreed that Option 4 in the paper should be re-drafted to accommodate for this outcome. Otherwise the Board agreed that Hymans can proceed.</p> <p>On 17 April 2019 Hymans Robertson launched the Good Governance Project Survey to capture as many views as possible from those working within the LGPS with a closing date for submissions of 31 May. The findings will form the basis for a report that will be submitted to the SAB in July. APF officers have completed the survey.</p> <p>Previous Update from SAB Meeting 16 Jan 2019:- 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>

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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.

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.

Previous Update:-

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.

Discussed and agreed at SAB meeting 10 Oct 2018

- 3 bids received to undertake the project
- SAB members invited to comment on the bids
- SAB Chair and Vice-Chair given delegated authority to make final decision

Existing Projects to Continue into 2018-19

Review of Academies

Latest Update from SAB Meeting 16 Jan 2019:-

The Board was advised that the work of the academies administration 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.

Previous Update:-

Ministers agreed that DFE, MHCLG, GAD and the Board should continue to work closely together to pursue solutions, engaging key stakeholders including pension funds, actuarial firms and academy trusts as appropriate.

Two working groups have been set up Administration and Funding

Administration

This group has focussed on 4 key areas :-

- More consistency in pensions administration
- More effective communication
- Improved training at local, regional and national level, and

	<p><input type="checkbox"/> Clarifying the duties and responsibilities of stakeholders</p> <p>Funding The funding working group is exploring proposals to standardise conversion methodologies, move to single future service rates within each LGPS fund and to better enable MATS to consolidate their schools in one LGPS fund.</p> <p>An option to achieve these objectives from the group was to be discussed at the meeting of the DfE academy working group on 20th June.</p> <p>GAD issued its report: Academies LGPS pension arrangements on 14 Sept 2018 which can be found here.</p> <p>On average academies currently pay 2% of payroll less in contributions than local authorities (LAs) - 21% versus 23%, 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>
<p>Tier 3 Employers</p>	<p>Latest Update from SAB Meeting 16 Jan 2019:- 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:- 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>
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 38</p> <p>Code of Transparency - Compliance System</p>	<p>Latest Update from SAB Meeting 8 Apr 2019:- The Board was advised that a technical breach meant that the procurement project had to be cancelled and started afresh.</p> <p>Previous Update from SAB Meeting 16 Jan 2019:- 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. The Board also agreed that the Northern Ireland LGPS should be added to the Code of Transparency.</p> <p>Previous Update:- 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>
<p>Cross Pooling</p>	<p>Latest Update from SAB Meeting 8 Apr 2019:-</p>

	<p>The MHCLG representative confirmed to the Board that 93 responses had been received in response to the consultation and that many of these were very detailed and would need very careful consideration. APFs response was submitted on 25 March, a copy of the final response is attached as Appendix 2.</p> <p>Previous Update from SAB Meeting 16 Jan 2019:- 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:- 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 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>
<p>Responsible Investment</p>	<p>Latest Update from SAB Meeting 8 Apr 2019:- The Board agreed with the recommendation from the Investment, Governance and Engagement committee (“Investment Committee”) that the guidance should be web based rather than published in hard copy. A web based project will allow greater flexibility when updating and will also cater for linking with other related work and projects. The Board also agreed the recommendation from the Investment committee that a paper to be submitted by UNISON based on the report they commissioned from ShareAction on ESG policies, in particular, on climate change risk, should be considered by the Board at a future date.</p>

	<p>Previous Update from SAB Meeting 16 Jan 2019:- 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.
<p>The Pension Regulator</p>	<p>Latest Update from SAB Meeting 8 Apr 2019:- A presentation was given by representatives from tPR. The main points included –</p> <ul style="list-style-type: none"> ○ tPR’s work within the LGPS was about supervision not enforcement ○ High risk cohort work has been positive with no need for any improvement plans or enforcement action. ○ Some concerns about some employers and fund authorities still using paper data inputs and records. Results will be published in June 2019 on an anonymised basis. ○ Code of Practice 14 is the first requirement that scheme managers should have regard to but there are other codes and practice notes that also need to be taken on board. <p>A copy of the slides can be found on the SAB website here.</p> <p>Previous Update from SAB Meeting 16 Jan 2019:- 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>

- 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]

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<p>*New Item* MHCLG Consultation on LGPS Local Valuation Cycle and the Management of Employer Risk</p>	<p>On 8 May 2019 MHCLG launched a 12 week consultation on policy proposals to amend the rules of the Local Government Pension Scheme 2013 in England and Wales, see link here. It covers the following areas:</p> <ol style="list-style-type: none"> 1. Amendments to the local fund valuations from the current three year (triennial) to a four-year (quadrennial) cycle 2. A number of measures aimed at mitigating the risks of moving from triennial to quadrennial cycles 3. Proposals for flexibility on exit payments 4. Proposals for further policy changes to exit credits 5. Proposals for policy changes to employers required to offer LGPS membership <p>APF are current in the process of drafting a response to this consultation which closes on .</p>
<p>*New Item* MHCLG Consultation on Late Retirement Factors</p>	<p>On 28 March 2019 MHCLG conducted a short consultation on proposed changes to the late retirement increase factors and guidance with a closing date of 17 April 2019. The consultation document, draft guidance and examples can be found here. The proposals include a change in methodology as well as a change in factors which is intended to remove the 'cliff edge' that was the result of the last factor change in January 2017 for some members.</p> <p>APF submitted a response to this consultation on 11 April 2019 a copy of which is attached as Appendix 4.</p>
<p>MHCLG Consultation on Fair Deal</p>	<p>Latest Update:- APF submitted their response to this consultation on 2 April 2019 a copy of which is attached as Appendix 3.</p> <p>At their meeting on 8 March the LGPS Technical group agreed on their response which can be found as an appendix to their March 2019 minutes here.</p> <p>The LGPC also submitted a response which can be found here.</p>

	<p>MHCLG have since reported the following on the response to Fair Deal consultation:-</p> <ul style="list-style-type: none"> - Total responses received was 79, 35 from LG funds & 9 from scheme employers (+ 7 from outsourced contractors) <p>Disappointing return from scheme employers of which there are now circa 15,000. MHCLG are in the process of analysing all responses & will work with SAB on provision of Guidance. It is hoped that guidance will be published by end of 2019 even if this is ahead of the required change in regulations.</p> <p>Previous Update:- 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>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>Latest Update:- Amendments have been made to procedures/documentation to reflect the changes for deferred members who left the scheme before 1 April 1998.</p> <p>APF are currently in the process of identifying any pensions paid to surviving civil partners and same sex spouses to assess if any additional amounts are due.</p> <p>Statutory guidance will be issued by MHCLG containing information concerning how to approach revised benefit calculations, CETVs, Interfunds and Trivial Commutations.</p> <p>On 10 March 2019 the LGPC Secretariat, in conjunction with the national Communications Working Group, produced a leaflet to assist administering authorities when communicating the material changes to the Scheme to members. APF</p>

communicated to members in their Spring 2019 Newsletters ahead of the 9 April deadline.

Previous Update:-

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).

Main changes:-

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.

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.

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.

➤ Action

Actions for Administering Authorities:-

- 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

➤ **Action
(Completed)**

**October 2018
Policy Consultation
and
Draft Regulations**

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.

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
Comments on the draft regulations are required earlier by 16 November 2018

**MHCLG/GAD;
Review of LGPS
Factor Tables**

Latest Update:-

Revised club transfer factors, effective from 1 April 2019, have now been issued along with a new requirement for all club transfer calculations to be further split to show a separate transfer value for pre 6 April 2016 and post 5 April 2016 benefits (the date when contracting out of the State Second Pension ended). APF are currently in talks with Heywood to ensure that the system will be updated to comply with this requirement as soon as possible. APF have taken the decision not to stockpile transfer out cases or to reject transfer ins calculations from other PSPS which are not split for pre and post April 2016 membership for the time being.

On 15 March 2019 MHCLG issued revised factors, effective from 1 April 2019, for all new and ongoing additional pension contracts being paid by monthly deduction. APF has carried out an exercise to recalculate members contributions payable from 1 April 2019 and have instructed payroll departments to commence deduction of the increased contributions and notified affected members accordingly.

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.

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.

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:-

- 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)

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.

HM TREASURY [HMT]

Indexation and equalisation of GMP in public service pension schemes

Latest Update:-

The DWP have published guidance on how the GMP conversion legislation might be used to achieve equalisation, see link [here](#). Whilst this guidance does not apply to public sector pension schemes, MHCLG and HM Treasury may decide on future changes that would affect the LGPS and this guidance provides information on the possible routes that could be taken.

HMRC announced that it is forming a working group with industry representatives to consider pension tax issues relating to GMP equalisation.

Previous 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.

Previous Update:-

APF responded to consultation in Feb 2017

On 22 January 2018, HMT published its response to the consultation.

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.

During this period, the government will investigate the possibility of an alternative long-term methodology, known as "conversion".

Government Actuary has issued an addendum to the guidance for Transfer and Divorce calculations

	HMRC to set up working group in 2019
Public Sector Exit Payments Cap	<p>Latest Update:- On 10 April 2019 HM Treasury launched a consultation called ‘Restricting exit payments in the public sector: consultation on implementation of the regulations’, see link here. This is a 12-week consultation closing on 3 July 2019 and APF are currently drafting a response.</p> <p>The LGPC have produced a briefing note which ties together the contents of the consultation documents. The briefing note and the consultation documents can be found here. The key points in the latest consultation are as follows:-</p> <ul style="list-style-type: none"> • No change from the earlier proposal that the maximum exit payment will be £95,000. • The cap will apply to a wide range of public sector employers, including employees of councils in England and Wales, fire authorities, police forces, academies and maintained schools. • The £95,000 cap will include the value of any early retirement strain payments, and it is envisaged that the ability to take an unreduced early retirement pension will therefore be severely restricted in some cases. • Certain employers in the LGPS e.g. Universities and Colleges appear not to be covered which will mean members would be treated differently within the LGPS depending on their employer on exit. • As previously indicated, there will be provisions for the cap to be waived in some circumstances. However, the tone of the consultation makes clear that any waiver is expected to be the exception rather than the norm. <p>There will be some details to be ironed out in relation to the LGPS in England and Wales. We expect the MHCLG will run a separate consultation, and which will cover amongst other things the agreement and implementation of a common costing methodology and factors for strain payments.</p> <p>HMT welcomes responses to the consultation from employers, employees and their representatives, HR, payroll and pension experts, and anyone else who might be impacted by the proposals.</p> <p>Introducing a cap on exit payments will have significant implications for employers as well as for administering authorities. APF have communicated details of the consultation to fund employers to ensure that they also have an opportunity to respond.</p> <p>It is expected that MHCLG will run a separate consultation in relation to the LGPS in England and Wales, which will cover amongst other things the agreement and implementation of a common costing methodology.</p>

	<p>Previous Update:- The Bill was initially expected to have its second reading debate on Friday 25 Jan 2019, however, it now shows that the 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>
<h2>THE PENSION REGULATOR (TPR)</h2>	
<p>2018 Governance and Administration Survey</p>	<p>Latest Update:- The results of last year's survey will be published in May 2019.</p> <p>Previous Update:- 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>APF completed the survey before the deadline.</p>
<p>Proactive engagement with LGPS funds planned for 2018 and 2019</p>	<p>Latest Update:- TPR has published a regulatory intervention report outlining how it worked with the Oxfordshire Pension Fund to improve the fund's governance and administration. The report can be found here.</p> <p>Previous Update:- The Pensions Regulator's (TPR) Corporate Plan for 2018-2021 at page 18, link here, includes three new Key</p>

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.

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.

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:

- 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

It is anticipated that up to ten administering authorities will be visited during the period

Local authorities have been approached but none to date in the South West Region

ITEMS FROM OTHER SOURCES

New Item
New
Limits/Increases for
2019/20

LGPS additional pension purchase limit for 2019/20 in England and Wales

Regulations 16(6) and 31(2) of the LGPS Regulations 2013 state that the additional pension limit is increased on 1 April each year as if it were a pension beginning on 1 April 2013 to which the Pensions (Increase) Act 1971 applied. The pensions increase due on 1 April 2019 is that from 9 April 2018 (since the 2019 PI date is 8 April 2019) and so the current additional pension limit of £6,822 is increased by 3% to £7,026 from 1 April 2019.

Annual Allowance and Lifetime Allowance limits applicable from 6 April 2019

The Finance Act 2004 (Standard Lifetime Allowance) Regulations 2019 [SI 2019/29] amends the Lifetime Allowance limit to £1,055,000 with effect from 6 April 2019.

The Annual Allowance, as defined by the Finance Act 2004 (as amended), remains unchanged at £40,000 for 2019/20.

Annual Revaluation Order

LGPS administering authorities should note that the full year increase to be applied at one second after midnight on 31 March 2019 to the career average pension earned up to 31 March 2019 is 2.4%.

Annual Pensions Increase

LGPS administering authorities and those employers who pay their own annual compensation benefits (relating to an

	<p>historical award of compensatory added years) should note that the increase to be applied from 8 April 2019 to a qualifying pension which began (ie has a pensions increase date) before 9 April 2018 will be 2.4%.</p> <p>Retail Prices Index (RPI) Increase The annual increase that applies to any additional pension purchased under an Additional Regular Contribution contract that commenced between 1 April 2008 and 31 March 2012 is based on RPI in the previous September. The increase that applies on 8 April 2019 is 3.3%.</p> <p>Annual GMP increase LGPS administering authorities should note that an increase of 2.4% should be applied:</p> <ul style="list-style-type: none"> • From 6 April 2019 to the post 5 April 1988 GMP element of a pension in payment where the individual reached State Pension age (SPa) before 6 April 2016 (assuming additional pension (AP) is not less than GMP), or • From 6 April 2019 to the post 5 April 1988 GMP element of a pension in payment where the individual reached SPa after 5 April 2016, and • From 8 April 2019 to the pre 6 April 1988 GMP element of a pension in payment where the individual reached SPa on or after 6 April 2016
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 50</p> <p>*New Item* CIPFA – Open Letter</p>	<p>In May 2019, the CIPFA Pensions Panel issued an open letter to all LGPS Administering Authority CFOs and all those involved in the governance and administration of the Schemes in England, Wales, Scotland and Northern Ireland. The letter is attached as Appendix 5 and relates to a number of recent publications CIPFA have issued as follows:-</p> <p>Preparing the Annual Report: Guidance for Local Government Pension Scheme Funds (2019 Edition). The guidance includes a new requirement for Funds to provide a statement on the value for money achieved by the administration function. This intends to increase the focus upon the Administration function and allow those involved in the governance arrangements to monitor performance and manage risks. The new guidance also offers a suggested approach to producing key performance indicators which was developed in conjunction with a working group of leading practitioners. The aim is to achieve a standard set of indicators which will improve the consistency and comparability of reporting and help Funds identify areas of strong and weak practice. The Panel are keen to urge all Funds to consider these tables and where possible produce information on a ‘best endeavours’ basis for 2018/19. CIPFA accepts this may be more difficult for some Funds and would welcome all feedback to help us develop this initiative.</p> <p>Pensions Administration Benchmarking Service to mirror the requirements in the Annual Report Guidance. We hope this will make the benchmarking service more relevant and increase participation which will lead to more useful information for all Funds and LGPS stakeholders. The pension panel hope that this tool will be used by more Funds to help us build a better picture of the current state of administration in the LGPS.</p>

	<p>A Guide to Administration in the LGPS which is a short document designed to provide an insight into the function for Pension Committee Members, Local Pension Board Members and those new to the LGPS. The Guide was developed with colleagues at AON and we hope it will be circulated widely to support the discussions around administrative challenges.</p>
<p>*New Item* ShareAction/UNISON Responsible Investment in the LGPS Review</p>	<p>All LGPS funds are required to publish an Investment Strategy Statement. This statement explains the Fund's investment strategy, how it manages all relevant investment risks and how it carries out its stewardship responsibilities. Unison commissioned a report to review and analyse the statements and in April 2019 ShareAction/UNISON published this analysis, see link here. The report highlights the proactive strategy the Avon Pension Fund has for responsible investing, placing us second highest in the overall rankings of LGPS funds showing that we are progressing across all areas.</p>
<p>Exit Credits</p>	<p>Latest Update:- The MHCLG consultation on LGPS Local Valuation Cycle and the Management of Employer Risk includes proposals for further policy changes to exit credits.</p> <p>Previous Update:- 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. 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>Discretionary Policies</p> <p>➤ Action</p>	<p>Latest Update:- APF are currently in the process of reviewing their discretionary policies and will present a paper to Committee at it's September meeting for approval.</p> <p>APF are in the process of purchasing a tool from JLT to assist employers when developing their discretionary policies and will carry out an exercise, when the tool is available, to support employers in reviewing and updating their discretions to incorporate the amendments below.</p> <p>Previous Update:-</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 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 style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 52</p> <p>LGPS Technical Group Update</p>	<p>Items of interest from meeting held 8 March 2019:-</p> <p>PENTAG Presentation Representatives from PENTAG delivered a presentation demonstrating their on-line LGPS guide. This on-line guide covers, in detail, all aspects of the LGPS (past and present) in England and Wales plus overriding legislation, case law, etc. The intention is that it will be a one-stop shop for anyone involved in the administration of the LGPS in England and Wales. The intention of the presentation was to gauge whether there would be enough support for the LGPC to subscribe to the product on behalf of all administering authorities (meaning that the price per authority would be considerably less than if authorities wished to subscribe to the product individually). Subscription would be in addition to existing LGPC fees (method of distribution to be determined).</p> <p>Following the presentation the LGA confirmed that in order to take this product forward at a national level, the LGA would need a majority (this wasn't defined) to agree to the purchasing of the product on behalf of administering authorities in LGPS England & Wales. The aim would be for the group to make a recommendation at the meeting of the National Technical group on 20 September 2019.</p> <p>The requirement under the LGPS 2013 Regulations to pay a refund within 5 years of the date of leaving Latest Update:- On 12 March 2019 the National Technical Group made a recommendation to SAB to change the regulations to reflect the position prior to 1 April 2014 (i.e. to remove the prescription that requires an administering authority to pay a refund on the</p>

	<p>expiry of a period of five years beginning with the date the person’s active membership ceased if no request is made before then – regulation 18(5) of the LGPS Regulations 2013 [SI 2013/2356]). In making this recommendation the group acknowledged that interest would be added up to the date of payment, as opposed to on the expiry of 5 years.</p> <p>Previous Update from Meeting – Dec 2018</p> <p>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>Money and Pensions Service (MAPS) (Formerly the Single Financial Guidance Body (SFGB))</p>	<p>Latest Update:-</p> <p>The Single Financial Guidance Body (SFGB) has changed its name to the Money and Pensions Service (MAPS). The Financial Guidance and Claims Act (Naming and Consequential Amendments) Regulations 2019 [SI 2019/383] replaces various references to the Pensions Advisory Service in the LGPS regulations with references to the ‘Money and Pensions Service’ (formerly the Single Financial Guidance Body). The SI comes into effect on 6 April 2019 (although the company (ie the Money and Pensions Service) was established on 1 April 2019).</p> <p>The Money and Pension Service have published their Business Plan setting out their business priorities and plans for the</p>

	<p>future, see link here. It confirms that for the initial ‘transition’ year, customers will still be able to access services through Pension Wise, The Pensions Advisory Service (TPAS) and Money Advice Service (MAS). ‘The new joined-up Money and Pension Service offer can go live to customers in 2020/21’.</p> <p>Previous Update:- The Government's Single Financial Guidance Body (SFGB), after becoming a legal entity in October 2018, has now officially adopted its delivery functions. 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. 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 style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 54</p> <p>DWP: Pension's Dashboard</p>	<p>Latest Update:- The LGPCs response to this consultation can be found here.</p> <p>On 4 April 2019 the government published its response to the consultation, which can be found here.</p> <p>Key details of the government's plans include:</p> <ul style="list-style-type: none"> • Legislation to compel pension providers to make consumers' data available on the dashboard • Staged onboarding of schemes with the majority of schemes participating within 3 to 4 years • The inclusion of state pension data • A commitment to multiple dashboards, with a non-commercial dashboard being overseen by the Money and Pensions Service (MAPS). <p>The DWP advises the pensions industry to get ready, in the next three to four years, to submit data. The hope is that the dashboards project will move into a test phase beginning in 2019. Meanwhile, the DWP will need to find a legislative vehicle by which to compel recalcitrant pension schemes to feed data into the dashboards system. Compulsion will require primary legislation. Pensions Minister Guy Opperman has indicated his Department's intention to include a Pensions Bill in the next Queen's Speech.</p> <p>Previous Update:-</p>

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:

- 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.

Previous Update:-

Pensions dashboard – results of feasibility study delayed

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.

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.

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

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

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Avon Pension Fund

Local Government Pension Scheme

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Date: 25 March 2019

Liam Robson
LG Pensions Team
MHCLG

Dear Liam,

Thank you for the opportunity to respond to the consultation on the Statutory Guidance on Asset Pooling. This response is from the Avon Pension Fund.

The Fund agrees with much of the guidance and welcomes the consolidation of the existing guidance in one document. Our comments on specific sections of the guidance are as follows:

Section	Draft guidance / AVON comment
3.2	<p><i>In order to maximise the benefits of scale, pool members must appoint a pool company or companies to implement their investment strategies. This includes:</i></p> <ul style="list-style-type: none"> • <i>the selection, appointment, dismissal and variation of terms of investment managers, whether internal or external</i> • <i>the management of internally managed investments</i> • <i>the provision and management of pool vehicles including pool funds</i> <p><i>It is for the pool companies to decide which investment managers to use for pool vehicles, including whether to use in-house or external management. Pool members may continue to decide if they wish to invest via in-house or externally managed vehicles.</i></p> <p><i>AVON comment – This is a useful clarification but states the pool company makes decision whether to in house or external. It should be for the shareholders of the pool if wholly owned to decide whether to have in house capability as strategic / business model decision.</i></p>
3.6	<p>Pool members, working with the pool company, should regularly review the balance between active and passive management in the light of performance net of total costs. They should consider moving from active to passive management where active management has not generated better net performance over a reasonable period. Pool members should also seek to ensure performance by asset class net of total costs is at least comparable with market performance for similar risk profiles.</p> <p><i>AVON comment - There is a danger if focus purely on net return after cost as means not taking risk or volatility into account. This guidance is too simplistic and potentially encourages short termism. Also strategic asset allocation remains responsibility of pool members, reflecting scheme specific liability and cash-flow forecasts.</i></p>

4.3	<p>Members of Pension Committees are elected representatives with duties both to LGPS employers and members, and to local taxpayers. Those who serve on Pension Committees and equivalent governance bodies in LGPS administering authorities are, in many ways, required to act in the same way as trustees in terms of their duty of care to scheme employers and members, but are subject to a different legal framework, which derives from public law. In particular while they have legal responsibilities for the prudent and effective stewardship of LGPS funds, LGPS benefits are not dependent on their stewardship but are established and paid under statute in force at the time.</p> <p>AVON comment - Need to amend wording as committee members are not only elected members, so add “or appointed” after “elected”</p>
4.4	<p>Those who serve on Pension Committees and equivalent governance bodies in pool members should therefore take a long term view of pooling implementation and costs. They should take account of the benefits across the pool and across the scheme as a whole, in the interests of scheme members, employers and local taxpayers, and should not seek simply to minimise costs in the short term.</p> <p>AVON comment - Reinforces long term objective of pooling and the need to balance needs of local fund and pool as a whole. However, pool members cannot be expected to have sight of activities of scheme as a whole so should remove “and across the scheme as a whole”.</p>
5.1	<p>Pool members should transition existing assets into the pool as quickly and cost effectively as possible. Transition of listed assets should take place over a relatively short period.</p> <p>AVON comment - This is too simplistic. Market conditions and strategic changes will dictate the pace of transition, as will the capacity of the pool to manage each transition successfully. A poorly executed transition will inevitably incur higher transition costs that will be passed onto pool members.</p>
5.4 & 5.5	<p>5.4 In exceptional cases, some existing investments may be retained by pool members on a temporary basis. If the cost of moving the existing investment to a pool vehicle exceeds the benefits of doing so, it may be appropriate to continue to hold and manage the existing investment to maturity before reinvesting the funds through a pool vehicle.</p> <p>5.5 In many cases there will be benefits in such retained assets being managed by the pool company in the interim. However pool members may retain the management of existing long term investment contracts where the penalty for early exit or transfer of management would be significant. These may include life insurance contracts (‘life funds’) accessed by pool members for the purpose of passive equity investment, and some infrastructure investments. Pool members may also retain existing direct property assets where these may be more effectively managed by pool members.</p> <p>AVON comment - This should not just reference infrastructure as equally applicable to other private market assets especially closed ended funds or illiquid assets. Whether the pool company manages these assets in interim or not must depend on capability and capacity of the pool company.</p> <p>In addition, 5.6 more than adequately covers the principles set out in 5.4 and 5.5. Therefore recommend that 5.4 and 5.5 should be deleted.</p>
6.1	<p>Pool members, working with the pool company, should undertake regular reviews (at least every three years) of retained assets and the rationale for keeping these assets outside the pool. They should review whether management by the pool company would deliver benefits. Pool members should consider the long term costs and benefits across the pool, taking account of the guidance on cost-sharing, and the presumption should be in favour of transition to pool vehicles or moving such assets to the management of the pool company.</p> <p>AVON comment – We agree but it needs to be clear that the decision must be led by the pool member, taking the interests of wider pool into account.</p>

6.2	<p>A small proportion of a pool member's assets may be invested in local initiatives within the geographical area of the pool member or in products tailored to particular liabilities specific to that pool member. Local assets should:</p> <ul style="list-style-type: none"> • Not normally exceed an aggregate 5% of the value of the pool member's assets at the point of investment. <p>AVON comment – We understand the desire to limit non pooled assets but where linked to particular liability profile this may exceed 5%, so what is rationale for the limit in this instant?</p>
6.3	<p>Pool members may invest through pool vehicles in a pool other than their own where collaboration across pools or specialisation by pools can deliver improved net returns.</p> <p>AVON comment - This implies pool members can make their own decision to invest via another pool if offered choice. As drafted it could undermine the interests of other pool members; suggest adding at the end “where this is not to the detriment of the pool overall.”</p>
7.4 & 7.5	<p>AVON comment – Defining infrastructure assets is problematic. There is some cross over between infrastructure and other asset classes such as property and secured income as these can also invest in non-commercial property and infrastructure assets to meet their investment objectives. Therefore pool members should be encouraged to consider showing look through exposure to infrastructure rather than just strategic allocation to an asset class.</p>
8.1	<p>Pool members are required to report total investment costs and performance against benchmarks publicly and transparently in their annual reports, following the CIPFA guidance <i>Preparing the Annual Report</i>, with effect from the 2018-19 report.</p> <p>Avon comment – only 8.1 is required as 8.2- 8.9 is too detailed and therefore at risk of becoming outdated. 8.1 should be more general to say that “Pool members are required to report total investment costs and performance against benchmarks publicly and transparently in their annual reports, in line with CIPFA or other relevant guidance.”</p>

Yours sincerely,



Liz Woodyard
Investments Manager
Avon Pension Fund

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Avon Pension Fund

Local Government Pension Scheme

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Bath & North East
Somerset Council

lgps



2nd April 2019

LGF Reform and Pensions Team
Ministry of Housing, Communities and Local Government
2nd Floor, Fry Building
2 Marsham Street
London
SW1P 4DF

Dear Sir

Consultation on Local Government Pension Scheme: Fair Deal – Strengthening Pension Protection

I write on behalf of the Avon Pension Fund in its capacity of administering authority in response to the above consultation which was published on 10 January 2019.

We welcome the proposal for greater pension's protection for employees of LGPS employers who are compulsorily transferred to service providers. In Avon Pension Fund we have 105 Transferee Admission Bodies (TAB's) and our responses are approached from a practical standpoint as an LGPS Fund and from our wide range of experience of working with a variety of Scheme Employers and Admission Bodies. Our responses are set out below.

Question 1: Protected Transferees - Do we agree with the definition?

- a) *We agree with this definition subject to comments set out in answer to question 2.*

Question 2: Fair Deal employers – Do you agree with this definition of a Fair Deal employer?

- a) *We do not agree with this definition of Fair Deal employer. We consider that it should include further education corporations, sixth form college corporations and higher education corporations. The basis for this is equality of right. We believe that as long as staff are in LGPS they should enjoy the same protections as other bodies listed in Schedule 2.*

It is very difficult to argue that further education and sixth form colleges are non-public sector when prima facie the majority of their funding is from the public sector. Universities are mainly funded by the Student Loan Company that is heavily subsidised by the public purse.

We already have evidence of a University seeking to deprive their non-academic staff of their LGPS membership entitlement in order to achieve cost savings. This would be achieved by incorporating a wholly-owned subsidiary to which the staff would be transferred, leaving behind a rump of staff designed to avoid crystallisation of the employer's pension debt. This subsidiary would then provide services to the parent company. At the present time it is possible that this could be challenged in law. Given that the proposal in the consultation paper would withdraw protection altogether ("voluntary" protection effectively amounts to no protection at all) this

practice would be legitimised in the sense that a subsidiary could be established and a contract awarded to it through normal outsourcing processes. In our view the pension rights of higher and further education staff should not be diluted in this way. The example we have provided gives a clear indication of what is likely to happen if the Government withdraws statutory protection. If it is valid that further education corporations, sixth form college corporations and higher education corporations are non-public sector and should have the freedom that non- public sector organisations can expect, then it would be more transparent to remove them from Schedule 2 of the Regulations and allow them to become Community Admission Bodies so that these Employers can legitimately close to new members. This would be preferable to removing the protections as proposed which may affect certain classes of staff unequally and lead to legal challenge.

The impact assessment does not make clear that members of further education corporations, sixth form college corporations and higher education corporations will be excluded from these proposals.

- b) We are unclear if the draft Regulations covers protected transferees who are transferred under a sub contract i.e. a TAB to TAB transfer. In this case the out- sourcing employer is not a Fair Deal employer. This could be exploited by a contractor at the expense of LGPS members and clarity is vital. We do not agree that TAB to TAB transferees should not be protected and this is in conflict with the current arrangements.*
- c) We often find that, where an Academy directs catering/cleaning staff employed by a Unitary Authority to transfer to a new service provider following conversion to an academy , the Academy disputes that they are the Fair Deal employer and that they should protect the transferees. Clarity on this would be greatly appreciated.*

Question 3: Transitional arrangements – do you agree with these transitional measures?

- a) Chapter 2, para 25 makes clear that staff will gain the improved protections the next time a contract is retendered. However it is not clear from draft Regulation [3B(12)] if it applies to a request for an inward transfer at any time during the contract or only at the end of the contract. The Regulation [3B(12)]should make clear that this facility only exists when the current service contract ends.*

Question 4: Transitional arrangements – Do you agree with our proposals regarding the calculation of inward transfer values.

- a) We agree with the proposal regarding the calculation of inward transfer values.*

Question 5: The deemed employer approach - Do you agree with our proposals on deemed employer status?

For the avoidance of doubt the deemed employer option can only be used where the pension risk is retained, i.e. in the case of pass-through contracts. We also note that the Department of Education require that the pensions risk should in all cases be met by the service employer (i.e. not pass through). For the same reasons we generally encourage our employers to transfer the pensions risk for cost control purposes, not just in the case of larger long term contracts. We are aware that in some cases, for example care contracts pass through is used because otherwise Authorities are unable to secure good contracts, however care contracts are usually long term so that the admission agreement route is appropriate. In conclusion we see the current admission agreement route as remaining the backbone of outsourcing and believe it is adaptable to a variety of risk sharing options.

- a) *We cannot properly comment on the feasibility of the deemed employer proposal because we do not have the full information in particular we do not have the following:*
- *guidance to be issued by the LGPS Scheme Advisory Board (SAB) referred to in Chapter 2, para 38, and Draft Regulation 3B (13);*
 - *the advice to be issued by the Department of Education to Academies in Chapter 2, para 39;*
 - *and the guidance to be issued by the Secretary of State in draft Regulation 3B (4).*
- b) *Paragraph 27 of Chapter 2 says ‘The outsourcing scheme employer may retain the responsibility for any shortfall in contributions as well as the benefit of any surplus’. This is incorrect as there is no provision in Regulation 64 for an outsourcing employer who enters into an admission agreement and retains the contribution and pension risk to retain the exit credit. This could be overcome if Regulation 64 (2)b refers to ‘the exiting employer or Fair Deal Employer’ and refers to ‘payment or retained debit /credit’ ensuring that a payment per se is not necessary. Regulation 64 needs to be addressed urgently to reflect that there are already a large number of pass through contracts in existence.*
- c) *Our experience is that service contracts between parties are frequently very poor especially in relation to pensions. The reason for this is the complexity of pensions and a lack of understanding. We believe the response to this should not necessarily be to offer more choice and complexity (for example where the scheme employer is not the legal employer). The system we currently have works, and strengthening in certain areas would in our view be effective, for instance 9b) above. We anticipate that the deemed employer route would be ideal where a Fair Deal employer has failed to put an admission agreement in place effectively. This should be reflected in the guidance from the Secretary of State to prevent members being in limbo for long periods of time. The deemed employer route may also be preferable for very small ‘pass through’ contracts as it would allow us to use the scheme employers contribution rate, and not procure a valuation and risk assessment therefore saving actuarial costs which are invariably passed on to the Fair Deal employer.*
- d) *The administration benefit cited in Chapter 2 para 35 concerning the rising number of scheme employers is theoretical rather than real. For each outsourcing the Fund will be required to record the names of protected transferees; the contacts at the legal employer; sign a service level agreement with the legal employer; establish an employer number to record contributions paid and collect member data in the usual way. Therefore we do not anticipate that the proposals will slow the rate of increase in employers in the Fund or work associated with this trend.*
- e) *The deemed employer methodology already exists for Foundation Schools and Voluntary aided schools but it is now proposed to use it on a much larger scale. We believe paragraphs 40 and 41 significantly underestimate the practical difficulties involved in separating the legal employer from the Fair Deal employer. We are particularly thinking of ill health management, use of discretions, first instance decisions and non-payment of contributions as well as all employer responsibilities involving provision of data and any type of retirement where a strain cost is generated. Ultimately the Fair Deal employer is at greater risk. This makes the guidance from SAB critical.*
- f) *We currently have some unitary authorities who have allowed or directed that their schools use a third party payroll and/or HR function (in addition to the Foundation / VA schools to which you refer), the deemed employer approach appears to create the same situation. Although we categorically tell the unitary authority they must retain employer responsibilities, the practicalities*

of achieving this once employees are not on the payroll is very difficult for them to achieve and very hard for Avon Pension Fund to enforce.

We have many practical problems with data for these schools. Although the member record retains the unitary authority employer number we have to use a separate indicator to identify who these members are paid by and, under the deemed employer approach, who their legal employer is which creates extra record keeping. These records are then not updated by the Unitary Authority's monthly electronic extract (as employees are not paid by the Unitary Authority) but are updated by a third party payroll which causes considerable difficulty for our record keeping. If data is missing or inaccurate the Unitary Authority are reluctant to help as they have lost resources themselves. Unitary Authorities also do not have records themselves so have to set up a system to monitor and chase information from the payroll provider. The responsibility for strain costs still lies with the legal employer so they need to have a process in place to make sure decisions are not made without consulting them. It is also difficult when dealing with member enquiries as employer responsibility is not always clear and this can lead to anxiety for members if the data submission is not obviously prescribed.

We draw these practical experiences to your attention because if the deemed employer route were to be adopted SAB would need to address these issues so that additional and unnecessary complexity does not result which could make things worse not better.

Question 6: Responsibilities for employers –What should advice from the Scheme Advisory Board contain to ensure that deemed employer status works effectively?

- a) See Question 5 (e) above.*
- b) The need for Fair Deal employers to consult the Fund early, and cover all pensions' aspects at tender stage and in the commercial contract.*
- c) Fair deal employers should be required to state the route they intend to use to achieve continued access to LGPS for protected transferees **at the bidding stage**, i.e. admitted body route or deemed employer route, and whether the pensions risk will be retained or transferred. Making these decisions early in the outsourcing process is vital to achieving the Fair deal employers required outcome.*

Question 7: Responsibilities for employers – Should the LGPS Regulations 2013 specify other costs and responsibilities for the service provider where deemed employer status is used?

- a) This question is best answered when we have the advice from SAB.*

Question 8: Existing arrangements – Is this the right approach?

- a) We disagree with draft Regulation 5A. The pension risk sharing arrangements are the responsibility of the Fair Deal employer and contractor and are set out in the commercial contract. The admission agreement is, for efficiency reasons, a largely standardised document and sets out the basis of participation in the Fund.*

Including the pension risk sharing arrangements in the admission agreement could lead to a misunderstanding of the role of the admission agreement, which is not a substitute for the commercial agreement. Fair deal employers cannot rely on the Fund to resolve their pension arrangements when they choose to outsource. The onus is not on LGPS and we cannot be an arbitrator. This would lead to added legal costs for the Fund and more referred work to solicitors. What would happen if we did not agree with pension risk sharing arrangements in the contract because they were vague, or if they changed during the contract? We have difficulty getting a

signed contract and signed admission agreement and adding the pension sharing arrangements to the admission agreement is in our view an added unnecessary complexity that will inevitably lead to further delays. The Fund, which in this case is the administering authority, has no legal basis to interfere in the contractual arrangements of Employers and to create such a situation does not lead to acceptance of any Fund decisions so would create an industry of legal challenges

Question 9: Timely consideration of pension issues – What further steps can be taken to encourage pensions issues to be given full and timely consideration by Fair Deal employers when services or functions are out sourced?

- a) *3B (3) Our experience is that contracts between Scheme Employers and Service Providers can be unsigned when service commences, they can include no reference to pensions and they can be confidential so that the Fund does not know the relevant pension terms. This can leave the members and the Fund in limbo. We believe this unsatisfactory situation could be overcome if Draft regulation 3B(3)(b) is made a default position for example 'If a fair Deal Employer commences a contract without an admission agreement in place that service provider will be treated as a 'deemed admitted body' (see point II below) for the purposes of the Regulations and will assume the initial contribution rate of the Fair Deal employer until an admission agreement is effected or the contract ends'*
- b) *If there is the possibility of introducing a legal duty of care for Fair deal employers to protect the pension entitlements of protected transferees when outsourcing, we believe this would help.*

Question 10; Are you aware of any other inequalities impacts or of any particular groups with protected characteristics who would be disadvantaged by our Fair deal proposals?

- a) *As stated in Question 2 employees of further education corporations, sixth form college corporations and higher education corporations are both disadvantaged and treated unequally by being excluded from the definition of Fair Deal employer. If employees work in an academy they have protection, but this is denied to them if they work in a sixth form college or University. If employees lose their LGPS pension entitlement their remuneration package will have fundamentally changed and they should receive financial remedy.*
- b) *Also see our response above to Question 2(b) in relation to subcontracts.*

Question 11: Chapter 3 Transferring pension assets and liabilities – Is this the right approach?

- a) *Are these provisions enforceable under Company Law? As all the Academies, FE and HE employers and TAB's are Limited companies (either limited by shares or by guarantee) we do not want to rely on a regulation that is not enforceable.*
- b) *The impact of the draft Regulation is that instead of paying in and drawing a line, the pension burden is transferred to another organisation. We have colleges in our Fund where this has happened many times in the past and the present day colleges continue to struggle in part because of predecessor organisations pension obligations. Our view is that whilst all exiting employers should pay their debt, where this is not possible the rules of insolvency should apply. However, in the case of mergers or restructuring due to directions from central government or their agents such as Regional Commissioners, protection (in the form of a guarantee or repayment of the debt) should be provided to the receiving Fund for any outstanding debt to facilitate the restructuring. The consent of the receiving Fund must be required as the risk to the taxpayer will increase if the employer's covenant is weakened and it is unable to support the combined*

liabilities in the long term. It would not be equitable for scheme employers in unrelated sectors to bear this risk.

Question 12: Chapter 3 Transferring pension assets and liabilities – Do the draft regulations effectively achieve our aims?

a) We believe they do effectively achieve your aims.

Question 13: Chapter 3 Transferring pension assets and liabilities – What should guidance issued by the Secretary of State state regarding the terms of asset and liability transfers?

a) We have no views on this aspect of the guidance. However, further actuarial input should be sought to answer this question in detail.

Other Points that The Avon Pension Fund ask to be considered:

- I. Legal frame work:** *Clarification on whether ‘The Best Value Authorities Staff Transfers (Pensions) Direction 2007’ be rescinded, and Academies will be removed from ‘Fair Deal for staff pensions; staff transfer from central government 2013’ following the implementation of the Draft regulation.*

- II. A name for service providers who are not admitted bodies:** *It would be helpful to have a name for service providers who are not admitted bodies, for example ‘deemed admitted body’ and this would need a definition.*

We hope our responses are useful in taking the proposals forward and look forward to being updated in due course.

Yours faithfully,

Geoff Cleak

Pensions Manager

Avon Pension Fund

Bath and North East Somerset Council

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Avon Pension Fund

Local Government Pension Scheme

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11 April 2019

LGPensions@communities.gov.uk

FAO:- Thahira Khatun

Re: Consultation on implementation of late retirement factors

I write on behalf of the Avon Pension Fund in its capacity of administering authority in response to the above consultation, which was published on 28 March 2019.

Question 1: Consultees are invited to comment on whether the proposed methodology achieves the aim of smoothing the impact of changes in factors?

We believe that it does achieve the aim of smoothing the impact of the change in factors for members, however, the proposed methodology seems overly complex compared to the method it is replacing. Could the smoothing of the impact be more simply achieved by one of the following:-

- Keeping the current methodology but giving more notice of the intention to change the late retirement factors, in 2017 this was attempted by giving 3 months' notice, but maybe this should have been longer?
- Keeping the current methodology and factors for any pension built up before the date of implementation of the new factors and then applying any change in the factors to any pension benefits built up from the date they are implemented but keeping the same methodology as before the factors change?

Keeping the current methodology as opposed to switching to the new more complex methodology would be welcomed from an administrative perspective and also easier for members to understand when it shows on their statement of benefits.

Question 2: Consultees are invited to comment on this approach and provide any evidence which supports their view?

We understand that our actuary will be commenting on this and have nothing further to add.

Question 3: Consultees are invited to comment on the proposed implementation of the new late retirement factors?

We feel very strongly that the proposed implementation date of 1 May 2019 is extremely unrealistic without causing significant administrative burden. We have contacted our pension administration software provider who has advised that the earliest this change in calculation methodology could be accommodated within the system is likely to be Autumn. Therefore, should the proposed changes be implemented before software providers are given the opportunity to make the necessary amendments, this would mean manual calculations would need to be carried out by administrators for all late retirements with a further requirement to then amend the system and any documentation to be sent out to the member to reflect the change in the late retirement increases. This is particularly worrying for us, as an administering authority, due to the complex and time consuming nature of this new calculation methodology, which would require pension administrators to firstly work out the number of years and

days between up to 3 different periods (NPA – 31 March 2019, NPA – date of retirement for pre 2014 benefits and NPA – date of retirement for post 2014 benefits) then subsequently carry out up to 4 steps, with each step having multiple stages within, often involving interpolation of factors, and then applying the potentially differing late retirement increases to the pension benefits depending on the tranche of membership that it relates to. Not to mention the subsequent knock on effect of having to recalculate the Lifetime Allowance & maximum commutation available to the member as a result of the late retirement increases to the pension being incorrect on the system and requiring manual intervention. Therefore, we strongly feel that any such methodology change should not be implemented until the software providers are given adequate time to accommodate this.

Further Comments:-

Point 2.6 of the GAD guidance states *'The increase should be applied to the benefits after Pensions Increases have been added in relation to any period of deferment'*. Is this also the case for Pensions Increases that have been added due to a previous years' pay being used in a calculation where retiring from active status? If so, it would be good if this could also be clarified in the guidance.

Point 2.8 of the GAD guidance states *'Where the member is entitled to a retirement grant, Grant uplift B should be calculated as follows'*, however, we believe this is a typo and it should say Grant uplift A.

We hope our responses are useful in taking the proposals forward and look forward to being updated in due course.

Kind Regards,

Kate Shore
Technical & Compliance Advisor
Avon Pension Fund

Tel: 01225 395283

Email: Kathryn_Shore@bathnes.gov.uk

Dear Colleague,

LGPS Administration Benchmarking & Resources

Let me begin with an introduction, from January 2019 I have been appointed as the Chair of the CIPFA Pensions Panel. In my existing role as CFO at Lincolnshire County Council I have been closely involved with the LGPS for many years and more recently I have supported the development of our regional asset pool (Borders to Coast).

During this time I have come appreciate the role of the LGPS and the importance of the staff who ensure it operates effectively at a local level. Indeed discussions at Pension Panel meetings have highlighted how crucial it is to have a properly trained and resourced team to meet the challenges now emerging.

The Pension Regulator has become more involved in the Scheme in recent years and in 2018 focused on the LGPS particularly around data quality. Overall the Scheme has again showed its resilience and performed well but it is clear that there remain issues in dealing with a significant increase in employing bodies on top of a CARE Scheme.

We are all aware of the challenges around resources during this period of austerity and pension funds as with all other services should be as efficient as possible. However, the current pressures and increased complexity facing the LGPS require an increase in resources to ensure that the huge challenge of establishing asset pools as well as the increasing administrative requirements do not create an unmanageable risk. 2019 is a Valuation year for the LGPS in England and Wales and the importance of accurate and reliable data cannot be understated when considering future contribution rates.

CIPFA has recently published its updated **Preparing the Annual Report: Guidance for Local Government Pension Scheme Funds (2019 Edition)**. The guidance includes a new requirement for Funds to provide a statement on the value for money achieved by the administration function. This intended to increase the focus upon the Administration function and allow those involved in the governance arrangements to monitor performance and manage risks.

The new guidance also offers a suggested approach to producing key performance indicators which was developed in conjunction with a working group of leading practitioners. The aim is to achieve a standard set of indicators which will improve the consistency and comparability of reporting and help Funds identify areas of strong and weak practice. The Panel are keen to urge all Funds to consider these tables and where possible produce information on a 'best endeavours' basis for 2018/19. CIPFA accepts this may be more difficult for some Funds and would welcome all feedback to help us develop this initiative.

In order to support practitioners we have also updated our **Pensions Administration Benchmarking Service** to mirror the requirements in the Annual Report Guidance. We hope this will make the benchmarking service more relevant and increase participation which will lead to more useful information for all Funds and

LGPS stakeholders. The pension panel hope that this tool will be used by more Funds to help us build a better picture of the current state of administration in the LGPS.

CIPFA has also recently issued **A Guide to Administration in the LGPS** which is a short document designed to provide an insight into the function for Pension Committee Members, Local Pension Board Members and those new to the LGPS.

The Guide was developed with colleagues at AON and we hope it will be circulated widely to support the discussions around administrative challenges.

CIPFA is also looking to support the Scheme Advisory Board's Good Governance Project and we are working with Hymans Robertson to gather the views of S151 officers and feedback more broadly on current governance arrangements.

The level of scrutiny on LGPS Funds has never been higher both from internal sources such as Local Pension Boards but particularly from external sources such as The Pensions Regulator, Pensions Ombudsmen and the national press. It is therefore essential that funds have the necessary capacity to meet these challenges otherwise there is a significant risk of censure and the subsequent reputational damage at local and national level. CIPFA would expect funds to be taking the necessary advice and comparing its costs and service delivery (through benchmarking and other analysis) to ensure they are in line with the rest of the LGPS and achieving the standards expected by their members.

CIPFA's Pension Panel aims to support all those involved in delivery of the LGPS and has produced a range of Guidance to assist practitioners and will continue to do so. The Panel is always keen to hear the views of its members with regard to pensions and works closely with Treasurer Societies as required.

Kind Regards,



Pete Moore
Chair CIPFA Pensions Panel

Bath & North East Somerset Council			
MEETING:	LOCAL PENSION BOARD	AGENDA	
MEETING DATE:	13 JUNE 2019	ITEM NUMBER	
TITLE:	PENSIONS ADMINISTRATION STRATEGY		
WARD:	'ALL'		
AN OPEN PUBLIC ITEM			
List of attachments to this report:			
Appendix 1 - Pensions Administration Strategy			
Annex 1	Legislative Framework		
Annex 2	Communications Policy Statement		
Annex 3	ICT Strategy		
Annex 4	Performance Standards		
Annex 5	Customer Service Charter		
Annex 6	Schedule of Additional Admin Charges		
Annex 7	Schedule of Chargeable Services		

1 THE ISSUE

The purpose of this report is to present to the Local Pension Board for comment, the Avon Pension Fund 2019 - Administration Strategy.

The Fund has revised its 2015 Administration Strategy to include a more detailed ICT Strategy and also to ensure the Governance and administration requirements of the Pension Regulator are properly addressed as they fall to the Fund and Employers.

The draft strategy document was formally approved by the Pensions Committee at its meeting on 22nd March.

The Strategy has also been formally consulted upon with Employers during the first quarter of the 2019 financial year as required by the Regulations.

RECOMMENDATION

- 1.1 That the Pension Board notes the following:-
- 1.2 The draft Communications Policy Statement
- 1.3 The draft ICT Strategy
- 1.4 The draft Performance Standards
- 1.5 The draft Customer Service Charter
- 1.6 The draft Schedule of Additional Admin Charges

1.7 The draft Schedule of Chargeable Services

1.8 The Committee delegates responsibility for responding to the consultation responses to Officers to enable effective implementation of the Strategy from 1st June 2019

2. FINANCIAL IMPLICATIONS

2.1 Employers who participate in the Avon Pension Fund are charged for the cost of administration of the Fund by an allowance of 0.5% in their pension contribution rate. This is a flat-rate amount and takes no account of the amount of administration work necessary for each Employer which is impacted upon its level of performance. The Strategy will allow the Fund to make an additional monetary charge to Employers to cover its costs where the amount of administrative work carried out is disproportionate to other employers.

2.2 Any statutory fine levied on the Fund for a breach of its responsibilities which is a direct result of poor administration by an Employer will be passed on to that Employer.

3. THE ISSUE: THE REVISED PENSIONS ADMINISTRATION STRATEGY DOCUMENT

3.1 The purpose of the revised Administration Strategy is to continue progress towards a seamless pension service, employing appropriate technology and best practice which both significantly improve the quality of information and the speed with which it is processed, to provide better information for Employers and stakeholders and a more efficient service to Fund members.

3.2 The Strategy recognises that significant work will need to continue to be undertaken in achieving the Pension Regulator's compliance requirements and both the Fund and its Employers will need to work in partnership to meet this challenge.

3.3 A consultation process was undertaken with Employer's between 25th March and 24th May. One employer response was received during the consultation period, noting receipt and approval of content.

3.4 Key to the success of the Strategy are the continued development of the IT Strategy proposals which will deliver high quality, efficient and integrated digital services to employers and members in an increasingly regulated and financially complex environment. Performance targets for both Employers and the Fund reflecting the Pensions Regulator's requirements have been reflected in revised Service Level Agreements and agreed with Employers. Performance reporting will continue to be discussed with Employers at regular Performance / SLA review meetings and similarly reported to the Committee and Pension Board.

3.5 Poor performance by an employer would be flagged up by these reports and the Review meetings will enable Employers and the Fund to work together to resolve any problem areas and to improve performance. Where the Fund identifies poor quality or missing data it will put a data improvement plan in place to address these issues.

3.6 If however poor performance continues the Fund, under legislation, has the opportunity to charge an Employer for additional costs, if the work carried out for it is disproportionate to that for other Fund Employers. This process will be used only as a last resort following an Employer's *continuing failure* to improve. Also If the Fund is *fined* for any breach of its legal responsibilities which is as a direct result of an employer's poor performance (e.g. not providing information or providing incorrect

information) the Fund has the power to and does intend to pass on any such fine to the Employer concerned.

3.7 The Fund is developing a chargeable service to employers where there is continued failure to meet the agreed service standards or in circumstances when additional assistance is required outside the agreed Service Level Agreement. A separate Brochure will be produced outlining the chargeable services available and terms of engagement.

3.8 The Pension Board will undertake to assist the Fund in the implementation of the Administration Strategy, making recommendations to the Committee as necessary.

3.9 The Committee was asked to approve the revised Pension Administration Strategy which will then be consulted on with Fund Employers to become effective from 1st June 2019.

4 RISK MANAGEMENT

4.1 This report contains only recommendations to note - no risk assessment is therefore necessary.

5 EQUALITIES

5.1 No equalities impact assessment is required.

6 CONSULTATION

6.1 Consultation has taken place with all Fund Employers as described in this report.

7 ISSUES TO CONSIDER IN REACHING THE DECISION

7.1 The issues to consider are contained in the report.

8 ADVICE SOUGHT

8.1 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	Geoff Cleak, Pensions Manager Tel: 01225 395277

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Avon Pension Fund

Administration Strategy Statement 2019

Administration Strategy Statement 2019

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Pensions Administration Strategy Statement 2019

INTRODUCTION

The Local Government Pension Scheme (LGPS) Regulations 2013 allow Pension Fund Administering Authorities to prepare a Pensions Administration Strategy (“the Strategy”) for the sole purpose of improving the administrative processes within their LGPS Fund. In discharging their roles and responsibilities under these regulations, the Fund and scheme employers (“employers” or “employer”) are also required to comply with any related overriding legislation and have regard for any regulatory guidance or Code of Practice issued by the Pensions Regulator (TPR)

Previously, the 1st April 2015 represented a key milestone in the governance arrangements of the LGPS. From this date the Pensions Regulator undertook responsibility for setting standards of administration and governance on all administrative aspects of the scheme, whilst Local Pensions Boards established under PSPA 2013 were introduced to provide an independent scrutiny role to ‘assist’ the Fund with its ‘regulatory compliance, effective and efficient administration and governance’.

This document details the revised pension administration strategy of the Avon Pension Fund (“the Fund”) in relation to the Local Government Pension Scheme. The strategy is kept under review and revised to reflect changes to LGPS regulations and Fund policies. The document sets out the framework, outlining the policies and performance standards to enable provision of an efficient, cost-effective and high quality pension administration service ensuring the Governance and administration requirements of the TPR continue to be properly addressed as they fall to the Fund and employers.

The Local Pension Board will have responsibility for monitoring the implementation of the Strategy, including performance standards and will formally report to the Pensions Committee on both.

1. AIMS

The aim of this Strategy is to continue progress towards a seamless, automated pension service, employing appropriate technology and best practice which both significantly improves the quality of information overall and the speed with which it is processed to provide better information for Employers and stakeholders and a more efficient service to members. The Strategy recognises that significant work will need to be undertaken in achieving requirements and both the Fund and its Employers will need to work in partnership to meet this challenge.

2. LEGISLATIVE FRAMEWORK

The Fund and its Employers must have regard to this Strategy when carrying out their Scheme functions. The Strategy is made in accordance with Regulation 59 of LGPS Regulations 2013 which allows administering authorities to prepare a Pension Administration Strategy following consultation with its Employers to facilitate best practices and efficient customer service in respect of the following:

- the establishment of levels of performance which the administering authority and its Employers are expected to achieve in carrying out their Scheme functions
- ensuring the Fund and its Employers comply with statutory requirements in respect of those functions

- improving the communication between the administering authority and its Employers of information relating to those functions.

The Strategy can also set out circumstances in which the Fund may consider giving written notice to any of its Employers under regulation 70 for additional costs on account of that Employer's unsatisfactory performance in carrying out its Scheme function.

Levels of performance achieved must be included within the Fund's Annual Report along with other matters arising from the Strategy that are considered appropriate.

All relevant regulations are set out fully in **Annex 1**.

3. KEY OBJECTIVES

The key objectives of this Strategy are to ensure that:

- The Fund and Employers are aware of and understand their respective roles and responsibilities under the LGPS Regulations and in the delivery of administrative functions (largely defined in the Service Level Agreement)
- The Fund operates in accordance with LGPS regulations and is aligned with The Pension Regulator in demonstrating compliance and scheme governance.
- Communication processes are in place to enable both the Fund and Employers to proactively and responsively engage with each other and other partners.
- Accurate records are maintained for the purpose of calculating pensions entitlements and Employer liabilities, ensuring all information and data is communicated accurately, timely and in a secure and compliant manner
- The Fund and scheme employers have appropriate skills and that guidance/training is in place to deliver a high quality service and effectively contribute to the changing pensions agenda
- Standards are set and monitored for the delivery of specified activities in accordance with Regulations and minimum standards as set out in the Service Level Agreement
- Administrative services are developed and delivered digitally as outlined in the ICT Strategy, in order to streamline processes and maximise efficient use of resources.

4. ACHIEVING THE OBJECTIVES

There are presently over 400 employers in the Fund differing in size, structure and capability which represents a significant logistical challenge to the management of information, processes and services within the Fund. It is clear that because of these differences a "one size fits all approach" would be unlikely to deliver workable solutions; however standard ways of operating applicable to different employer groups would bring benefits. The number of employers within the scheme continues to grow as does the demand for more accurate and timely information, needed to improve liability management at both the local and national level. Furthermore, the Pensions Regulator is seeking higher levels of compliance and the Fund will be required to demonstrate heightened governance and administrative efficiency.

There are four key elements necessary to achieving the Fund's administrative objectives:

- A Communications Policy that:
 - (i) Ensures members have accessible and timely information on all aspects of their pensions benefits and informs and enables decisions in respect of their pensions
 - (ii) Enables Employers to make effective decisions in the management of risks and liabilities as well as facilitates engagement in the wider pensions debate
- A training plan that will offer direct engagement and support to employers and continue to enhance staff knowledge and skills to ensure efficient administration compliant with the Pensions Regulator requirements.
- An IT Strategy which will deliver high quality, efficient and integrated digital services to employers and members in an increasingly regulated and financially complex environment.
- A performance framework which will support the effective working of the Fund and enable both the Fund and Employers to deliver continuous improvement and move towards a higher standard of service.

(a) Communications

The Fund aims to provide clear, relevant, accurate, accessible and timely information to all stakeholders. To this end, the Funds' communications strategy is already well developed providing a wide range of solutions for all parties.

Continued development to the website and online services will aim to provide stakeholders with a single secure access point to relevant services and a range of tools to help streamline and improve efficiency, support good governance and be cost effective. Online services will be available through all devices and formats.

The Communication Policy Statement is attached as **Annex 2**.

The Customer Service Charter is attached as **Annex 5**

(b) Training and Engagement

The objectives of the Fund have always been to keep stakeholders informed of new developments providing training courses and workshops for Employers and the Fund's staff alike when new Regulations are implemented or are under consideration. Additionally training is offered on an ongoing basis to new scheme employers or relevant new HR/Payroll staff.

With this in mind, it is important that both Employers and the Fund ensure that their staff have the right level of skills and knowledge to support any changes, starting with a sound foundation of existing regulations and administrative processes.

Notwithstanding future changes, there is an ongoing need to continuously maintain the quality of member records and the administrative processes by improving the quality of information received from Employers.

The aims of the training strategy are therefore:-

- To maintain a high standard of customer service for members and Employers
- To ensure that relevant staff within each Employer have sufficient knowledge and skills to effectively discharge administrative processes
- To ensure that Employers are fully aware of the risks involved in poor administration and maintenance of member pension records and if they fail to discharge of their discretionary functions
- Recognising the continued growth in employer portfolio – provide ongoing training platform on relevant employer responsibility

- To support the implementation of new technology within the Fund enabling greater self service for the Employer and streamlined administration
- To continually develop the technical skills and competencies of the Fund's staff and retain knowledge in the application of historic regulations
- To identify and develop staff to become the future managers and professionals of the Fund as part of a workforce development plan
- To ensure that members of the Pensions Committee and Local Pension Board also receive adequate training to properly discharge their function.
- Develop a new chargeable resource package to offer direct engagement/support to employers to ensure compliance with regulatory and TPR requirements.

To achieve this:

- The Fund will work with Employers' Human Resources, Payroll and other key staff to identify relevant skills and knowledge gaps and present an appropriate training programme
- Organise workshops and forums for Employers to debate new issues as they emerge
- Continue to invest in specific technical training and professional development of Fund staff
- Promote an ongoing programme of Committee and LPB member training and participation in national events to support governance arrangements.

This training strategy will ensure that both the Fund and Employers have a common understanding of their obligations under their Local Government Pension Scheme and that administrative processes are designed and in place to maximise efficiency and effectively manage risk.

The Fund will provide training for Employers' relevant staff, to build up and maintain a level of professional expertise which together with the Employer's own systems and processes will enable Employers to deliver information required by the Fund to efficiently administer the Scheme.

(c) IT Strategy

The ICT vision for Pensions Administration is to be able to "deliver high quality, efficient and integrated digital services to employers and members" in an increasingly regulated and financially complex environment.

The strategy builds upon the work already undertaken to achieve a digital step change between Fund and Employers in the use of technology to promote a significant degree of self-service. Further development in design solutions are needed to achieve greater efficiency in the wake of growing demand and releasing resources to support the control framework of the digital model and support employers at the front end and with higher value service.

Full details of the ICT Strategy are contained separately in **Annex 3**

(d) Performance

The Administration Strategy has a statutory obligation to set performance standards and publish both the targets and achievement against those targets. The purpose of doing so is to secure and monitor continuous improvement of the administration function. **Annex 4** details the performance measures and proposed targets which will be monitored. The outcomes will be subject to external scrutiny by The Pensions Regulator, the Local Pensions Board and the Pensions Committee. Information is also published in the Pensions Fund' Annual Report. It should be noted that many of these targets are set to ensure compliance with *statutory* requirements that already exist.

Service Level Agreement

New Service Level Agreements (“SLAs”) will be agreed with Employers to set and monitor performance at the local level and will include all the targets for both the Fund and the Employer and will include areas relating to TPR compliance and chargeable Fund resource to enable employers to meet compliance requirements.

The aggregated performance will be reported to the Pension Committee and Local Pension Board on a quarterly basis.

Reporting on Performance

The Pensions Regulator codes of practice require scheme managers to keep records of information pertaining to both common and scheme specific data across all membership categories. The Pensions Board will play an independent scrutiny role to ‘assist’ the Fund with its regulatory compliance and has the authority to report any serious concerns to the Pensions Regulator.

Assessment of the levels of administrative performance requires that agreed performance standards are continuously monitored and the results fed back to Employers. This will be achieved by the production of a quarterly Performance Report for each Employer to keep them fully informed of the efficiency of service delivery to the Scheme Members. The Performance Report will contain the key areas of performance and will be a working document. Reports will also take into account any TPR compliance issues and where the Fund identifies poor quality or missing data it will put a data improvement plan in place to address these issues.

The Performance Report will measure the efficiency of service processes covering early leavers, retirements, estimates and deaths in service between the Employer and the Fund to enable effective benefit processing and payment. The Report will also include, if appropriate, details of any complaints from members or employers and discretions not exercised or kept up-to-date by employers.

Review meetings to consider the findings will be held regularly with employers and will identify problem areas and devise an action plan to improve service delivery. Information from the Performance Report will be made available to the Avon Pension Fund Committee and LPB and details of performance review will be included in the Fund’s Annual Report.

(i) Performance failures

As stated at the outset, the purpose of this Strategy is to secure improvement across the Administrative processes of the Fund. Both the Fund and each Employer need to play their part in ensuring this. However in areas of continuous poor performance the Fund has the ability to apply financial penalties and will ultimately do so but this will be actioned only as a matter of “last resort”.

Where in the opinion of the Fund, it incurs additional costs because of an Employer’s poor performance in carrying out its functions, the Fund will:

- a) give written notice to the Employer that it will be invoiced for an extra monetary amount in respect of these costs (in addition to its standard pension contributions)
- b) specify the basis on which the extra amount is calculated and the provisions of the Strategy which are relevant.

If an Employer feels that an additional allocation of costs is not warranted it would have access to the Avon Pension Fund Committee on which Employers have representation.

- c) The Pension Regulator imposes a statutory obligation to scheme managers and to the Local Pensions Board to report failures which are likely to be of material significance.

(ii) Opportunity to improve

It is the Fund's intention that a poorly-performing Employer will be given the opportunity to improve its performance before additional costs are imposed upon it. However, if in the opinion of the Fund, that Employer fails to improve, the Fund will, after consultation with the Employer, issue an invoice payable by the Employer. The amount of the invoice will represent the cost to the Fund of the Employer's poor performance, plus any resultant additional work undertaken by the Fund's officers.

A schedule of charges is detailed in **Annex 6** and are payable within 30 days of date of issue.

(iii) Passing on "Statutory" Fines and charges

Where the Fund incurs a fine or charge for a breach of its statutory duties which is as a result of the Employer's performance failure (such as failing to provide the Fund with a change in a member's circumstances or supplying inaccurate or inadequate information for an employee member), the Fund reserves the right to require the Employer to reimburse it within 28 working days of the payment of the fine or charge.

Chargeable services

In certain circumstances additional services may be required by an employer. The Avon Pension Fund is able to offer chargeable services to employers in the following circumstances:

- Failure by an employer to meet the agreed data standards
- Request by the employer for additional assistance

A schedule of charges is detailed in **Annex 7**

Governance - Role of the Pensions Committee and Local Pension Board

The Avon Pension Fund Committee is widely representative of all the Employers in the Fund (reflecting best practice) and as such has a duty to ensure that the Administration of the Fund is carried out efficiently and cost effectively.

The Local Pension Board comprises of an equal number of member and employer representatives and an Independent Chairperson and has a duty to assist the administering authority in securing compliance with appropriate regulations ensuring the effective and efficient governance and administration of the Scheme.

The roles and responsibilities of both the Pensions Committee and Local Pensions Board are set out in the related Terms of Reference which form part of the Fund's Governance and Compliance Statement which is available on the Fund's website.

The Committee and LPB already receive quarterly reports in respect of the Fund and Employers administrative processes and performance and this is further enhanced with information regarding matters of compliance required by the Pensions Regulator in respect of data. The summary results reported will be scrutinised by the Board and ~~Page 32~~ Committee who will take action where appropriate.

The Committee annually reviews all Administrative targets and the costs of service delivery and will continue to do so in order to inform future changes to the Administration Strategy.

5. IMPLEMENTATION AND REVIEW

The Strategy sets out the key objectives of all the major areas of pension administration within the Fund and takes effect from 01 XXXX 2019. Prior to implementation a full consultation exercise will be undertaken with Scheme Employers. The Strategy will be further reviewed in 20XX.

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Legislative Framework for the Statement

Local Government Pension Regulations 2013

Pension Administration Strategy

59. —(1) An administering authority may prepare a written statement of the authority's policies in relation to such of the matters mentioned in paragraph (2) as it considers appropriate ("its pension administration strategy") and, where it does so, paragraphs (3) to (7) apply.

(2) The matters are—

- (a) procedures for liaison and communication with Scheme employers in relation to which it is the administering authority ("its Scheme employers");
- (b) the establishment of levels of performance which the administering authority and its Scheme employers are expected to achieve in carrying out their Scheme functions by—
 - (i) the setting of performance targets,
 - (ii) the making of agreements about levels of performance and associated matters, or
 - (iii) such other means as the administering authority considers appropriate;
- (c) procedures which aim to secure that the administering authority and its Scheme employers comply with statutory requirements in respect of those functions and with any agreement about levels of performance;
- (d) procedures for improving the communication by the administering authority and its Scheme employers to each other of information relating to those functions;
- (e) the circumstances in which the administering authority may consider giving written notice to any of its Scheme employers under regulation 70 (additional costs arising from Scheme employer's level of performance) on account of that employer's unsatisfactory performance in carrying out its Scheme functions when measured against levels of performance established under sub-paragraph (b);
- (f) the publication by the administering authority of annual reports dealing with—
 - (i) the extent to which that authority and its Scheme employers have achieved the levels of performance established under sub-paragraph (b), and
 - (ii) such other matters arising from its pension administration strategy as it considers appropriate; and
- (g) such other matters as appear to the administering authority after consulting its Scheme employers and such other persons as it considers appropriate, to be suitable for inclusion in that strategy.

(3) An administering authority must—

- (a) keep its pension administration strategy under review; and
- (b) make such revisions as are appropriate following a material change in its policies in relation to any of the matters contained in the strategy.

(4) In preparing or reviewing and making revisions to its pension administration strategy, an administering authority must consult its Scheme employers and such other persons as it considers appropriate.

(5) An administering authority must publish—

- (a) its pension administration strategy; and
- (b) where revisions are made to it, the strategy as revised.

(6) Where an administering authority publishes its pension administration strategy, or that strategy as revised, it must send a copy of it to each of its Scheme employers and to the Secretary of State as soon as is reasonably practicable.

(7) An administering authority and its Scheme employers must have regard to the pension administration strategy when carrying out their functions under these Regulations.

(8) In this regulation references to the functions of an administering authority include, where applicable, its functions as a Scheme employer.

Additional costs arising from Scheme employer's level of performance

70. —(1) This regulation applies where, in the opinion of an administering authority, it has incurred additional costs which should be recovered from a Scheme employer because of that employer's level of performance in carrying out its functions under these Regulations.

(2) The administering authority may give written notice to the Scheme employer stating—

- (a) the administering authority's reasons for forming the opinion mentioned in paragraph (1);
- (b) the amount the authority has determined the Scheme employer should pay under regulation 69(1)(d) (payments by Scheme employers to administering authorities) in respect of those costs and the basis on which the specified amount is calculated; and
- (c) where the administering authority has prepared a pension administration strategy under regulation 59, the provisions of the strategy which are relevant to the decision to give the notice and to the matters in sub-paragraphs (a) or (b).

Statements of policy about exercise of discretionary functions

60. —(1) A Scheme employer must prepare a written statement of its policy in relation to the exercise of its functions under regulations—

- (a) 16(2)(e) and 16(4)(d) (funding of additional pension);
- (b) 30(6) (flexible retirement);
- (c) 30(8) (waiving of actuarial reduction); and
- (d) 31 (award of additional pension),

and an administering authority must prepare such a statement in relation to the exercise of its functions under regulation 30(8) in cases where a former employer has ceased to be a Scheme employer.

(2) Each Scheme employer must send a copy of its statement to each relevant administering authority before 1st July 2014 and must publish its statement.

(3) A body required to prepare a statement under paragraph (1) must—

- (a) keep its statement under review; and
- (b) make such revisions as are appropriate following a change in its policy.

(4) Before the expiry of a month beginning with the date any such revisions are made, each Scheme employer must send a copy of its revised statement to each relevant administering authority, and must publish its statement as revised.

(5) In preparing, or reviewing and making revisions to its statement, a body required to prepare a statement under paragraph (1) must have regard to the extent to which the exercise of the functions mentioned in paragraph (1) in accordance with its policy could lead to a serious loss of confidence in the public service.

(6) In this regulation a relevant administering authority in relation to a Scheme employer, is any authority which is an appropriate administering authority for that employer's employees.

Statements of policy concerning communications with members and Scheme employers

61. —(1) An administering authority must prepare, maintain and publish a written statement setting out its policy concerning communications with—

- (a) members;
- (b) representatives of members;
- (c) prospective members; and
- (d) Scheme employers.

(2) In particular the statement must set out its policy on—

- (a) the provision of information and publicity about the Scheme to members, representatives of members and Scheme employers;
- (b) the format, frequency and method of distributing such information or publicity; and
- (c) the promotion of the Scheme to prospective members and their employers.

(3) The statement must be revised and published by the administering authority following a material change in their policy on any of the matters referred to in paragraph (2).

Pension fund annual report

57. —(1) An administering authority must, in relation to each year beginning on 1st April 2014 and each subsequent year, prepare a document ("the pension fund annual report") which contains—

- (a) a report about the management and financial performance during the year of each of the pension funds maintained by the authority;
- (b) a report explaining the authority's investment policy for each of those funds and reviewing the performance during the year of the investments of each fund;
- (c) a report of the arrangements made during the year for the administration of each of those funds;
- (d) for each of those funds, a statement by the actuary who carried out the most recent valuation of the assets and liabilities of the fund in accordance with regulation 62 (actuarial valuations of pension funds), of the level of funding disclosed by that valuation;
- (e) the current version of the statement under regulation 55 (governance compliance statement);
- (f) for each of the funds, the fund account and net asset statement with supporting notes and disclosures prepared in accordance with proper practices;
- (g) an annual report dealing with—
 - (i) the extent to which the authority and the Scheme employers in relation to which it is the administering authority have achieved any levels of performance set out in a pension administration strategy in accordance with regulation 59 (pension administration strategy), and
 - (ii) such other matters arising from a pension administration strategy as it considers appropriate;
- (h) the current version of the statement referred to in regulation 58 (funding strategy statement);
- (i) the current version of the investment strategy under regulation 7 (investment strategy statement) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016; the current version of the statement under regulation 12 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (statement of investment principles)
- (j) the current version of the statement under regulation 61 (statements of policy concerning communications with members and Scheme employers); and
- (k) any other material which the authority considers appropriate.

Public Service Pensions Act 2013

2013 c. 25 Administration

17 Regulatory oversight

(1) Schedule 4 contains provision relating to the regulation of schemes under section 1, new public body pension schemes and connected schemes.

(2) The Secretary of State may by order make—

- (a) provision consequential on Schedule 4, and
- (b) further provision for, or in connection with, the regulation of public service pension schemes within the meaning of the Pensions Act 2004 (as amended by that Schedule).
- (3) The provision referred to in subsection (2) includes provision made by amending any legislation (including this Act).
- (4) An order under this section may make different provision for different purposes.
- (5) An order under this section is subject to—
 - (a) the affirmative procedure, if it amends primary legislation, and
 - (b) the negative procedure, in any other case.

SCHEDULE 4 Regulatory oversight [section 17]

Amends the Pensions Act 2004 to cover Public Service Pensions and the Pension Regulator involvement

Section 16

Records

- (1) The scheme manager for a scheme under section 1 and any statutory pension scheme that is connected with it must keep such records as may be specified in regulations made by the Secretary of State.

The Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014

Records

- 3. For the purposes of section 16 of the 2013 Act, the scheme manager for a public service pension scheme must keep the records which are specified in regulations 4 to 6.

Records of member and beneficiary information

- 4.—(1) In respect of member and beneficiary information, the records which are specified are—
 - (a) the name of each member and of each beneficiary;
 - (b) the date of birth of each member and of each beneficiary;
 - (c) the gender of each member and of each beneficiary;
 - (d) the last known postal address of each member and of each beneficiary;
 - (e) each member's identification number in respect of the scheme;
 - (f) the national insurance number of each member who has been allocated such a number; and

(g) in respect of each active member, deferred member and pensioner member—

(i) the dates on which such member joins and leaves the scheme;

(ii) details of such member's employment with any employer participating in the scheme including—

(aa) the period of pensionable service in that employment; and

(bb) the amount of pensionable earnings in each year of that employment..

(2) In respect of each member's rights and, where applicable, of each beneficiary's entitlement, to any benefits which are not money purchase benefits, injury benefits or compensation benefits under the scheme, the records which are specified are—

(a) any formula or formulas used for calculating the member's or beneficiary's pension or benefit;

(b) the percentage to be applied in respect of revaluation for each year to the member's accrued rights to benefits under the scheme; and

(c) any increase to be applied to the pensioner member's or beneficiary's pension or benefit in payment in each year..

(3) In respect of each member's rights to any money purchase benefits under the scheme, the records which are specified are—

(a) any investment decisions taken by, or in relation to, the member;

(b) any investments held on behalf of the member; and

(c) any anticipated date of retirement notified by the member..

(4) In respect of pension credits under section 29(1)(b) of the Welfare Reform and Pensions Act 1999(1) (creation of pension debits and credits) or under article 26(1)(b) of the Welfare Reform and Pensions (Northern Ireland) Order 1999(2) (creation of pension debits and credits), the records which are specified are records of any information relevant to calculating each member's rights under the scheme which are attributable (directly or indirectly) to a pension credit.

(5) In respect of pension debits under section 29(1)(a) of the Welfare Reform and Pensions Act 1999 or under article 26(1)(a) of the Welfare Reform and Pensions (Northern Ireland) Order 1999, the records which are specified are records of any information relevant to calculating any reduction in each member's rights under the scheme which are attributable to a pension debit.

Records of transactions

5. In respect of transactions, the records which are specified are—

(a) any employer contribution or member contribution paid in relation to each active member;

(b) payments of pensions and benefits including the date of the payment;

(c) except where the payment is a payment under paragraph (b) or (f), payments made by, or on behalf of, the scheme manager to any person including—

- (l) the name and address of the person to whom payment was made; and
- (ii) the reason for that payment;
- (d) any movement or transfer of assets from the scheme to any person including—
 - (i) the name and address of the person to whom the assets were moved or transferred; and
 - (ii) the reason for that transaction;
- (e) the receipt or payment of money or assets in respect of the transfer of members into or out of the scheme including—
 - (i) the name of that member;
 - (ii) the terms of the transfer;
 - (iii) the name of the scheme into or out of which the member has been transferred;
 - (iv) the date of the transfer; and
 - (v) the date of receipt or payment of money or assets;
- (f) payments made to any member who leaves the scheme, other than on a transfer, including—
 - (i) the name of that member;
 - (ii) the date of leaving;
 - (iii) the member's entitlement at that date;
 - (iv) the method used for calculating any entitlement under the scheme; and
 - (v) how that entitlement was discharged;
- (g) payments made to any employer participating in the scheme;
- (h) any amount due to the scheme which has been written off in the scheme's accounts; and
- (i) any other payment to the scheme including the name and address of the person from whom it is received and, where a payment is made in respect of a member, the name of the member in respect of whom it is made.

Records of pension board meetings and decisions

6.—(1) In relation to any pension board meetings, the records which are specified are records relating to any such meeting including—

- (a) the date, time and place of the meeting;
- (b) the names of all the members of the pension board invited to the meeting;
- (c) the name of any person who attended the meeting and the capacity in which each attended; and

(d) any decisions made at the meeting.

(2) In relation to any other decision made by the members of the pension board in the exercise of their functions as members of the pension board, the records which are specified are records relating to any such decision including—

(a) the date, time and place of the decision; and

(b) the names of the members of the pension board who participated in making the decision.

(3) In relation to any decision made by a committee or sub-committee of the pension board which has not been ratified by the pension board, the records which are specified are records relating to any such decision including—

(a) the date, time and place of the decision; and

(b) the names of the members of the committee or sub-committee who participated in making the decision.

Amendment of the Occupational Pension Schemes (Scheme Administration) Regulations 1996

7. For regulation 16A of the Occupational Pension Schemes (Scheme Administration) Regulations 1996) (exemptions from the requirement to notify the Authority or the member of a late contribution payment) substitute—

“Exemptions from the requirement to notify the Authority or the member of a late contribution payment

16A.—(1) Subject to paragraph (3), where an amount corresponding to any contribution payable on behalf of an active member of an occupational pension scheme—

(a) is deducted from that member’s earnings in respect of any employment; and

(b) is not paid to the trustees or managers of the scheme within the period of 19 days beginning on the first day of the month after which the deduction is made,

the trustees or managers do not need to give notice of the failure to pay that amount within that period to the Authority or member in the circumstances specified in paragraph (2).

(2) The specified circumstances are where the trustees or managers of the scheme are exempt from the requirement—

(a) to secure the preparation, maintenance and revision of a payment schedule for the purposes of section 87(1) of the 1995 Act (schedules of payments to money purchase schemes), by virtue of regulation 17; or

(b) to prepare, review and if necessary revise a schedule of contributions under section 227 of the 2004 Act (schedule of contributions), by virtue of any of sub-paragraphs (a) to (i) and (k) to (m) of regulation 17(1) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005.

(3) Paragraph (1) does not apply in circumstances where the scheme is a public service pension scheme.

(4) For the purposes of this regulation—

“the 2013 Act” means the Public Service Pensions Act 2013;

“connected”, “new public body pension scheme” and “statutory pension scheme” have the meanings given in section 37 of the 2013 Act (general interpretation);

“public service pension scheme” means—

(a) a scheme established under section 1 of the 2013 Act (schemes for persons in public service);

(b) a new public body pension scheme;

(c) any statutory pension scheme which is connected with a scheme referred to in para (a) or (b).

Explanatory note for this amendment

Under section 49 of the Pensions Act 1995 (c. 26) trustees or managers must notify the Pensions Regulator and the member where there is a late payment of a contribution where such late payment is likely to be of material significance to the Pensions Regulator’s functions. Regulation 16A of the [Occupational Pensions Schemes \(Scheme Administration\) Regulations 1996](#) sets out exceptions to that duty. The amendments mean that managers of public service pension schemes under the 2013 Act cannot benefit from the exception and will now be subject to the duty to notify.

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Our communication aims:

The Avon Pension Fund is committed to delivering a consistently high level of performance and customer service to its members, employers and stakeholders. Effective communication is at the core of this commitment.

Our communication aims are to:

- provide clear, relevant, accurate, accessible and timely information to all our audiences and stakeholders
- support members to enable them to make informed decisions about their pensions by making information available
- use plain language and avoid unnecessary jargon
- listen and respond appropriately to feedback we receive
- become an digital communication-based Fund, utilising new communication technology (web, email, social media)
- be compliant with all legislative requirements with regard to communicating with members, such as the Pensions Regulator

What the policy statement covers

The policy outlines the communications we provide to various audiences such as our stakeholders, audiences and interested parties.

The communications matrix highlights our audiences, methods of communication and their frequency.

How do we communicate?

Digital plans

When deciding how best to communicate we take into consideration our audience's needs and requirements, regulatory and compliance factors, as well as cost implications for the Fund. We aim to use the most appropriate and effective means of communication for the audiences receiving the information.

Our aim is to conduct the majority of communication with members in electronic/digital format (via our website, online member self-service and email). We follow Disclosure Regulations, which say that we should write to members about changes to their pension and that they can request in writing for continued use of paper-based communications, even if the Fund conducts the majority of its communications digitally. The 'my pension online' facility also allows members to choose how they wish to be communicated with. Members can change their preferences at any time.

The Fund's Digital Road Map and ICT Strategy outline the actions the Fund is taking to move to more digital communications.

Access to communication

We want to ensure that all members can access our services, whatever their needs. All print and electronic communications are designed with consideration for those with additional needs. Our communications media is measured against accessibility standards and we can arrange large print, audio or Braille versions of all printed literature.

Increasingly we are using electronic forms of communication, but we will always offer members the opportunity to receive paper copies by post. Face-to-face and telephone communications will continue to be important channels for members to interact with the Fund and vice-versa.

Customer service

The Fund prides itself on delivering the highest level of customer service to our members, employers and stakeholders. Our Customer Service Charter accompanies the Communications Policy Statement. This outlines standards that customers can expect from us and methods to contact us, including how to make comments, compliments or complaints.

Commitment to staff training and development

We recognise that knowledgeable, experienced and enthusiastic staff is key to delivering good communication and customer service. We are committed to training and developing members of staff to enable delivery of an effective pensions administration service.

Freedom of Information (FOI)

We comply with FOI requests within statutory guidelines and timescales

Data Protection

The security of members' personal data is the Fund's highest priority. Under General Data Protection Regulations (GDPR) the Fund publishes a Privacy Notice, which outlines for members how their data is store, managed and shared. This notice will be reviewed on an annual basis. The Fund has processes in place to ensure that personal data is managed securely and has a reporting process in place if any data protection breaches occur. In respect of communication, the Fund does not share members' personal data with third parties for promotional purposes.

Feedback and surveys

The Fund actively encourages and responds to feedback from members and employers. The website is a key route for member feedback, with online surveys available. The Fund also gathers feedback through letters/correspondence with members. Feedback is formally reported to the Pensions Committee on a quarterly basis.

Who we regularly communicate with:

- Scheme members (active, deferred and pensioners)
- Employing authorities (referred to as "Employers")
- Prospective scheme members
- Prospective employers
- Representatives of scheme members (trade unions)
- Avon Pension Fund Committee
- Avon Pension Fund Board
- Brunel Pension Partnership Ltd
- Other bodies / organisations – such as:
 - Media
 - Investment managers
 - Actuary
 - Other Funds
 - Department for Communities and Local Government (DCLG)
 - Local Government Association (LGA)
 - The Pensions Regulator
 - Advisers / consultant

Fund communications matrix

This outlines the current (as of July 2018) communication channels, their target audience and frequency

Communication material	Audience	Electronic	Paper based	Website	Face-to-face	Frequency	Reviewed
Avon Pension News (newsletter)	Active members	✓	✓	✓		Twice a year (one with ABS)	Ongoing
Avon Pensioner News (newsletter)	Pensioner members	✓	✓	✓		Once a year (with P60)	Ongoing
Deferred Pension News (newsletter)	Deferred members	✓	✓	✓		Once a year (with ABS)	Ongoing
Website: (www.avonpensionfund.org.uk)	Members / public	✓		✓		Ongoing	6 monthly review
Literature/publications/guides	Members	✓	✓	✓		Ongoing	Ongoing
"my pension online" (member self-service)	Members	✓	✓	✓		Ongoing	Ongoing
Pension clinics and seminars	Members				✓	Quarterly	Ongoing
Member Drop-In Sessions	Members				✓	Weekly	Ongoing
Annual Benefit Statements	Active & Deferred members	✓	✓	✓		Annual	Annually
Telephone and email contacts	Members/employers/public			✓			Ongoing
New starter packs	Active members	✓	✓	✓		On Request	Annually
Statutory notice / Welcome letter for new starters	Active members	✓	✓			On Joining	Ongoing
Website (www.apfemployers.gov.uk)	Employers	✓		✓		Ongoing	6 monthly review
Employer monthly data updates / iConnect	Employers	✓		✓		Ongoing	Ongoing
Annual Report and Accounts	Members/employers/public	✓		✓		Annual	Annually
Employer email updates and bulletins	Employers	✓		✓		Ongoing	Ongoing
Employer training videos	Employers	✓		✓		Ongoing	Ongoing
Employer training and workshops	Employers	✓		✓		Ongoing	Ongoing
Employers' Conference	Employers				✓	Once a year	Ongoing
Employer Forums	Employers				✓	At least twice a year	Ongoing
Investment Forum	Employers				✓	Once a year	Ongoing

Methods of communication

1. What the Fund provides for *scheme members*

It is essential that scheme members are provided with appropriate information regarding the pension scheme and their own benefits, to enable them to make informed choices and decisions.

Scheme members are:

- **Active members** (people who are currently in the employment of a participating employer)
- **Deferred members** (people who have left the employment of a participating employer, but who have not yet retired)
- **Pensioners** (people who are in receipt of a pension from the Fund)
- ***Scheme literature/publications/guides***

The Fund produces all paper-based and electronic communications, such as brochures, guides or individual letters in a corporate and branded style. A short guide to the Local Government Pension Scheme and a fuller more detailed guide are available to active members (and prospective members). These guides are available electronically on the Fund's website, and in hard copy format (also available in Braille and audio versions) on request. Forms and factsheets are also available from the website or upon request in hard copy. Often these are sent as part of correspondence with members.

- ***Internet***

The Avon Pension Fund has two websites, one of which is aimed at members.

www.avonpensionfund.org.uk is the Fund's public website for members, prospective members and the wider population. It's the Fund's main information resource for these different audience types. As well as an information resource on the LGPS the website contains downloadable forms and factsheets for members as well as being the portal for "my pension online" (see below for more details).

This website provides a customer-focussed content platform, with information relevant to the various audiences and member life stages. The site has self-service functionality such as online forms (a contact us form) and integration with "my pension online". The website and my pension online are accessible and compatible with mobile platforms, such as tablets and smart phones.

- ***"my pension online" (member self-service)***

Through the Fund's public website, scheme members can securely access their pension details held on the Fund's pension database. This facility allows members to check their personal details, update contact details, update expression of wish forms, submit queries and produce estimates of their potential LGPS benefits.

Pensioner members have the facility to view their Pensions Payment Advice slips and P60s, as well as notify the Fund of bank or building society changes.

- ***Newsletters***

For active members the Fund produces its newsletter *Avon Pension News* at twice a year, with one issue being posted with the Annual Benefit Statement. For deferred members a newsletter is produced once a year and sent with the Annual Benefit Statement. The newsletter contains articles on changes to the LGPS regulations, summary of the Fund's Annual Report and Accounts and any relevant information and promotional messages for members. The newsletter is currently posted to members, but it is also available electronically on the Fund's public website and through "my pension online".

For pensioner members, *Avon Pensioner Newsletter*, is produced at once a year and is posted out to members along with their pay slip (usually in April). The newsletter includes information about pensions

increase, pay day dates and reminders about changes of address or bank details. The newsletter is also available electronically online and through “my pension online”.

- ***Pension clinics and seminars***

We will hold pension clinics for members at least quarterly at rotating venues. Additional clinics, held at the request of employers, will be considered, however, charges may apply. A pension clinic involves pensions officers visiting a venue to discuss benefits on a ‘one-to-one’ basis with active members who have pre-booked appointments.

Member Drop-In Sessions

Members can attend our drop-in sessions which are held at the Keynsham One-Stop-Shop every Tuesday between 10 am – 12:30pm & 1:30pm – 4pm to discuss their benefits on a “one-to-one” basis with a pensions officer. The Member Services team are also available for queries over the telephone during the Fund’s office opening hours which are Monday to Thursday 8.30am to 5pm and Friday 8.30am to 4.30pm.

- ***Annual Pension Benefit Statements***

Each year all active and deferred members are sent an Annual Pension Benefit Statement. Statements are sent by post to the home address or, alternatively, can be viewed on “my pension online”.

The statement summarises the basic information we hold about them such as date of birth, hours of work, pay for pension purposes and gives estimates of the current and future value of the member’s benefits. It also shows an estimate of the survivors’ pension benefits.

Members may also request an estimate of benefits at any time, by phone, letter or email.

- ***Pay advice slips and P60***

The Fund issues payslips to scheme pensioners in April each year. The April advice shows the effect of the annual pension increase on the gross monthly pension for both April & May. We do not send pensioners a pay slip during the rest of the financial year unless their pension amount changes by £5 or more. Early in the financial year pensioners also receive a P60 advice.

- ***Telephone and email contacts***

The Fund has a dedicated telephone number (01225 395 100) and a free phone number for pensioners (0800 0644 155).

The fund has a generic email address for all member enquiries: avonpensionfund@bathnes.gov.uk

2. What the Fund provides for NEW / PROSPECTIVE MEMBERS

- ***New starter packs***

Each member joining the scheme receives access to a new starter pack, issued by their employer along with their contract of employment. This pack contains a scheme guide that explains rights, benefits and options for the new employee, as well as information on transferring previous pension benefits. In most instances this pack is sent electronically via a web link to the Fund’s website. Hard copies of the pack are available upon request from the employer.

- ***Website***

The Fund’s website (under the ‘Thinking of joining’ section) contains information on joining the LGPS and the benefits of the scheme.

- ***Utilising employer communications***

The Fund actively works with employers to utilise their existing communication channels, such as intranets and noticeboards, to promote the pension scheme and its benefits to employees, where appropriate.

3. What the Fund provides for EMPLOYERS

To assist employers participating in the scheme, the Fund has a range of communication materials and methods to help increase their understanding of pension issues and to fulfil their responsibilities as scheme employers. By continuing to work in partnership we are all able to provide a better service to our members.

- ***Internet***

www.apfemployers.gov.uk is the website specifically dedicated to employers. The site is username and password protected and holds details specific to individual employer organisations, which only they can access (with the Fund having administrator rights). This is a popular and well-received resource as provides a wealth of information and guidance for employers. There are downloadable forms and factsheets, online bookable training system and links to the Employer Self Service facility (see below).

- ***iConnect / Monthly data uploads***

This enables employers to transfer and update data electronically to the Fund. This includes uploading new starters, pay changes and changes of member details. This links directly to the Fund's pension database system. The larger employers use this middleware software system to link transfer bulk member data from their payroll system to the Fund.

- ***Annual Report and Accounts***

Our annual report, which contains the Fund's statement of accounts is available on both websites and a link is emailed to the employers.

- ***Email updates and bulletins***

Regular monthly as well as ad hoc email messages and updates are sent employers with information about issues and training opportunities.

- ***Employers' Conference***

All employers are invited to this annual event which includes presentations on topical pension issues including regulation changes.

- ***Employer training and workshops***

The Fund offers a programme of training to all employers on the LGPS and their role in administering the scheme. Training covers the full range of administrative and regulatory activities, as well as ESS training. Workshops are also offered on specific topics, for example discretionary policies. Training and workshops are advertised on the employers' website, through email bulletins and newsletters, and are bookable online.

- ***Employer training videos***

The Fund has developed a suite of short training videos available to employers. These cover areas such as the Year End process.

- ***Employer Forums***

These forums keep employers up-to-date with LGPS developments and provide a forum to discuss common issues and share good practice. These are held at least twice a year.

- **Investment Forum**

The Investments Forum focuses on the investment strategy and actuarial developments. This is held once a year.

4. What the Fund provides for PROSPECTIVE EMPLOYERS

The Fund provides information to prospective employers to ensure they understand the LGPS Regulations, their implications and the role of a scheme employer.

The Fund will provide information which facilitates a smooth transition in respect of prospective employers to which LGPS members may TUPE transfer, such as schools which become academies and contractors providing a service to a scheme employer. Information is available on the APF employers' website.

5. What the Fund provides for It's STAFF

Regular team meetings and briefings take place with staff to keep them updated with the activities of the fund. Regular email bulletins are also sent along with training events and briefings on specific topics. All newsletters and other communications to members are shared with staff to ensure they are familiar with what the Fund is saying.

6. What the Fund provides for AVON PENSION FUND COMMITTEE

The Avon Pension Fund Committee meets quarterly to monitor activities of the Fund and its administration and takes decisions as necessary. It gives the Fund its strategic direction.

The Committee exercises a wide range of powers over Fund administration under its Terms of Reference. The Investment Sub Committee meets more regularly to review investment performance and examine opportunities for improvement in investment strategy.

Reports of these bodies are made available to the public in advance on request and at meetings. The reports and minutes of these meeting are also available on the website.

7. What the Fund provides for AVON PENSION FUND LOCAL PENSION BOARD

- A dedicated page on the Avon Pension Fund website, including details of the Board and publication of its Annual Report
- Ad hoc articles in newsletters, if required

8. Liaison with other organisations

The Fund maintains regular and ad hoc communications with the following organisations, providing information and responses where necessary:

- Trade Unions
- The media
- South West Area Pensions Officers Group (SWAPOG)
- South West Investment Managers (SWIM)
- Local Government Association (LGA)

- CIPFA Pensions Panel
- Brunel Pension Partnership Ltd

Avon Pension Fund

ICT Strategy

The ICT vision for Pensions Administration is to be able to “deliver high quality, efficient and integrated digital services to employers and members” in an increasingly regulated and financially complex environment.

The strategy builds upon the work already undertaken to achieve a digital step change between Fund and Employers in the use of technology to promote a significant degree of self-service. Further development in design solutions are needed to achieve greater efficiency in the wake of growing demand and releasing resources to support the control framework of the digital model and support employers at the front end and with higher value service.

Drivers for change

Whilst many of the drivers for change have been known and emerging for some time, demand growth and the financial climate are now the catalysts for greater focus on IT as the Fund and Employers grapple with a number of significant pension changes.

- There has been significant growth in employers and membership bringing with it a commensurate growth in demand, fuelled by the need for information about the Care Scheme and the ongoing downsizing and reorganising of public sector service provision
- The Care scheme itself requires far more data to be maintained about employees, compounded by the necessity to regularly auto enrol opted out members and the data management requirements of the Pensions Regulator
- The membership structure is highly complex with alternative working patterns created almost daily as employers look for increasing flexibility across the workforce.
- The Government Actuaries department also demands greater granularity of data as its cost sharing mechanism is applied as part of the valuation cycle.
- In the current financial climate, there is a need to operate as efficiently as possible and reduce the strain on the public purse and the Fund must play its part.
- The needs of employers are changing with many unaware of their complex pensions’ obligations and requiring the Fund to vary its service offer.
- Finally technology has taken major steps forward over the past decade in particular and the digital economy is now accessible to a wider community through mobile applications development, changing clients expectations about the way they want to engage with the Fund and want the Fund to engage with them

ICT Service Delivery Objectives

ICT is now critical to the daily operations of the Fund Administration and is a key enabler of service improvement, sustainability and good governance. Its objectives can therefore be stated as;

- A. To manage control and make available accurate and timely member data to inform decision making and inform members and stakeholders about their respective benefits and liabilities

- B. To make this information available via multimedia channels in a secure way to ensure that members and employers are able to access information and services through all available technology
- C. To enable self-service in all communications and transactions between the Fund, its members and Employers
- D. To enable a fully digitised operating environment where all casework is electronically managed and processed
- E. To enable services to be delivered at any location, at any time from any device
- F. To manage technology risk and provide business continuity
- G. To ensure that technology skills are continuously developed and refreshed
- H. To ensure that ICT support arrangements are capable of supporting a highly digitised operating environment and continuously developing efficiency and improvement opportunities
- I. To establish meaningful partnerships with software providers enabling the fund to realise its service delivery ambitions
- J. To establish effective partnerships with stakeholders, employers and other agencies and organisations delivering innovation and service excellence

ICT Improvement Strategy

Whilst the Fund has invested significantly in ICT over the years there is further work that needs to be undertaken in order to enhance service provision and strengthen governance and development of this important area. The ICT Strategy therefor has several strands;

- Maximising the use of existing technology
- Developing new facilities and services
- Building effective partnerships with key partners
- Developing Management information
- Investing in core skills
- Ensuring services are tailored to customer needs

Maximising the use of Existing Technology

Improving our existing functionality has now taken priority, in particular mobilising case management automation, integrating existing work arounds into core product, data transfer to and from employers and extending self-service facilities. The full programme proposal is contained in the attached appendix.

Developing new facilities and services

The Fund has identified a number of developments which enable improved interaction with customers and employers. These include enhancements to the web-site and its functionality; building connectivity with related service providers (eg AVC) to provide a one stop shop for pensions; provision of employers self-service discretionary policy tool; improving access channels to better reflect modern communication tools; improving mobility of staff to enable improved localised services; improved sign posting of services and a greater emphasis on self- service.

Building effective business partnerships with Suppliers

A legacy of the way the ICT market has developed in the LGPS world is that there are very few providers and one with a dominant market share. Development when not driven by legislation is by means of consensus forcing a one paced response to demands. If the Fund is to manage its demand pressures a different relationship needs to be established whereby the Fund can advance its ideas and innovations in partnership with a committed supplier. This may mean that the Fund engages in more development and testing but will be rewarded with a more bespoke product rather than one which is designed by someone else. However it may also mean that the Fund will test the market to ensure that its suppliers are delivering value for money and the innovative solutions demanded of the future

Developing management information

As the Fund continues its transformation journey the need for timely and useful management information is a necessity in ensuring effective and relevant service delivery in the digital age. Such information in respect of performance, quality and accuracy, permeates all aspects of our service whilst information on demand growth is important in shaping services going forward. Compliance plays an increasingly important part in the need to develop good quality data sets particularly as the TPR sets out its agenda and the cap and collar mechanism has a bigger influence on contribution rates and benefits. Understanding more about the membership structure and performance is key to effectively managing it

Investing in core skills

It is expected that over the next five years the focus of administration will move away from processing data to controlling information flows and customer engagement, requiring a change in some roles and an increase of ICT infrastructure support as systems grow in use and complexity. The Fund will need to continue to invest in these emerging core skills and will need to consider how it can maintain its resilience possibly through greater collaboration and partnership

Ensuring services are tailored to customer needs

Pensions are hugely complex to the extent that most people will need some financial advice at some point in order to maximise their benefits or run the risk of not doing so. Government freedoms also mean that individuals need to consider the totality of their pensions together and this may even impact on career choices, opting in or out and personal relationships. Whilst not overtly stated the direction is clear in that we need to work more closely with other agencies if we are to help individuals navigate this complex path. More importantly though our communication strategies and the tools we use will be crucial to getting that message across

Key Delivery Stages

Compared to some peers the APF is in a strong starting position from which to make further improvements but nevertheless the developments will require a programmed approach over a period of time

The proposed delivery stages will incorporate existing planned work, some of which will operate in parallel as follows;

Work Stream 1

Phase (i): Complete implementation of i-Connect

This enables the transfer of pension data between employers and the Fund to update member records on a continuous basis with minimum intervention. The implementation is ongoing across all employers and is due to be completed by the end of 2019.

Phase (ii) Harmonising monthly contribution & i-Connect submission

The next phase will aim to reconcile employee contributions paid to i-Connect submissions to enable employers to submit one payment and one return each month to meet all the Fund's requirements, utilising the existing Employer Relationship Management system (ERM)

Work Stream 2 Creating a shared development Agenda with Software Suppliers

This focuses on a number of critical areas:

- Consolidating the Employer entry portals to a single access channel which caters for all categories of employer and transaction including online leaver forms and the ability to send all types of correspondence and files via i-Connect
- Developing the self-service agenda for employers effectively automating processes and removing Fund intervention
- Continued development of the Member Self Service (MSS) facility and requirements for the planned Pensions Dashboard.

Work Stream 3 Investing in Core skills

This will primarily support work stream 1 to ensure sufficient system knowledge to support the activities of the administration. There will be ongoing user training as part of the Fund's training programme or project implementations for specific stakeholder groups. It is anticipated that embedded working can take place with our suppliers to enhance systems knowledge.

Work Stream 4 Developing services for customers

This will involve both enhancements to systems and website to provide a suite of information and functionality delivering more relevant information to users, targeted where possible, greater use of nationally available material such as video and training suites, and greater self-service functionality.

The aim will be to have more documents available to view on My Pension Online (for example retirement packs and estimates) to streamline processes, reduce postage and improve the customer experience.

Pensioner members will also benefit from the development of better online provision of their P60s and payslips, accessed through My Pension Online.

Work Stream 5 Developing management information

This work stream continues to prioritise the Pensions Regulator Improvement plan requirements and will be developed in line with further clarification of scheme specific data from the Scheme Advisory Board in 2019.

As more employers move to i-Connect submissions adequate monitoring and control needs to be in place to ensure submissions are on time and the data is accurate as well as mitigating any risks to the integrity of the Fund's data held on Altair.

Work Stream 6 New Employer Website

A new employer website is in initial development stages and will be in place in early 2020. The new site will be a more interactive experience for employers and link directly to all aspects of the Service Level Agreement and supporting information. It will also contain more bite size training videos to assist employers understanding of responsibilities.

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Our performance standards of service to members

Annex 4

This outlines service standards and response times that you can expect from us. Service standards for employers are covered in Service Level Agreements.

Who	Service	Actions / triggers	Timescale
New active members	Transfers in	Acknowledge the member's request for transfer details, calculate the estimated benefits that a transfer value will buy for the member and issue a quotation, following receipt from the member's previous scheme and any additional essential information required from Her Majesty's Revenue and Customs (HMRC)	Within 10 working days
		Confirm the actual benefits purchased by the transfer value to the member, following receipt of payment from the member's previous scheme and confirmation (where necessary) of the member's accrued guaranteed minimum pension (GMP) from HMRC	Within 10 working days
Existing active members	Benefit estimates	Issue a quotation, following request, in line with estimate policy	Within 10 working days
	Annual Pension Benefit Statement	<p>Send member statement, provided pay details are received from employers promptly after the close of each financial year and that we hold all of the relevant information</p> <p>Statement sent to the member, either by post (to their last known address) or electronically through "my pension online" via the Fund's website</p> <p>The statement will show:</p> <ul style="list-style-type: none"> the estimated current value of their accrued benefits 	Annually (by 31 August)

		<ul style="list-style-type: none"> the value of their prospective benefits at normal pension age the estimated current value of their death-in-service benefits 	
	Retirements	Send details of the benefits payable following receipt of a leaver notification from the employer	Within 5 working days
		Pay the member's tax-free cash lump-sum, following receipt of the information required from the member	Within 5 working days
	Deaths	Send acknowledgement of death and request for death certificate, following notification of the death	Within 5 working days
		Make payment of death benefits following receipt of all necessary information/documentation	Within 5 working days
	Early leavers	We will send details of the benefit options available, following receipt of leaver information required from the employer	Within 5 working days
	We will send notification of deferred benefits either following receipt of a members leaver option form or following no response from the leaver hold letter after 30 days	Within 20 working days	
Refunds	Provide member with a quotation of the refund payable following no response from the leaver hold letter after 30 days	Within 10 working days	
	Pay a refund following member's request for payment and bank details	Within 10 working days	
Transfers out	Issue a quotation (guaranteed for three months) following member's request and confirmation of the member's accrued GMP/State Second Pension from HMRC	Within 10 working days	
	Pay the transfer value, once confirmation from the member that	Within 10 working days	

		the transfer is to be made and all of the information we require to make payment is received and necessary checks have been carried out on the receiving scheme	
	Newsletters	Send, either electronically or by post, a newsletter (Avon Pension News) to members	At least twice a year
Deferred members	Benefit Estimates	Issue a quotation, following request, in line with estimate policy	Within 10 working days
	Annual Pension Benefit Statement	Provide each deferred member with a benefit statement, showing the current value of their preserved benefits, provided we have a current address	Once a year
	Deferred Benefits into Payment	Provided we hold a confirmed address we will issue the deferred member with a retirement pack. If we cannot confirm the address we will make every effort to trace the deferred member	Within 1 month prior to NPA
	Newsletters	Send, either electronically or by post, a newsletter to members	At least once a year
Pensioner members	Changes in personal details	Update a pensioner's payroll record with any changes to personal details following receiving written notification (by post or email) Due to the nature of payroll administration, such changes may not take effect until a subsequent payroll has been run. Confirmation of changes to bank details will be advised on the next available pay advice	Within five working days
	Newsletter	We will send, either electronically or by post, a newsletter (Avon Pensioner News) to pensioners. This will be sent out with the pension pay advice slips	At least once a year
	Deaths	Acknowledge receipt of a notification of the death of a pensioner and start action to put into payment any dependants' benefits, following notification	Within 5 working days

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The Avon Pension Fund aims to give a consistent level of service to customers, in an efficient, effective and courteous way, no matter how customers contact us.

Our **Customer Standards** apply to all our services and mean that customers can get the responses they need, consistently across the entire Fund. When dealing with enquiries, we will:

- Be helpful, polite and accessible, identifying and addressing any specific needs with sensitivity, tact and diplomacy
- Aim to deal with things as quickly as possible and follow through to deliver what we promise, dealing with any problems that arise
- Ensure that the information we give is timely, accurate and comprehensive
- Ensure we treat our customers fairly
- Use appropriate technology to manage and fulfil our customer requests, recording contact details accurately and securely, and treating communications confidentially
- Where appropriate, provide enquiry references so that details can quickly be recalled, if needed
- Regularly ask for feedback about our customer service – and use this feedback to help shape the services we deliver
- Ensure our services are easy to access, no matter which way we are in contact, as detailed in the table below.

In return we need you, our customer, to:

- tell us clearly and succinctly the nature of your enquiry
- give us the correct information at the right time
- let us know if you no longer require a service, or wish to cancel an appointment we have previously made for you
- inform us of any change to circumstances such as address, status and contact details
- tell us if we exceed your expectations or don't deliver a service to your satisfaction
- treat our staff courteously and politely

When we are in contact	Our Customer Standard
<p>In Person</p> <p>Whenever we meet, whether you visit us at any of our offices and facilities or if we arrange to come to you.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Offer a welcoming efficient service • Ensure our identity badges are visible at all times • Display opening times and be open when we say (our office opening hours are Monday to Thursday 8.30am to 5pm and Friday 8.30am to 4.30pm) • Provide a safe, tidy and clean environment for you to visit and use • See you as soon as possible at our drop-in clinics, which are on a first-come-first-served basis • Aim to minimise the amount of time you wait to see someone, and; • Keep you informed of current waiting times
<p>By Phone</p> <p>When we need to use the phone.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Publish our contact phone numbers to allow easy access to our most frequently requested services and aim to answer 80% of calls within 45 seconds (15 rings) during service opening hours. • Route enquiries and requests to the most appropriate trained and knowledgeable person/team to deal with your enquiry • Always answer the phone giving our name and department • We will take a message and ensure the right person calls you back if we cannot respond immediately
<p>In Writing (email or letter)</p> <p>Whether you write to us by email, letter or via our online webpage forms.</p>	<p>We aim to:</p> <ul style="list-style-type: none"> • Respond to all written enquiries within 10 working days. This means either: <ul style="list-style-type: none"> ○ A full response to your enquiry, or; ○ If we need to take longer to give a fuller response, we'll tell you why and what the next steps are, or; ○ Some email or web-based requests may be automatically acknowledged immediately and provide information about next steps • Write clearly and concisely, so that information is easy to read and understand • Include a named contact person and phone numbers in our correspondence when appropriate • Use email wherever possible but use another method if it's your preference or a statutory requirement
<p>By web and web-self service</p> <p>We provide many self-serve online services, available to use 24/7.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Make more of our services available online, to use at a time that suits you • Ensure our online services can easily be found on our website, are clear and easy to use • Operate secure online services, where your personal data is safe • Explain clearly how to contact us in other ways if you need support

However you contact us

For some specific types of customer request we work to defined business processes or statutory timescales.

Comments, compliments and complaints

We welcome feedback about any aspect of the service we provide. You can make a comment, compliment or a complaint by contacting:

Geoff Cleak
Pensions Manager
Avon Pension Fund
Bath and North East Somerset Council
Lewis House
Manvers Street
Bath
BA1 1JG

Email: avonpensionfund@bathnes.gov.uk

What if your complaint has not been resolved or you're not satisfied with the outcome?

If you are not satisfied with any decision affecting you, you have the right to ask for it to be looked at again under the formal complaint procedure, known as the **Internal dispute Resolution Procedure (IDRP)**. More information can be found on our website at:

<http://www.avonpensionfund.org.uk/customerservice/complaintsprocedure.htm>

Freedom of Information (Foi) requests

- We are required to respond within 20 working days

Data Protection

- We are required to respond to subject access requests about personal data within one month

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SCHEDULE OF ADDITIONAL ADMIN CHARGES, FINES AND PENALTIES FOR NON-COMPLIANCE (SLA03)

Most employers submit accurate data and pay correct pension contributions on time. However when there is **late or inaccurate submission of data or late payment** of contributions the consequent costs to the fund are met from *all* employer's contributions which is unfair.

In order to promote efficiency, reduce costs and better target the costs of non-compliance, the following **additional** charges will be made.

Item	Trigger	Additional charge
Monthly contributions LGPS50 forms	Late submission	£50 per occasion
Monthly contributions	Late payment	Interest at base rate plus 1% as per the 2013 LGPS regulations
Year End LGPS51 form and Pensionable Pay data	Late submission Queries in excess of 10% of membership at year end	£250 per occasion plus £100 per month or part <i>thereof</i>
Fine received from regulatory body eg HMRC, TPR, ICO	APF receive fine as a result of a breach by an employer	Amount of the fine will be re-charged
Disproportionate work	Any data submissions or actions that create a disproportionate amount of work eg <ul style="list-style-type: none"> - Data cleansing exercise required due to incomplete / inaccurate data returns - Incomplete / inaccurate data received as part of an outsourcing of members to a new employer - Re-calculation of member benefits due to incorrect data - Re-runs of annual benefit statements due to incorrect data 	£50 per hour of additional work

i-Connect charges

The submission of monthly data via i-Connect is mandatory for all employers from 1 April 2019. The following penalty charges will apply if:

- Any existing employer is not live by 1 October 2019
- Any new employer is not live within the first 3 months of admission to the scheme
- Once live a monthly return is late

Number of Active members	Penalty charge for failure to start monthly i-Connect returns	Per additional month late or part thereof	Once i-Connect monthly returns are live, penalty charge for one late return during the tax year (after 22 nd of month)	Once i-Connect monthly returns are live, penalty charge for second late return during the tax year (after 22 nd of month)	Once i-Connect monthly returns are live, penalty charge for third or more late return during the tax year (after 22 nd of month)
0-10	£250	£50	Warning	£250	£250 and report to TPR
11-99	£500	£100	Warning	£500	£500 and report to TPR
100 - 999	£750	£150	Warning	£750	£750 and report to TPR
1000 +	£1,000	£250	Warning	£1,000	£1,000 and report to TPR

Any remedial work required as a result of employer data corrupting the Altair system will be treated either in line with the disproportionate work charge of £50 per hour or if it is necessary for the software supplier (Heywood) to correct the data, their charges will be passed on.

Chargeable services

Annex 7

In certain circumstances additional services may be required by an employer. The Avon Pension Fund is able to offer chargeable services to employers in the following circumstances:

- Failure by an employer to meet the agreed data standards
- Request by the employer for additional assistance

As set out below:

Service offered	Location
Additional visits to provide: <ul style="list-style-type: none"> • Data cleansing service following continued non-compliance with data requirements • If IConnect submissions are discontinued APF will assist the employer to re-start submissions 	Employer offices
For some payroll software (eg ITrent) APF is able to offer a service to assist with the development of an IConnect extract	Employer offices
Running bespoke training sessions : <ul style="list-style-type: none"> • Employer Responsibilities • Data Requirements • HR Training • Others as requested and agreed 	Employer offices
Consultancy services are available either from senior officers or external partners in the following areas:	Employer offices

<ul style="list-style-type: none"> • Dealing with IDRPs cases • Writing discretionary policies • Annual & Lifetime Allowance • Understanding pension liabilities • Outsourcing services & TUPE <p>Please note these services do not offer advice, but offer guidance to ensure compliance with regulations.</p>	
<p>Pension Clinics for members. APF officers can:</p> <ul style="list-style-type: none"> • provide individual pension information to members • present information to a group of staff 	Employer offices
<p>Local Government Pension Committee (LGPC) training events for scheme employers</p> <p>The LGPC provides training events for scheme employers including topic-specific workshops and a 3 day residential course for those involved in LGPS administration. Details at: http://www.local.gov.uk/events</p>	Nationwide locations

Chargeable services agreement

The details of the service required and being supplied will be set out in a signed agreement as follows:

Chargeable services provided by APF to _____ employer
APF have agreed to provide the following services: <i>Insert details of service agreed</i>
Date to be provided:
Cost of services:
Signed by employer's Lead Officer:
Date:
Signed by APF Employer Services Manager:
Date:

Charge rates

The charges for these services are based on an hourly rate (including all overheads) depending on the grade of the pension officer that is supporting the employer.

Grade of Pension Officer	Hourly rate
Assistant Officer	£30
Pensions Officer	£35
Senior Pensions Officer	£40
Team Leader	£50
Dept Manager	£60
External providers	On request

Bath & North East Somerset Council		
MEETING:	LOCAL PENSION BOARD	
MEETING DATE:	13 June 2019	AGENDA ITEM NUMBER <input style="width: 50px; height: 20px;" type="text"/>
TITLE:	2018 - 21 SERVICE PLAN AND BUDGET	
WARD:	'ALL'	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Annex 1: 2019 – 22 Service Plan and Budget (including 4 Appendices)		

1 THE ISSUE

- 1.1 The purpose of this report is to present to the Local Pension Board for comment the 3 Year Service Plan and Budget for the period 1 April 2019 to 31 March 2022.
- 1.2 The Service Plan was approved by Avon Pension Fund Committee at its meeting on 22nd March 2019
- 1.3 The Service Plan (Appendix 1) details development proposals that are planned to be undertaken during the next 3 financial years. These are designed to respond to known legislative changes and Committee initiatives as well as to take the Service forward by improving performance and overall quality of service to its stakeholders.

2 RECOMMENDATION

- 2.1 That the Pension Board notes the 3 Year Service Plan and Budget for 2019-22 for the Avon Pension Fund.**

3 FINANCIAL IMPLICATIONS

- 3.1 The administrative and management costs incurred by the Avon Pension Fund are recovered from the employing bodies through the employers' contribution rates.
- 3.2 The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 provide that any costs, charges and expenses incurred administering a pension fund may be paid from it.
- 3.3 Financial implications are contained within the body of the Report.

4 SERVICE PLAN 2019-22

- 4.1 The Service Plan sets out the Pension Fund's objectives for the next three years. The three year budget supports the objectives and actions arising from the plan including work relating to the investment strategy, risk management and compliance and improvements in the administration of the Fund.
- 4.2 The main focus of this plan is as follows:
- (i) To work with Brunel Client Group and Brunel to ensure efficient transition of assets and full consideration of all investment, financial and governance issues. Ensure Committee and Board kept up to date of progress.
 - (ii) To implement the revised Admin Strategy and new employer Service Level Agreement including the option of a new chargeable service offer.
 - (iii) To undertake the 2019 triennial valuation and review the implications for investment strategy.
 - (iv) To continue the implementation of the IT strategy to achieve a digital step change in service delivery and to mitigate service demand growth.
- 4.3 Full details of the 2019- 22 Service Plan are included in the Annex. Appendix 3 of the Service Plan shows the new medium term targets for 2019-22

5 BUDGET FOR 2019-22

- 5.1 The Service Plan includes details of the proposed budget and cash flow forecast over this period. The three-year budget and cash flow forecast commencing 1 April 2019 are included as **APPENDIX 4** to the Service Plan.
- 5.2 The budget is split between those areas that relate to the administration of the Fund in terms of providing the administration service to members and employers, and those areas where there is less scope to directly control the costs. The latter areas include Investment Management and Custody costs where the fee structure is agreed by the Fund but the actual costs incurred are dependent upon investment performance and the volume of transactions. They also include governance and compliance expenses which are a consequence of the Fund's policy response to regulations and investment strategy. The budget also includes the estimated costs of the pension board. The LGPS regulations require the costs of local pension boards to be met by the local fund.
- 5.3 The budget approved for Administration in 2018/19 was £2,940,186. In the proposed budget for 2019/20 this has been increased to £3,441,335. The increase will provide additional staffing in Member Services, for technical training and development and in the Investment Team. There is also additional budget for IT developments and one off projects to check mortality and for tracing. Within Governance and Compliance the increased net budget is largely to meet the cost of

the 2019 valuation but also because the proportion of actuarial work that is rechargeable is expected to reduce. Within Investment Fees the increase is mainly due to Performance related fees. The investment management fees for the assets managed by Brunel are shown separately. These will not be fully offset by savings until after the transition of assets has been completed.

5.4 The inclusion of the three year cash flow forecast reflects the need to monitor the Fund's cash flow since it ceased to be continuously cash flow positive. The close monitoring of the Fund's cash flow position is a vital tool in the management of the cash that is achieved through its investment strategy.

6 RISK MANAGEMENT

6.1 The Avon Pension Fund Committee is the formal decision-making body for the Fund. As such it has responsibility to ensure adequate risk management processes are in place. It discharges this responsibility by ensuring the Fund has an appropriate investment strategy and investment management structure in place that is regularly monitored. In addition it monitors the benefits administration, the risk register and compliance with relevant investment, finance and administration regulations. The creation of an Investment Panel further strengthens the governance of investment matters and contributes to reduced risk in these areas.

7 EQUALITIES

7.1 An equalities impact assessment is not necessary.

8 CONSULTATION

8.1N/a

9 ISSUES TO CONSIDER IN REACHING THE DECISION

9.1 Are detailed in the report.

10 ADVICE SOUGHT

10.1 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 persons	<p>Budget – Martin Phillips, Finance & Systems Manager (Pensions) (01225 395259)</p> <p>Service Plan -- Tony Bartlett, Head of Business, Finance and Pensions (01225 477302), Geoff Cleak, Pensions Manager (01225 395277), Liz Woodyard, Investments Manager (01225 395306)</p>
Background papers	Various Accounting Records

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THE AVON PENSION FUND

SERVICE PLAN

2019 - 2022

PREPARED BY:

TONY BARTLETT, LIZ WOODYARD, GEOFF CLEAK and MARTIN PHILLIPS

MARCH 2019

CONTENTS OF SERVICE PLAN

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2. KEY OBJECTIVES 2019 – 22	5
3. RESOURCE IMPLICATIONS	6
4. BUDGET & CASHFLOW FORECAST 2019 - 22	6

APPENDICES

APPENDIX 1	SCOPE OF THE AVON PENSION FUND
APPENDIX 2	PROGRESS OF THE 2018-21 PLAN
APPENDIX 3	KEY OBJECTIVES & TARGETS 2019-22 PLAN
APPENDIX 4	BUDGET & CASHFLOW FORECAST 2019- 22

AVON PENSION FUND SERVICE PLAN 2019-2022

1 BACKGROUND

In 2017 the Fund set out its key objectives for the period to 2019/20 and this Service Plan continues that direction of travel recognising the continued challenging environment within which the service operates. This plan therefore updates the progress on those objectives and the further emerging challenges which need to be taken account of in the new programme period

Governance

The Fund is still in transition as it adapts to the changes in its investment arrangements and the complexity that arises from ongoing fragmentation of its employer base.

The transition of the assets and the need to implement the investment strategy through the pool will create issues that will require engagement by the Fund at both committee and officer levels. Although the review of the Fund's governance arrangements takes this into account, this needs to be kept under review as the new arrangements are still evolving, including the engagement process between Brunel, the Oversight Board and the Fund, and further changes may be required to ensure the Fund's requirements are addressed, its interests are protected and the governance arrangements are operationally effective.

The Pensions Board has been in existence for almost four years and is now fully engaged in its scrutiny role and in securing compliance and assisting the Administering Authority in delivering effective governance. Looking ahead, The Board will undertake to support the Committee and Officers in the implementation of the Administration Strategy.

Pooling of Investment Assets

Having established the FCA investment management company, Brunel, to manage the pool's assets, the focus through to 2021/22 is on the transition of the client assets to Brunel. A full range of portfolios have been agreed with assets starting to transition to a number of Brunel portfolios. In parallel with the transition of the listed assets, Brunel has established private market portfolios to invest new money commitments from its clients.

Although much time and resources has been spent establishing the pool and Brunel, significant resources are still required to work with Brunel and the wider pool to ensure the transition plan keeps on track, client strategies (and changes to them) are accommodated within the portfolio structure and that client monitoring is robust to give assurance to the Brunel Oversight Board, and local committees, that Brunel is delivering value for money to its clients.

Investment Strategy

Following a period of returns above expectations, 2018/19 saw the return of volatility to markets; the diverse strategy and focus on risk protected the Fund from significant declines in some assets.

The Strategic Asset Allocation will be reviewed following the 2019 actuarial valuation to ensure the Fund continues to fund its pension liabilities efficiently and provide value to its employers in terms of stable and affordable contributions. Any changes to the asset allocation arising from this review will be implemented through Brunel portfolios or, if a portfolio is not available, as an elective service by Brunel or by the Fund directly.

There were no changes to the strategy over the year; the strategic allocations to Secured Income (Long Lease Property) and Renewable Energy have finally been committed through Brunel portfolios and should be fully invested by mid-2020.

Funding Strategy

Significant work has been undertaken to de-risk the employer position within the Fund through the Funding Strategy. In addition to the captive ill-health insurance scheme and the liability hedging strategy already implemented, a strategy to match the liabilities of employers that have exited the Fund is being developed, with implementation planned for early 2Q19. This will de-risk a further £130m of liabilities within the Fund. The options of developing bespoke funds for select groups reflecting their deficit, risk assessment and financial positions will be explored further and the option of moving towards a fully unitised approach will also be explored in time. This will be an important consideration by the Fund given the nature and diversity of employers within the Fund and will be considered on affordability and practical operational criteria.

In addition progress has been made on the covenant assessment work ahead of the 2019 valuation, after which monitoring will be ongoing. This will be an important element of the emerging funding plans at the employer level, especially given the difficult funding environment many of the employers face, both currently and for the foreseeable future.

Administration Strategy

The rapid growth of employers within the APF continues to represent a significant challenge to the Fund. A number of key projects are in train to support objectives and mitigate compliance risk. However, further exploration and development of joined up technical capabilities are required to further maximise service delivery. The Fund has revised its Administration Strategy to continue progress toward a seamless automated pension service, additionally a new employer SLA will include a chargeable service option.

2 KEY OBJECTIVES – 2019/20 to 2020/21

Funding Strategy:

1. Implement the policy for ongoing covenant assessment for incorporating into the Funding Strategy and funding plans.
2. To agree a Funding Strategy for the 2019 valuation to protect the solvency of the Fund and ensure contributions remain affordable for employers.
3. To explore further options for bespoke portfolios to manage the funding and liability position of specific employer risk groups

Investment Strategy:

4. To monitor the transition of assets to the new Brunel Portfolios.
5. To review the strategic asset allocation to ensure the Fund can achieve the returns required in the Funding Strategy and that all risk are effectively managed.
6. To revise the Investment Strategy Statement reflecting strategy developments and changes due to Brunel operations.
7. Monitor and develop the Risk Management Framework further as a mechanism for managing liability risk through the investment portfolio and mitigating investment risk.

Administration Strategy:

8. To implement new SLA arrangements to all employers including chargeable service option.
9. To continue implementation of the planned IT Strategy designed to achieve a digital step change in service delivery and mitigate service demand growth.
10. To introduce a training & development programme across all pension stakeholders
11. To complete the rollout of I-Connect and implement joint monthly contribution and data delivery module.
12. To complete the GMP data reconciliation exercise as required by HMRC to ensure the fund is not at risk of erroneous pension liability.
13. To undertake review of pensioner member 'pots' to identify potential commutation opportunity in line with Government Budget announcement on trivial commutations
14. To complete the move towards electronic delivery of Scheme communications to active members.

Governance:

15. Keep governance arrangements under review to ensure effective monitoring of Brunel and the transition of the assets.
16. To ensure the Committee and the Pensions Board is fully trained and briefed on current strategies and operations and in position to scrutinise and make decisions effectively.

A report on progress towards objectives from 2018 – 2021 is given in Appendix 2. Key objectives for 2019-2021 are set out In Appendix 3.

3 RESOURCE IMPLICATIONS

In 2018/19 a new post was created within the Investment & Finance Team to focus on improving governance and risk management across the whole fund. The post will support the management team to embed a compliance culture, improve best practice and provide more structured training so that the Fund can comply with MiFID II and other regulatory standards.

With the creation of Brunel the resources within the team devoted to investment strategy, policy and operations has diminished, giving rise to resilience and capacity issues. Despite assets transferring to Brunel, significant resources are still required to manage and develop the relationship with Brunel and the client side of the pool. In particular, there is key person risk and inadequate resource to maintain and develop knowledge around strategic investment issues including ESG, where the Fund has specific focus. Internal capability ensures the strategy evolves efficiently to meet the Fund's objectives, there is proper control of implementation, that members are trained and supported, and there is adequate internal challenge of expert advice. Therefore the 2019/20 budget allows for an extra post of Senior Investment Officer to support and deputise for the Assistant Investment Manager.

In respect of administration, an additional part-time post has been included in the budget to support the administration in recruitment, training and development requirements of both Fund officers and scheme employers. Additionally, there is currently inadequate resource to deliver technical training and support across the administration service and therefore the 2019/20 budget allows for an extra post of at Senior Officer to undertake this. Finally, an additional Team Leader post on Member Services team has been created to support the current structure. With the continuous volume of projects being undertaken by managers across the Fund the requirement of a Projects and Processes Manager post has been considered. However, this has been deferred pending the capacity of the new Governance & Risk Advisor role.

4 BUDGET

This Service Plan period includes the costs of managing investment assets through Brunel; however savings in investment expenses and management fees will only begin to materialise as the transition of assets is completed over time. The Fund is expected to realise net (of transition costs) cumulative savings by 2024-25.

The budget (excluding investment costs) proposed for 2019/20 is £4,712,030.

In the areas of Governance and Compliance and Investment Management, where expenditure cannot be directly controlled, the budget reflects the expected volumes of work and fees.

Within the directly controlled budget for Administration there is a proposed increase in net expenditure over the 2018/19 budget of £501,000. This net increase includes additional resources to meet the employer driven demands of schools achieving academy status, the increasing number of outsourcings and the cost of meeting the challenge to maintain accurate up to date data. Provision has been made for IT developments including the option to have the Altair system and Member Self-Service system hosted and the move to a new server. The budget also includes the cost of one off projects to carry out mortality checks and detailed forensic tracing of deferred members. In addition there are provisions for an employer training module, an employer discretions package and a regulatory and guidance tool.

Investment Management fees:

The estimated investment management fees have increased by £4.7m to £28.9m which is more than the assumed 6% increase in asset values. The increase is due to an increase in performance related fees; annual management fees are estimated to be flat year on year at £19.8m. The actual fees paid in 2019/20 will depend on the change in asset values over the year and the performance of the assets subject to the performance fees (performance fees accrue within each year but are only payable when the underlying assets are realised).

The increase in performance fees relate to (i) the infrastructure portfolio following particularly strong asset performance during 2017 and 2018 and (ii) the real estate portfolio where, as the closed ended funds mature into the divestment phase, performance fees increase as asset sales are realised and the annual management fee reduces.

Annual investment management fees paid to managers are estimated to be flat compared to last year. Where asset values have fallen year on year, the annual fees (in monetary terms) based on the asset value show a small saving. However, the Fund's strategy is to increase the allocation to private market assets, sourcing the allocation from listed market assets. Typically the fee rate paid on private market assets is higher (in basis points) than for listed assets, leading to upward pressure on underlying fee rates.

Lastly, the fees are impacted by the transition of assets to portfolios managed by Brunel. The fee rates achieved to date from pooling the UK Equity and Passive Equity assets have been competitive and resulted in a small reduction overall in fee rates. Specifically, the Fund will make savings from the performance related fees that were paid on the legacy UK Equity mandate.

Brunel management costs:

During 2018/19, shareholders approved an increase in Brunel's budget for 2019/20 to ensure there are adequate resources to (i) deliver the transition plan within an agreed timeline in order that clients can implement their investment strategy efficiently and (ii) to support client funds with business as usual activities. In addition, a budget was approved to procure an administrator for the private market

assets to be managed by Brunel. The increases were approved by Special Reserve Matters during 2018/19 and the Business Plan for 2019/20 to 2021/22. In the later years of the 3 year Business Plan, the budget stabilises as the costs associated with the transition fall out of the budget.

Governance Costs:

In 2019-20 two significant projects, the 2019 Valuation and Strategic Investment Review will be undertaken and the costs are provided for in the budget. The cost of an additional Independent Member for the Committee and associated appointment costs have also been provided for (subject to changes to the Fund's constitution). Due to the new electoral cycle, it has been assumed there will be a number of new committee members and the training budget has been increased accordingly.

Salaries:

Having identified capacity and resilience risks within the Investments Team, the budget allows for an extra post of Senior Investment Officer to support and deputise for the Assistant Investment Manager. Similarly, to mitigate operational risk and provide support to the administration function the budget allows for extra 3 posts across the Administration Team at Team Leader and Senior Officer level.

Pensions Board:

The Pension Fund is required to meet the costs of the Pensions Board that became operational in July 2015. The estimated full year costs of the Board for 2019/20 to 2021/22 have been added to the overall cost to the Fund for the three year budget.

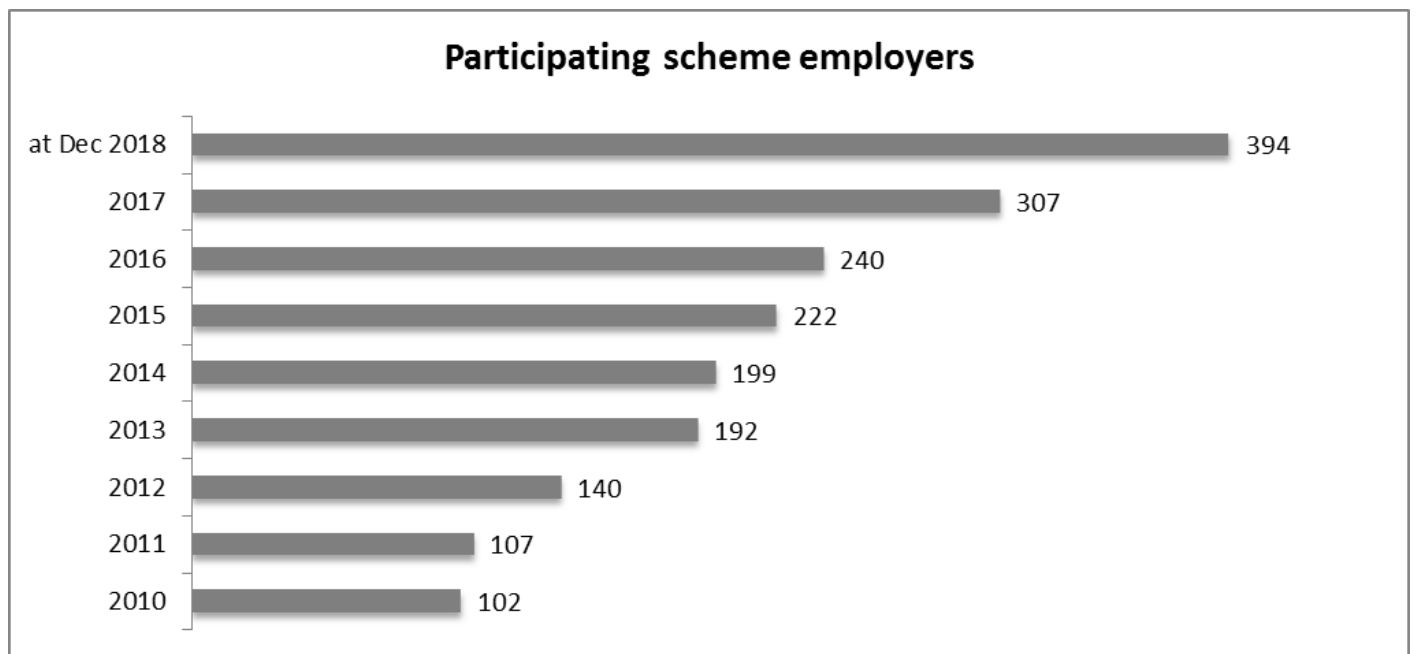
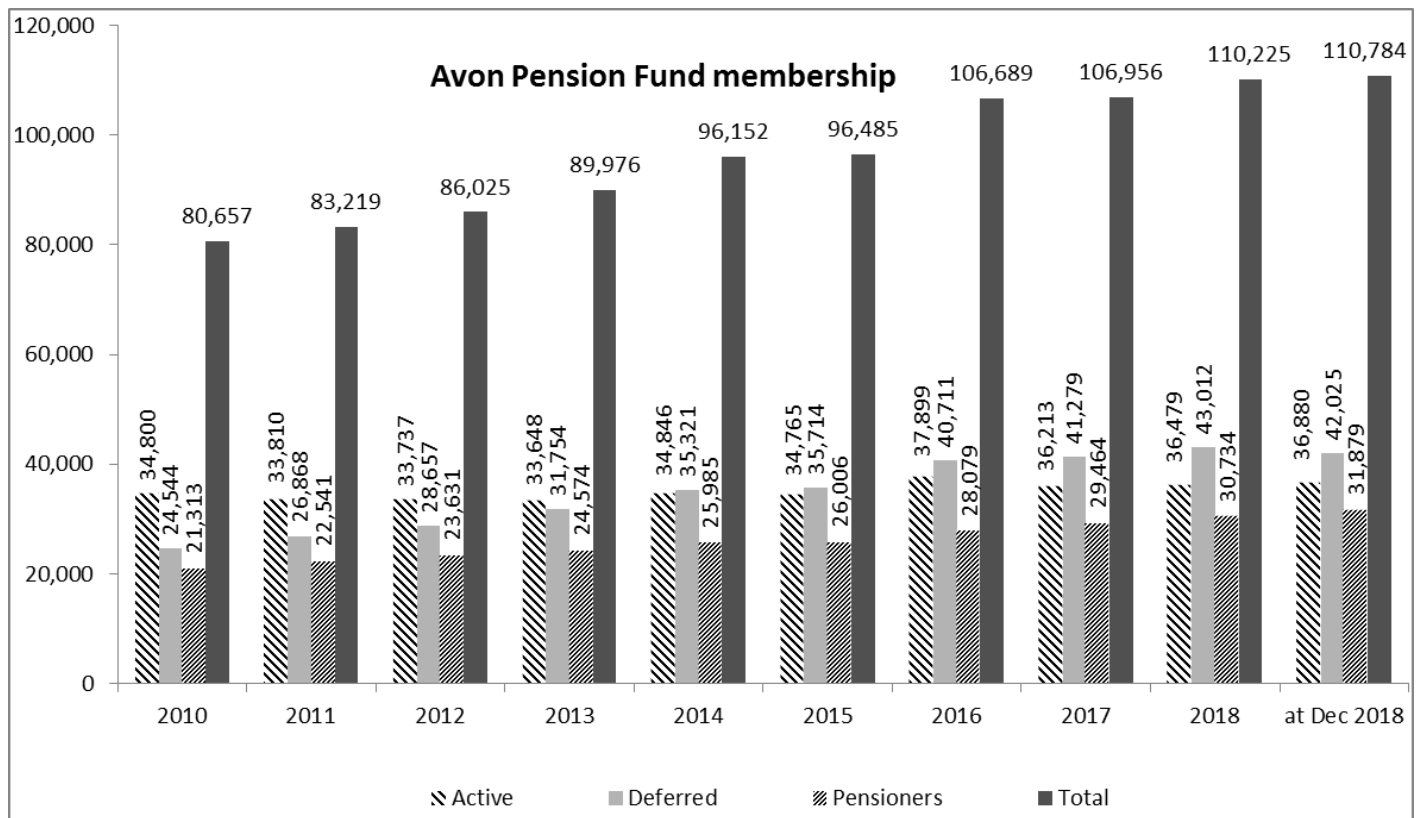
5 CASH FLOW

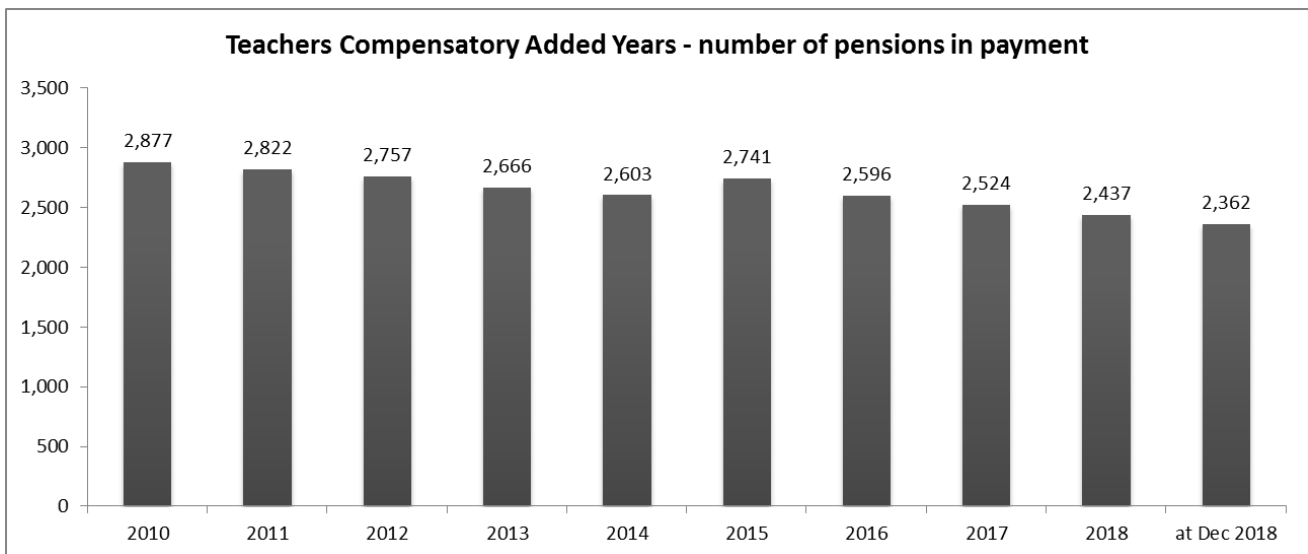
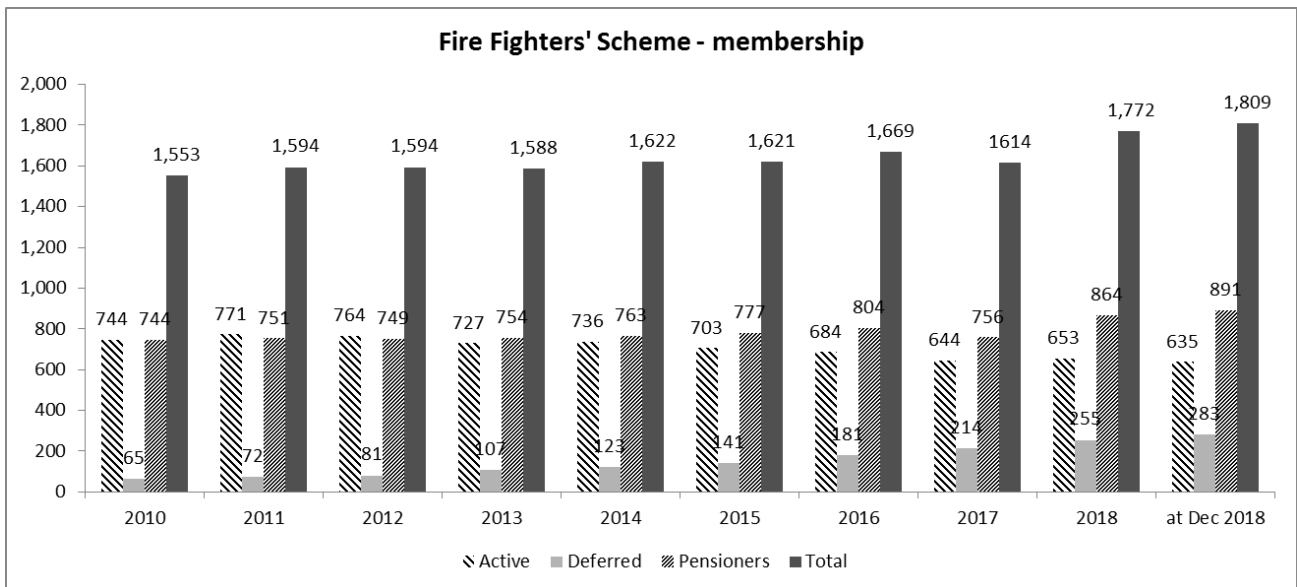
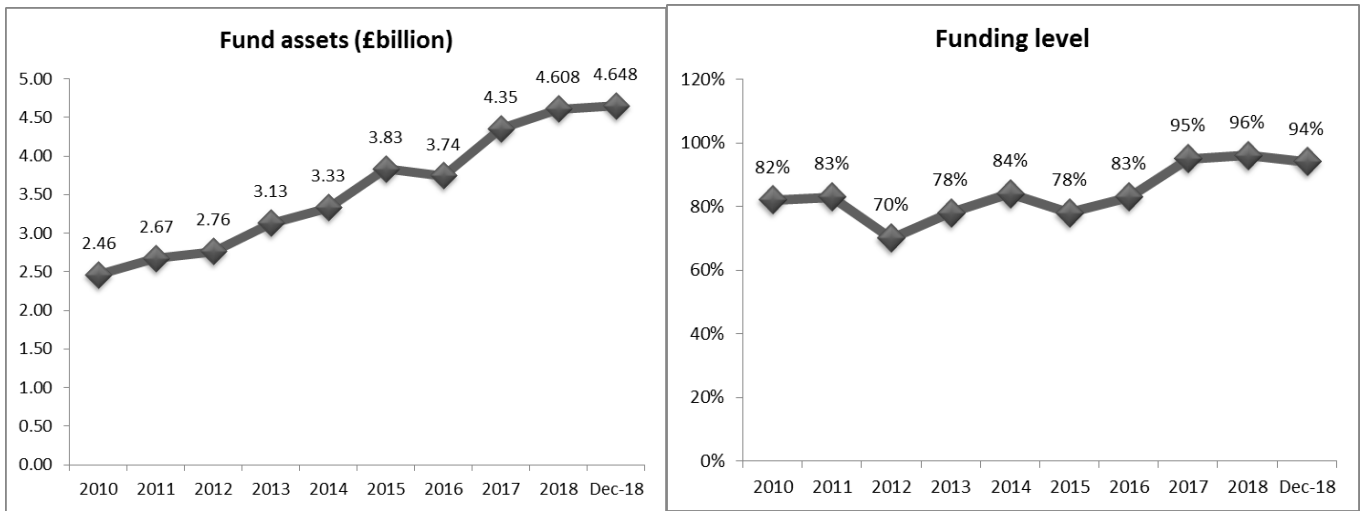
As the Fund's profile matures, monitoring future cash flow trends increases in importance. The Fund is transitioning from being cash flow positive (accumulating cash from contributions at a greater rate than paying out cash in benefits and expenses) to being cash flow negative. The cash flow is currently monitored on a monthly basis and reported quarterly to Committee. As a result of the advance lump sum deficit payments made by the major employers in April 2017 the Fund had large cash in-flows. However the consequent absence of these deficit payments in the following two years results in negative annual cash flows. The negative cash flows are managed by using income from the investment portfolio and divestments as required. Divestments are delegated to Officers as part of their operational duties. Consideration is given to the actual allocation against the strategic allocation as well as the view of investment markets.

Full details of the budget between 2019-20 and 2021-22 together with a cash flow forecast for the payment of benefits and the receipt of contributions are given in **Appendix 4**.

Appendix 1 – Scope of Avon Pension Fund

(as at 31 December 2018)





Progress against Key Objectives & Targets in 2018-2021 Plan

	Key Objective	Tasks	Target Date
Admin Strategy			
1	Delivery of IT Strategy to increase efficiency ...	<ul style="list-style-type: none"> Develop Document Management System [ERM/CRM] Progress full employer electronic data delivery Review & update employer website and improve employer online functionality(linked to 1 above) EA2P (Payroll interface) Increase member self-service take up and system functionality 	<p>Amber: in progress to complete by end 2019</p> <p>Green: on track with plan to complete by March 2019</p> <p>Amber: delayed – expected by February 2020</p> <p>Red: - delayed due to product capability</p> <p>Green Ongoing</p>
2	Review and revise Fire Service model	<ul style="list-style-type: none"> Develop revised service offer and SLA Develop Fire website Develop Fire member self-service functionality Fire IAS19 (prepare and liaise with GAD and Fire Service) 	<p>Amber: in progress April/May 2019</p> <p>Completed</p> <p>Green – in progress</p> <p>Completed</p>
3	Embrace partnership and collaborative opportunities as they arise at both regional and national level	<ul style="list-style-type: none"> Explore communications opportunities within region Use of national and regional frameworks for services 	<p>Ongoing</p> <p>Ongoing</p>
4	Implement new SLAs	<ul style="list-style-type: none"> Revise employer SLA document and reporting suite incorporating TPR Improvement Plan 	<p>Green – in progress to accompany revised Admin Strategy</p>
5	GMP data reconciliation project	<ul style="list-style-type: none"> Data match exercise with DWP to mitigate risk of pension overpayment/erroneous pension liability 	<p>Green – on track with plan. Due completion by March 19</p>
6	Trivial Commutation	<ul style="list-style-type: none"> Review pensioner member pension pots to identify potential commutation opportunity following 	<p>Amber – in progress. Expected</p>

		Gov't Budget announcement.	completion by March 2020
7	Processing Backlogs	Agreed projects to clear down:- <ul style="list-style-type: none"> • Inter-Fund case Tasks • Aggregation/Link Tasks • Outstanding Tasks set at 'Reply Due' 	Green Completed Completed Ongoing – due August 2019
8	TPR – Data Improvement	Address Rectification <ul style="list-style-type: none"> • Data Screening • Reference Testing • Manual Basic Tracing • Manual Forensic Tracing 	Green Completed Completed Completed In progress – due March 2020
9	Internal Dispute Resolution Policy (IDRP)	<ul style="list-style-type: none"> • Review internal process – identify resource for stage 1 and stage 2 review and developing employer engagement 	Red: delayed due to resource availability
10	Employer Engagement and Training	<ul style="list-style-type: none"> • Develop and roll out employer training and support matrix to ensure employer compliance 	Green Ongoing
11	Admin Strategy Document	<ul style="list-style-type: none"> • Review Admin Strategy Document & Service Offer 	Green: in progress Spring/Summer 2019
Funding Strategy			
1	Covenant assessment of employers during valuation period	<ul style="list-style-type: none"> • Establish policy for monitoring employer covenant over next 3 years to 2019 valuations; rolling timetable for reviewing employers; collection and collation of data; identifying higher risk employers for closer monitoring • Explore options with employers to mitigate covenant risks 	Green: in progress for 2019 valuation Green: Ongoing
2	2018 Interim Valuation	<ul style="list-style-type: none"> • Understand forecast outcome and identify implications for FSS • Hold forums for employers to discuss; disseminate outcome and implications for 2019 valuation & budgets. • Arrange training event for committee and board 	Completed

3	2019 Valuation	<ul style="list-style-type: none"> • Planning and initial meetings with actuary • Approve FSS • Initial outcome at fund level • Discussions with employers • Disseminate results to employers 	Green: on track with plan
4	Review AVC arrangements	<ul style="list-style-type: none"> • Review range of investment choices for members – high level review by advisor to meet governance requirement • Further work to decide on any changes. 	Red: delayed due to capacity
Investment Strategy			
1	Transition of assets to Brunel	<ul style="list-style-type: none"> • Member of Client sub group focussing on investments with Brunel • Development of Avon plan for transitioning assets based on Brunel plan 	Green: Green: ongoing monitoring of transition plan
2	Implement investment strategy projects maintaining compliance with the Fund's Investment Strategy and Policies	<p>Agreed projects</p> <ul style="list-style-type: none"> • Long Lease Property • Sustainable equities • Renewable infrastructure 	Green: Commitment made As per transition plan Commitment made
3	Monitor risk management strategies ensuring collateral managed efficiently and decisions taken in timely manner	<ul style="list-style-type: none"> • Liaise with Mercer and Blackrock as to exposures, trigger points and monitoring framework • Annual review of trigger points and strategy • Arrange Panel & committee training as needed 	Green: Ongoing Done in 3Q18 Done in 3Q18
4	Review options for further de-risking through the investment portfolio and /or the funding strategy	<ul style="list-style-type: none"> • Commission report from Mercer for officers to consider • Build into Committee discussions at Interim Valuation 	Green: Build into 2019 Strategic review
5	Annual review of Investment Strategy Statement (ISS)	<ul style="list-style-type: none"> • Annual or when make significant changes to ISS 	Green: Revised 2018 & Ongoing review
6	Bespoke corporate bond portfolio for CB funded employers	<ul style="list-style-type: none"> • Better match duration of portfolio with liabilities • Commission Mercer to analyse and advise • Strategy will be managed alongside LDI assets (as currently are) 	Green: implementation in progress

7	Restructure investments team	<ul style="list-style-type: none"> Review resource for actuarial team Review resource for investments for transition and post pooling Revise JDs and appoint (timing dependent on pooling) 	Complete
Governance			
1	Review governance arrangements following the pooling of assets	<ul style="list-style-type: none"> Review ToR of Committee and Investment Panel 	Green: recommendations to Council May 2019
2	Reporting to Avon Pension Fund Pension Board and Fire Service Pension Board	<ul style="list-style-type: none"> Support Board, education and training needs as required 	Green Ongoing
3	Independent Members on Committee	<ul style="list-style-type: none"> Appoint Independent Member. Terms end 2Q21 (end of 2nd term for one member) 	Green: Start January 2021

Key Objectives & Targets in 2019-2022 Plan

	Key Objective	Tasks	Target Date
Admin Strategy			
1	Communications Implement new SLA's	<ul style="list-style-type: none"> Roll out of new SLA to all employers Roll out of employer discretionary policy tool Promotion of employer training & chargeable service offer 	September 2019 September 2019 December 2019
2	Member digital engagement	<ul style="list-style-type: none"> Activate online ABS availability Maximise MSS take up 	August 2019 May 2019
3	Member digital engagement (Fire Schemes)	<ul style="list-style-type: none"> Launch AF&R website with MSS functionality 	April 2019
4	Governance	<ul style="list-style-type: none"> Develop online portal for PC & LPB members – public and secure areas 	June 2019
5	Embrace partnership and collaborative opportunities as they arise at both regional and national level	<ul style="list-style-type: none"> Collaborative working with LGA/SAB on delivery of national firefighter member website Participation in i-connect and MSS User Groups – development of product specifications 	December 2019 Ongoing
6	IT Strategy Progress full employer electronic data delivery	<ul style="list-style-type: none"> Completion of i-connect project Implement monitoring & controls Reconciliation of contributions & i-connect extract 	October 2019 April 2019 March 2020
7	Progress software developments	<ul style="list-style-type: none"> Development of online leaver form Enhanced secure 2 way portal functionality 	December 2019 March 2020
8	Enhance employer support/decision making capabilities	<ul style="list-style-type: none"> Roll out of employer online discretionary policy tool/including training & support 	September 2019
9	Development of management information hub	<ul style="list-style-type: none"> Review suitability of available systems [ERM/CRM] Develop & Implement 	April 2019 September 2019
10	Review & update employer website	<ul style="list-style-type: none"> Develop an improved employer online experience- linking directly to relevant SLA and employer responsibilities 	March 2020

		<ul style="list-style-type: none"> • Provide 'knowledge hub' including video training elements 	March 2020
11	Training & Engagement Introduce staff technical training programme	<ul style="list-style-type: none"> • Scheme Specific training • Data requirements • Governance & compliance • Legislation • IT Skills 	September 2019
12	Review & Implement employer training programme	<ul style="list-style-type: none"> • Employer responsibilities • Data & TPR requirements • I-Connect • HR Development • Discretionary Policy tool 	Ongoing Ongoing Ongoing September 2019
13	Chargeable Services Offer	<ul style="list-style-type: none"> • Set up framework to manage chargeable services • Develop chargeable services brochure 	March 2020 October 2019
14	Performance GMP data reconciliation project	<ul style="list-style-type: none"> • Data match exercise with HMRC to mitigate risk of pension overpayment – GMP Rectification of identified cases 	March 2020
15	Trivial Commutation	<ul style="list-style-type: none"> • Review of pensioner member pension pots to identify potential commutation opportunity • Support from scheme actuary 	December 2019 In Progress
16	Processing Backlogs	<ul style="list-style-type: none"> • To clear outstanding task work set at 'Reply Due' 	August 2019
17	TPR Data improvement	Address Rectification <ul style="list-style-type: none"> • Manual forensic tracing • Agree tolerance & process 	Final stage from 2018 project March 2020
18	Internal Dispute Resolution Policy	<ul style="list-style-type: none"> • Review internal process – identify resource for stage 1 & 2 review and develop employer engagement 	Review requirements and plan from 1Q2020 with new resource
19	Statutory refund payment	Review of member data to establish qualifying entitlement to statutory refund under LGPS Regs 2014	Review requirements and plan from 1Q2019
20	Revise Fire Service model	Develop revised service offer and SLA	April 2019
Funding Strategy			

1	Covenant assessment of employers during valuation period	<ul style="list-style-type: none"> Establish policy for monitoring employer covenant for 2019 valuation and thereafter; rolling timetable for reviewing employers; collection and collation of data; identifying higher risk employers for closer monitoring. Explore options with employers to mitigate covenant risks 	<p>Core work started during 2018/19. Discussion with Actuary how incorporate analysis into Funding Strategy.</p> <p>Ongoing</p>
2	2019 Valuation	<ul style="list-style-type: none"> Planning and initial meetings with actuary Approve FSS Initial outcome at fund level Discussions with employers Disseminate results to employers 	<p>From January 2019</p> <p>June 2019 committee</p> <p>June 2019</p> <p>From July 2019</p> <p>From October 2019</p>
4	Actuarial advisory contract retender	<ul style="list-style-type: none"> Procure using National Framework 	2021/22
5	Review AVC arrangements	<ul style="list-style-type: none"> Review range of investment choices for members – high level review by advisor to meet governance requirement Further work to decide on any changes. 	Review Requirements and plan from 1Q20 once fully resourced
Investment Strategy			
1	Transition of assets	<ul style="list-style-type: none"> Input as member of Brunel Client Group Monitor Avon plan for transitioning assets based on Brunel plan 	<p>Ongoing</p> <p>Ongoing</p>
2	Implement investment strategy projects maintaining compliance with the Fund's Investment Strategy and Policies	<p>Agreed projects</p> <ul style="list-style-type: none"> Long Lease Property Sustainable equities Renewable infrastructure 	To be invested by Brunel Commitments made As assets transition Commitments made
3	Monitor risk management strategies ensuring collateral managed efficiently and decisions taken in timely manner	<ul style="list-style-type: none"> Liaise with Mercer and Blackrock as to exposures, trigger points and monitoring framework Annual review of trigger points and strategy (will be rolled into Strategic review) Arrange Panel & committee training as needed 	<p>Ongoing</p> <p>3Q19</p> <p>3Q19</p>

	Review strategic asset allocation (post 2019 valuation)	<ul style="list-style-type: none"> Plan the review process with Mercer Agree review plan with Committee Workshops to explore options and agree direction of travel Approve revised Investment strategy Implementation Plan: <ul style="list-style-type: none"> Via Brunel portfolios (existing and planned) Discuss with pool if cannot be implemented via pool portfolios 	February 2019 March 2019 3 & 4Q19 1Q2020
5	Annual review of Investment Strategy Statement (ISS)	<ul style="list-style-type: none"> Annual or when make significant changes to ISS 	March 2020 (next major planned changes)
6	Restructure corporate bond portfolio for CB funded employers	<ul style="list-style-type: none"> Better match duration of portfolio with liabilities Commission Mercer to analyse and advise Strategy will be managed alongside LDI assets (as currently are) 	In progress for transition by end 1Q19
7	Investment advisory contract retender	<ul style="list-style-type: none"> Procure using National Framework 	2021/22
8	Review of Responsible Investing Policy	<ul style="list-style-type: none"> Review policy as to effectiveness and incorporate new initiatives post transition of assets , when Brunel service offering more developed Avon to participate in Brunel RI sub group 	2021/22 ongoing
Governance			
1	Review governance arrangements following the pooling of assets	<ul style="list-style-type: none"> Review ToR of Committee and Investment Panel 	Reviewed in March 2019 and revise as required thereafter
2	Reporting to Avon Pension Fund Pension Board and Fire Service Pension Board	<ul style="list-style-type: none"> Support Board, education and training needs as required 	Ongoing
3	Independent Members on Committee	<ul style="list-style-type: none"> Appoint Independent Member. Terms end 2Q21 (end of 2nd term for one member) 	Start January 2021
4	Committee changes and training	<ul style="list-style-type: none"> Appoint any new members as a result of changes to the committee Plan training programme for new members following elections in May 2019 	1 & 2Q19 2Q19
5	Legal contract retender	<ul style="list-style-type: none"> Procure using National Framework 	2020

6	Team Resources	<ul style="list-style-type: none">• Appoint Senior Investment Officer• Consider team structure post asset transition	During 2019 From 2020/21
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Budget and Cash Flow Forecast

APPENDIX 4

<u>Three Year Budget</u>	Budget for 2018/19	Forecast 2018/19	Budget 2019/20	Budget 2020/21	Budget 2021/22
	£	£	£	£	£
Investment Expenses	21,375	21,375	23,043	23,504	23,974
Administration Costs	75,392	74,392	79,050	62,231	63,436
Communication Costs	72,619	72,619	74,071	75,553	77,064
Payroll Communication Costs	85,171	85,171	170,689	142,413	144,171
Information Systems	247,405	247,405	289,637	310,030	315,531
Salaries	2,049,797	1,929,797	2,400,942	2,443,625	2,492,497
Central Allocated Costs	537,067	537,067	527,700	538,254	549,019
IT Strategy	72,202	1,000	72,202	0	0
Miscellaneous Recoveries/Income	(220,842)	(220,842)	(196,000)	(199,920)	(203,918)
Total Administration	2,940,186	2,747,984	3,441,335	3,395,690	3,461,774
Governance Costs	383,380	343,380	415,170	365,403	320,641
- Members' Allowances	38,260	38,260	39,025	39,806	40,602
- Independent Members' Costs	28,000	28,000	65,000	65,900	66,818
Compliance Costs	567,305	598,305	931,500	668,630	661,003
Brunel Expenses	25,000	25,000	25,000	25,000	25,000
Compliance Costs recharged	(326,000)	(326,000)	(225,000)	(229,500)	(234,090)
Governance & Compliance	715,945	706,945	1,250,695	935,239	879,974
Pensions Board	20,000	15,000	20,000	20,400	20,808
Global Custodian Fees	165,000	215,000			
Brunel Management Fees	790,000	835,000	1,477,000	1,477,000	1,477,000
<u>Investment Manager Fees</u>					
Annual Management Fees	19,762,393	19,370,836	19,832,956	21,022,934	22,284,310
Performance Related Fees	4,446,683	5,597,572	9,083,313	9,628,312	10,206,010
Investment Fees	25,164,076	26,018,408	30,393,269	32,128,245	33,967,320
TOTAL COST TO FUND	28,840,207	29,488,337	35,105,299	36,479,574	38,329,875

<u>Cash Flow Forecast</u>		<u>2019/20</u>	<u>2020/21</u>	<u>2021/22</u>
(Excluding Administration and Investment costs)		£'000	£'000	£'000
<u>Benefits Outflows</u>				
Benefits	Pensions	(146,732)	(156,044)	(162,910)
	Lump sums	(32,524)	(30,777)	(34,821)
Total Benefits Outflows		(179,255)	(186,821)	(197,731)
<u>Inflows</u>				
Deficit recovery		17,994	108,656	18,721
Future service Contributions		138,023	138,023	140,784
Total Contributions		156,017	246,680	159,505
Net Cash Flow (excluding Administration & Investment costs)		(23,238)	59,858	(38,226)
Divestments & Investment income received as cash		34,000	(49,000)	50,000
Net Pension Transfers In / Out		0	0	0
Cash outflow due to administration of the Fund		(11,362)	(11,589)	(11,821)
Net Cash Flow (Out-Flow)		(600)	(731)	(47)
<u>Notes</u>				
- Net cash requirements will be met from divestments and cash balances				
- Transfers in and out are assumed to net to zero				
- The cash outflow due to administration includes Investment Management Fees that are invoiced to the Fund.				
- The forecast for 2020/21 includes the assumption that employers will not make up front three year deficit payments in advance. The deficit payments in 2019/20 and 2021/22 are smaller due to some employers making three year advance deficit payments.				

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Bath & North East Somerset Council

MEETING:	LOCAL PENSION BOARD
MEETING DATE:	13 JUNE 2019
TITLE:	PENSION FUND ADMINISTRATION – COMPLIANCE REPORT (1) SUMMARY PERFORMANCE REPORT TO 31st March 2019 (2) PERFORMANCE INDICATORS TO 31st March 2019 (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 March 2019.
- 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 March 2019.
- 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 2019.

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 During 2019 CIPFA have published guidance on preparing the annual report, a guide to administration, and an update to the pension's administration benchmarking service to mirror the requirements in the annual report guidance. This includes new suggested key performance indicator measures. APF plan to adopt the new measures and will be reporting performance against these with effect from 1 April 2019, with the first report to committee at September's meeting. Details of the guidance can be found here <https://www.cipfa.org/policy-and-guidance/reports/administration-in-the-lgps>

5.4 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.

5.5 *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.

5.6 Performance against SLA targets are reported and show similar results as compared with the previous quarter.

5.7 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.

5.8 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: 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 31 March there were 5,379 cases outstanding (a decrease of 532 cases from previous report) of which 42.09% represents actual workable cases, i.e. 2,264 cases.

6 ADMINISTRATION RESOURCE

6.1 Member Services Team – The Member Services Manager has been appointed as the Technical and Compliance Advisor (who now manages the Quality Assurance team). A recruitment process is underway to fill the vacant Member Services Manager.

A vacant Assistant Pensions Officer post has been filled by an Apprentice. Recruitment will continue to fill vacant permanent and temporary Pension Officer positions. A Senior Pensions Officer will be returning from maternity leave on a part-time basis and recruitment for the other part-time aspect of the role is being progressed.

6.2 Employer Services Team – The Employer Services manager has been appointed as the new Governance and Risk advisor, therefore, a new Employer Services manager was appointed from 1 April 2019 and the Employer Relations Team Leader post is now vacant. Recruitment to fill this post is underway. The temporary senior pensions officer post has been filled and the temporary part time pension officer post remains vacant, this is currently being filled by overtime on the team. One pension officer is now on maternity leave and has been filled with a temporary appointment. A Senior Employer Relations officer is due to go on maternity leave in September.

6.3 Communications & Marketing – The Communications & Marketing manager role is currently being advertised ahead of the forthcoming move to Tyne & Wier of the current postholder

6.4 Training and mentoring of new staff is ongoing which continues to affect overall performance and output across the administration team.

7 EMPLOYER PERFORMANCE

7.1 Employer Performance *Appendix 3* highlights employer performance retirements covering the 3 months to 31st March 2019.

7.2 During the period from 1st January to 31st March a total of 1,123 leaver forms were received with an average accuracy rate of 76%.

7.3 All the Unitary Authorities and larger employers are submitting monthly online returns and compared to the same period last year there has been an overall reduction in leaver forms of a third.

7.4 Strictly Education, Wiltshire payroll and North Somerset Council all went live with i-Connect for March and their Year End returns. As at the end of March, 254 employers are now live and submitting returns monthly covering app 85% of the active membership. The project is current on hold over the valuation period and will re-commence in July with a final push to get the remaining employers using i-Connect by October.

7.5 Additional reports will be implemented for the 2018/19 Year end data submitted via i-Connect.

8 TPR DATA IMPROVEMENT PLAN

8.1 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 March 2019 is calculated as 95.01%.

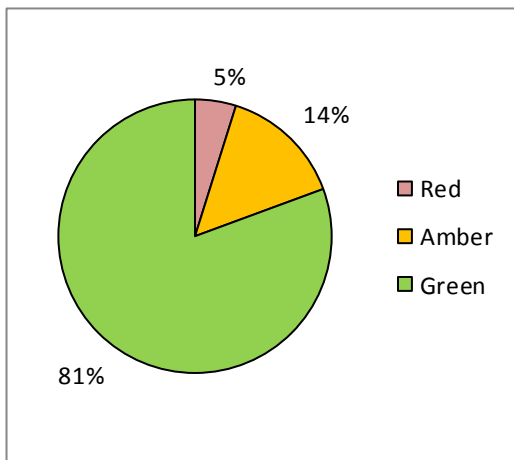
8.2 Although the overall data score has remained constant the split of queries for active members is now across an increased number of smaller employers who may only need one or two data queries to put them in the red category. These employers have been targeted for improvement as part of the Valuation review.

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.

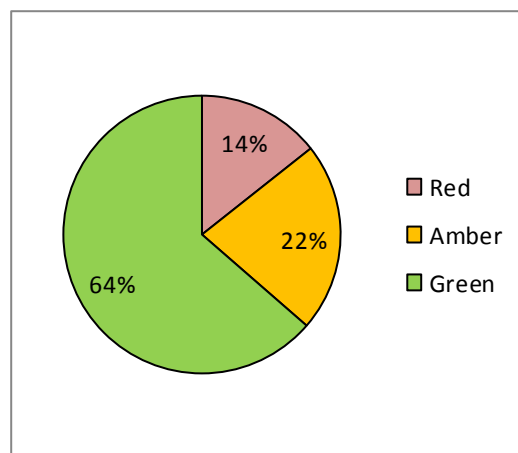
No of employers June 2018	No of employers Sept 2018	No of employers Dec 2018	No of Employers March 2019	Queries	RAG rating
19	58	43	40	10% >	Red
57	89	72	81	0.1 to 10%	Amber
316	257	321	319	0%	Green

Equivalent % rating of whole Fund

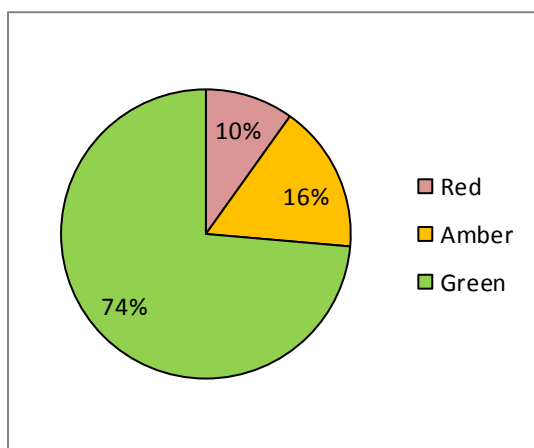
June 2018



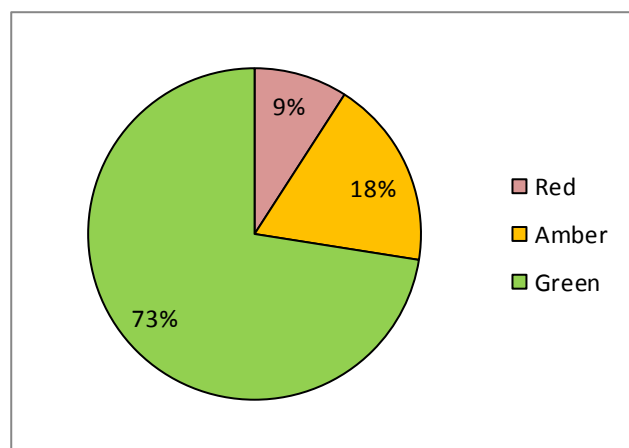
September 2018



December 2018



March 2019



Data for the Unitary Authorities is listed below.

Unitary authorities	Queries June 18	Queries Sept 18	Queries Dec 18	Queries Mar 19	Member ship	RAG	
BANES	187	194	136	125	3063	4.08%	Amber
Bristol City	199	159	198	188	9476	1.98%	Amber
North Somerset	240	76	49	50	2130	2.25%	Amber
South Gloucestershire	81	62	71	29	6360	0.45%	Amber

Address Rectification

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

8.4 Results to date are shown in the tables below.

Tracing Stage	No Case - Dec 2018	%	No cases - March 19	%
Total cases sent to Tracing Company	5,236		5,840	
Stage 1: Mortality screening	606	11.5	707	12.1
Stage 2 : Auto Trace	1,166	22.0	1,282	22.00
Stage 3 : Manual Basic Search	1,706	32.5	1,811	31.00
Total case found	3,478	66.0	3,800	65
Total Cases not found (consider next stage)	1,758	34.0		35

8.5 A tracing letter has been issued to all 3,800 cases found. Full details are in the table below:

	Dec 2018		March 2019	
	Number of cases	%	Number of cases	%
New addresses updated	1,248	36.0	1,564	42.5
Letters returned - not at address or gone away	69	2.0	160	4.3
Member confirmed as deceased	160	4.5	172	4.7
Letters issued awaiting response	2,001	57.5	1,784	48.5
Letters still to be issued	0	0	0	0

8.6 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. The cost of the manual trace is £45 plus VAT per case, therefore we are prioritising these based on age.

9 LATE PAYERS

- 9.1 The Fund is required to monitor the receipt of contributions and report materially significant late payments to the Pensions Regulator.
- 9.2 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.
- 9.3 *Appendix 5* reports late payers in the period to 31st March 2019. 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.

10 GMP DATA RECONCILIATION UPDATE

- 10.1 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.
- 10.2 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.
- 10.3 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. At this time a response is still awaited and this will be raised at the next SWAPOG meeting in June.
- 10.4 From an initial comparison there appear to be a number of cases where overpayments 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..
- 10.5 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.

11 YEAR END

- 11.1 The 2018/19 Year End is on-going, the deadline for employers to submit their data is 30 April 2019. 254 employers will be submitting their year-end data via i-Connect with the remainder using the old process to submit data.
- 11.2 All employers will be asked to sign a year end declaration confirming the accuracy and quality of their data for the year. Where data has been provided via i-Connect from a payroll provider, the data will be confirmed back to the scheme employer for the declaration and sign off.
- 11.3 As this is a valuation year additional focus has been put on cleansing employer data to ensure the most accurate data is provided to the scheme actuary. Member data will be extracted and sent to Mercers at the end of June, therefore the main focus for the

Employer Services team over the next quarter will be to continue to cleanse update and load member data.

12 EQUALITIES

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

13 CONSULTATION

13.1 None appropriate

14 ISSUES TO CONSIDER IN REACHING THE DECISION(S)

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

15 ADVICE SOUGHT

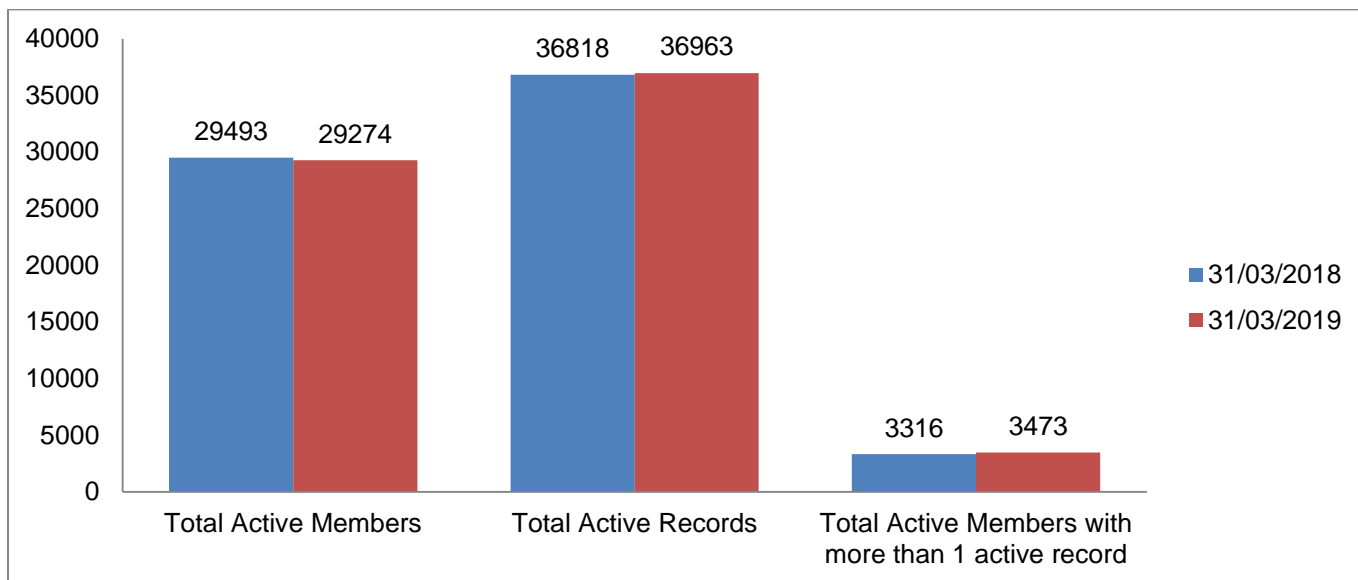
15.1 The Council's Monitoring Officer (Divisional Director – Legal & Democratic Services) and Section 151 Officer (Strategic Director of Resources) have had the opportunity to input to this report and have cleared it for publication.

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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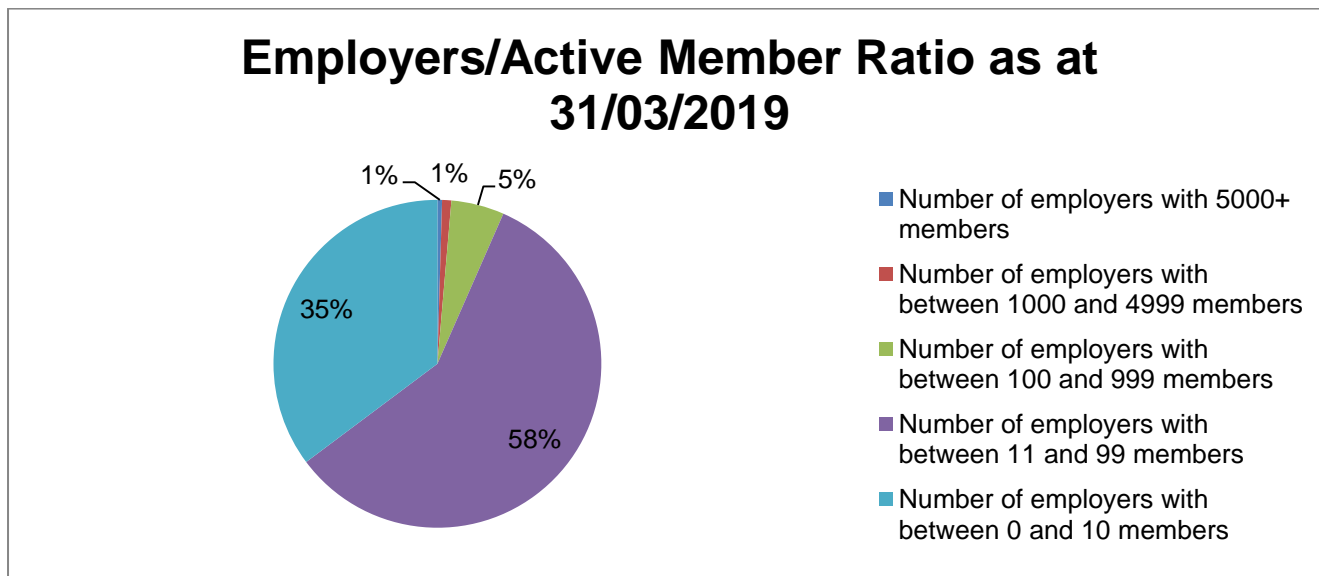
Annex 1

Active membership	31/03/2018	31/03/2019	+/-
Total Active Members	29493	29274	-219
Total Active Records	36818	36963	+145
Total Active Members with more than 1 active record	3316	3473	+157



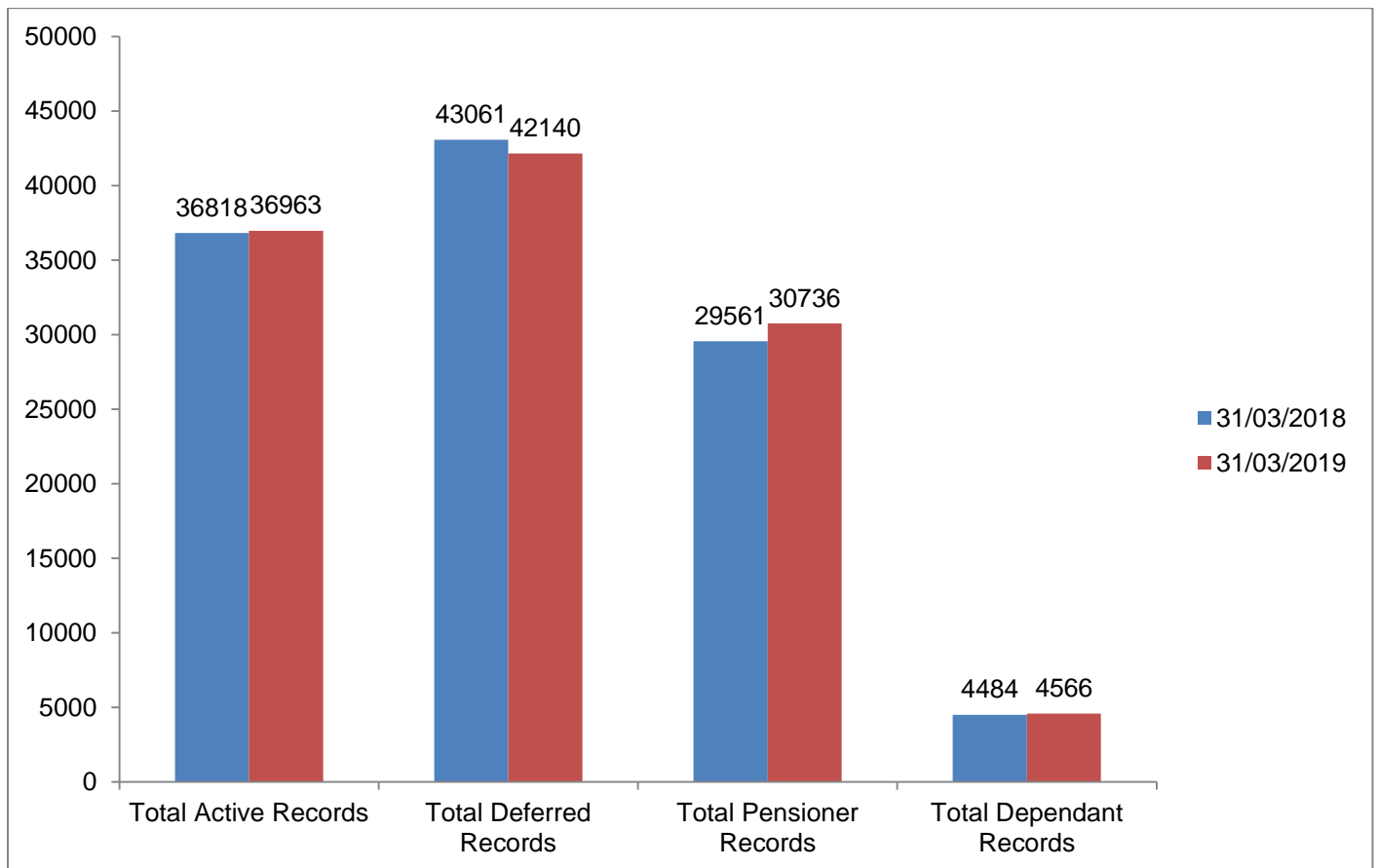
Annex 2

Employers/Active Members Ratio	31/03/2018	31/03/2019	+/-
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	19	23	+4
Number of employers with between 11 and 99 members	209	256	+47
Number of employers with between 0 and 10 members	152	155	+3
Total	387	440	+53



Annex 3 – Total number of member records by type

	31/03/2018	31/03/2019	+/-
Total Active Records	36818	36963	+145
Total Deferred Records	43061	42140	-921
Total Pensioner Records	29561	30736	+1175
Total Dependant Records	4484	4566	+82



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	193	134	69.43%	37	88.60%
	Payment - 5 days	156	113	72.44%	28	90.38%
Retirement (from Deferred)	Quote - 30 days	60	26	43.33%	15	68.33%
	Payment - 5 days	203	143	70.44%	27	83.74%
Deaths	Notification - 5 days	98	85	86.73%	11	97.96%
	Payment - 5 days	102	63	61.76%	21	82.35%
Refund of contributions	Quote - 10 days	360	296	82.22%	48	95.56%
	Payment - 10 days	319	295	92.48%	11	95.92%
Deferreds (early leavers)	20 days	755	496	65.70%	58	73.38%
Transfers In	Quote - 10 days	42	15	35.71%	0	35.71%
	Payment - 10 days	33	8	24.24%	3	33.33%
Transfers Out	Quote - 10 days	190	99	52.11%	30	67.89%
	Payment - 10 days	19	3	15.79%	2	26.32%
Estimates	10 days	246	158	64.23%	27	75.20%
		2776	1934	69.67%	318	81.12%

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	7	122	37	12	6	5	7	4
	Payment - 5 days	6	104	28	10	9	0	3	2
Retirement (from Deferred)	Quote - 30 days	5	41	8	4	3	0	2	2
	Payment - 5 days	5	135	27	24	5	6	3	3
Deaths	Notification - 5 days	2	82	11	3	2	0	0	0
	Payment - 5 days	8	58	21	9	2	5	1	6
Refund of contributions	Quote - 10 days	7	217	70	48	10	1	2	12
	Payment - 10 days	4	243	47	11	8	5	3	2
Deferreds (early leavers)	20 days	15	255	122	77	35	58	121	87
Transfers In	Quote - 10 days	23	7	8	0	8	3	4	12
	Payment - 10 days	29	5	3	3	1	6	1	14
Transfers Out	Quote - 10 days	15	40	56	30	23	11	11	19
	Payment - 10 days	55	3	0	2	1	1	1	11
Estimates	10 days	11	82	70	27	27	17	15	8

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	Q2 Apr 18 - Jun 18	Q3 Jul 18 - Sept 18	Q4 Oct 18 - Dec 18	Q1 Jan 19 - Mar 19	Trend
Retirement (from Active)	Quote - 5 days	77.11%	74.05%	68.08%	69.43%	
	Payment - 5 days	80.10%	78.88%	77.25%	72.44%	
Retirement (from Deferred)	Quote - 30 days	55.77%	43.05%	71.83%	43.33%	
	Payment - 5 days	79.56%	78.57%	87.43%	70.44%	
Deaths	Notification - 5 days	89.47%	88.54%	86.60%	86.73%	
	Payment - 5 days	55.93%	58.73%	45.12%	61.76%	
Refund of contributions	Quote - 10 days	44.51%	59.51%	85.85%	82.22%	
	Payment - 10 days	89.02%	76.81%	90.69%	92.48%	
Deferreds (early leavers)	Notification - 20 days	88.80%	27.54%	47.04%	65.70%	
Transfers In	Quote - 10 days	62.75%	62.22%	67.16%	35.71%	
	Payment - 10 days	34.29%	35.71%	52.94%	24.24%	
Transfers Out	Quote - 10 days	30.92%	38.54%	46.77%	52.11%	
	Payment - 10 days	43.75%	60.00%	57.89%	15.79%	
Estimates	Quote - 10 days	75.00%	35.78%	55.90%	64.23%	

Total Cases Processed	3001	2443	2696	2776	
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RAG key	
Red	Less than 75%
Amber	75 - 89%
Green	90 - 100%

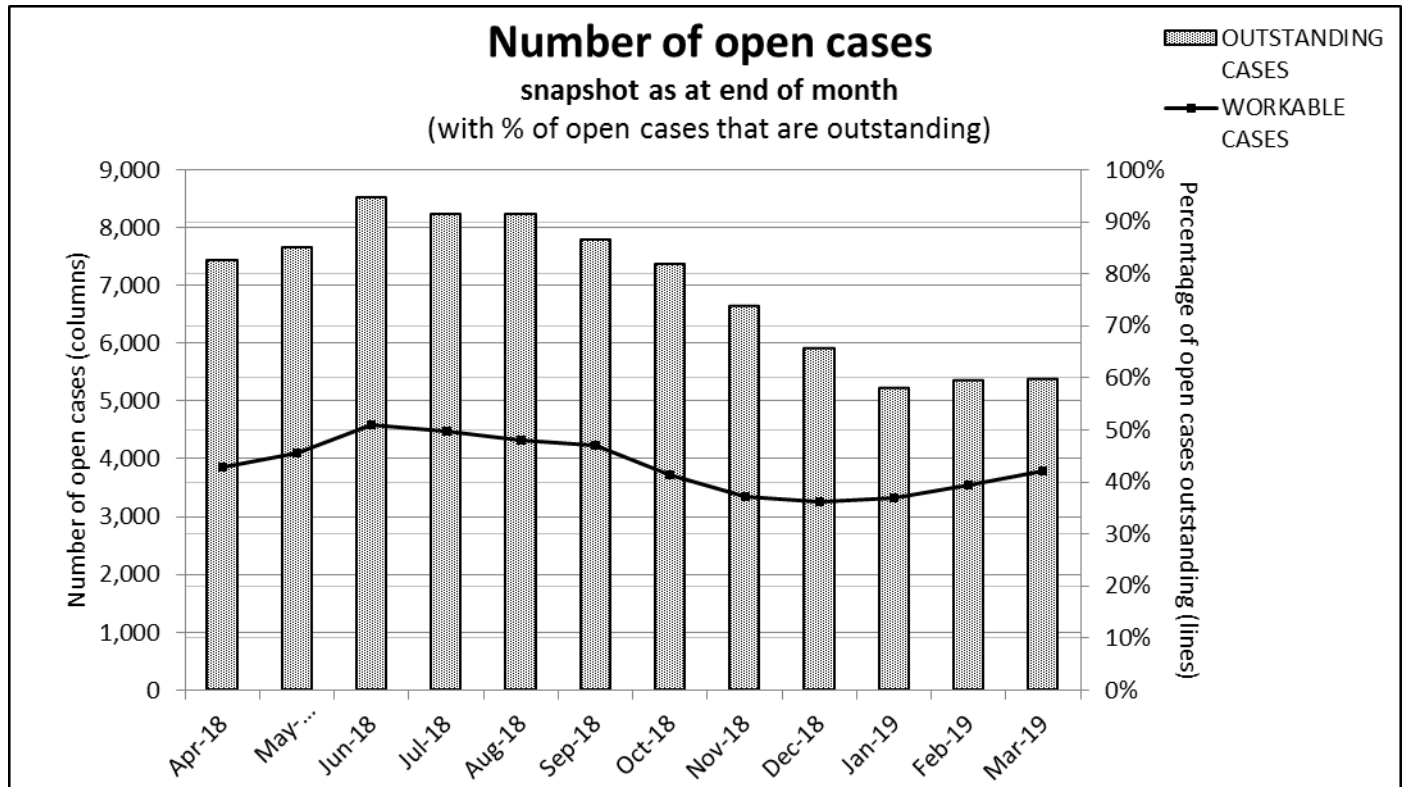
Annex 3

Statutory requirements	Timescale/deadline	3 months to 31/03/19	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	Yes	Notification of scheme change re same sex survivors pension
Issue Active member newsletter	2 issues per year	1	Including above scheme change info
Issue Deferred member newsletter	1 issue per year	1	Including above scheme change info
Issue Pensioner member newsletter	1 issue per year	1	Including above scheme change info

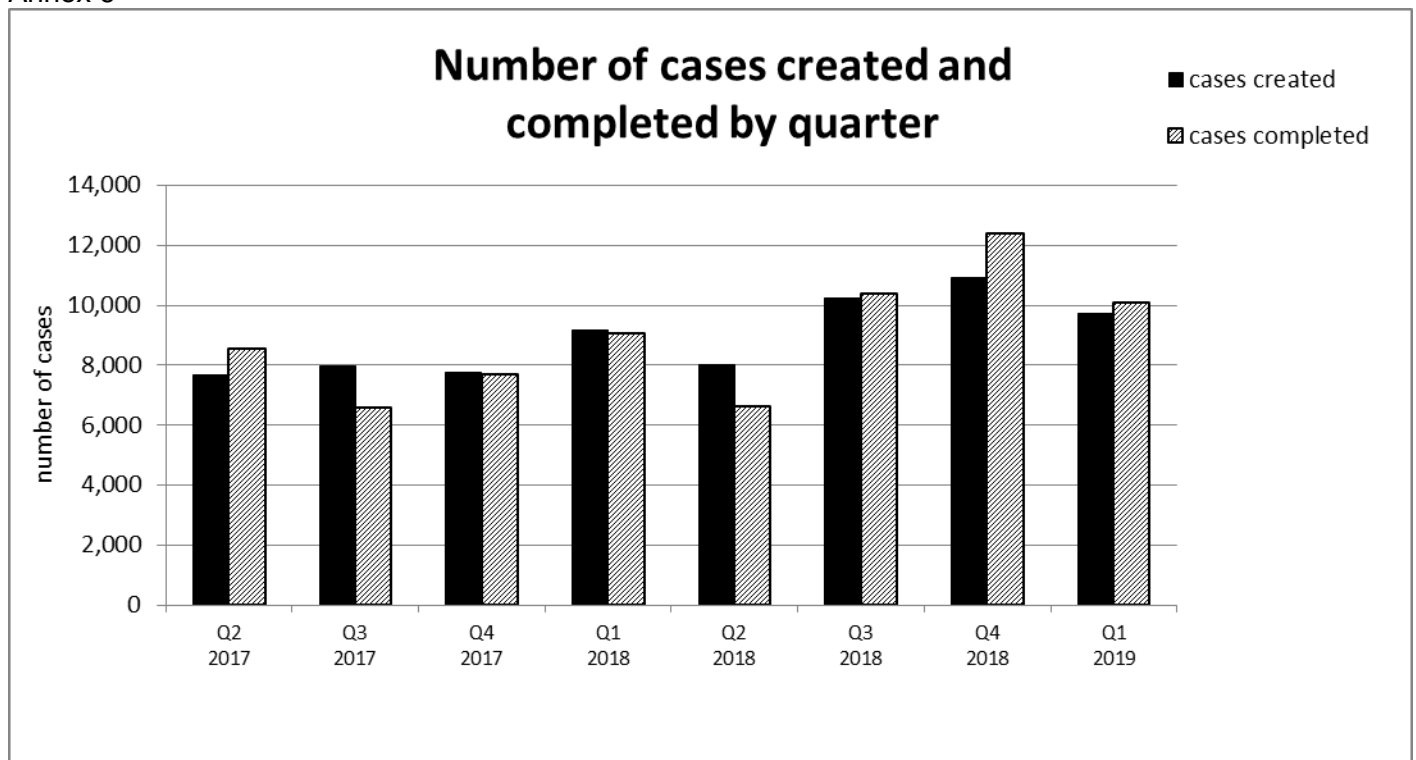
Annex 4

Other performance standards	3 months to 31/03/19	2018/19 target	Notes
Retirements survey - satisfaction %	77%	65%	
% of employers signed up to submit data electronically (ESS/iConnect)	71%	70%	
% of active membership covered by ESS/iConnect	96.5%	90%	
% of all members with electronic access (MSS)	22.48%	No target set	
% of active members with electronic access (MSS)	27.91%	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 - Jan 19 - Mar 19			
		Measured Against Statutory Legal Requirement			
		Target	Total Processed	Total Processed in Target	Percentage Processed within Target
Retirement (from Active)	Notification of Benefits	46 days	75	57	76.00%
Retirement (from Deferred)	Notification of Benefits	23/46 days	59	59	100.00%
Deaths	Notification of Benefits	46 days	101	98	97.03%
Refund of contributions	Notification of Entitlement	46 days	360	360	100.00%
Deferreds (early leavers)	Notification of Entitlement	46 days	755	755	100.00%
Transfers In	Provision of Quotation	46 days	37	19	51.35%
Transfers Out	Notification of Trf Value	69 days	190	188	98.95%
	Payment of Trf Value	138 days	19	15	78.95%
Estimates	Provision of Quotation	46 days	185	182	98.38%

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 four 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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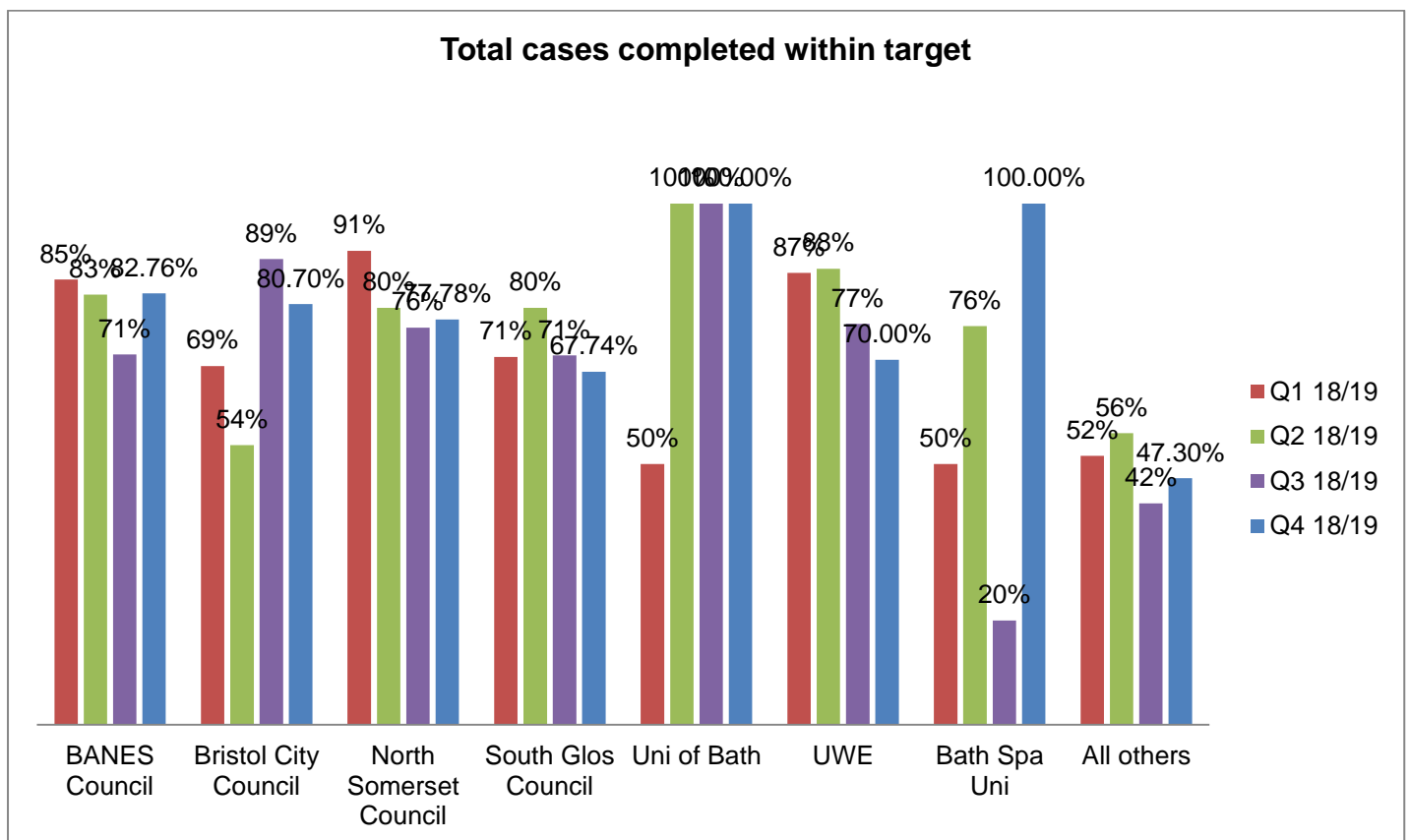
	Requirement	Reporting Start Date	Reporting End Date	Other Information
Retirement (from Active)	Notification of retirement benefits 1 month from the date of retirement if on or after Normal Pension Age or 2 months from the date of retirement if before Normal Pension Age	Retirement Date	Date Retirement 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.

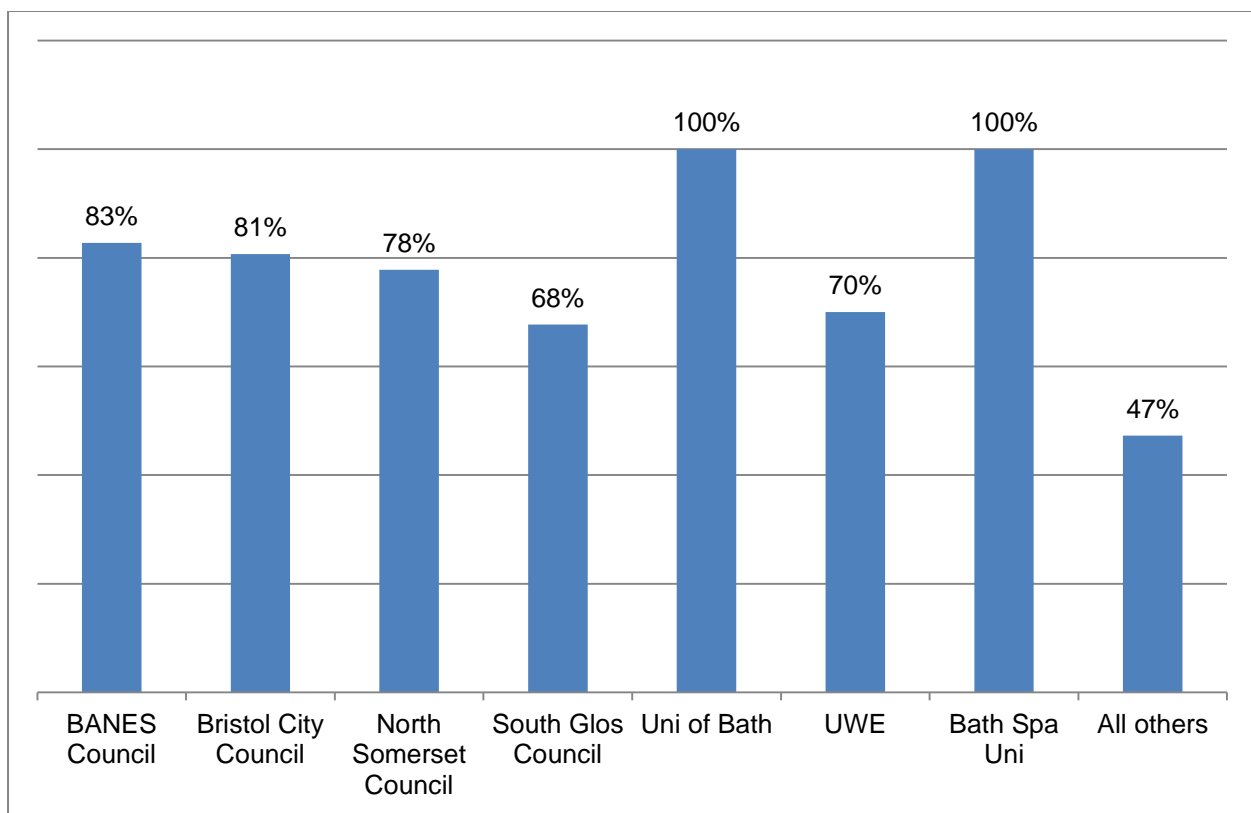
Annex 1 – Total cases - Percentage and number of cases completed within target

	Q1 18/19	Q2 18/19	Q3 18/19	Q4 18/19
BANES Council	85%	83%	71%	83%
Bristol City Council	69%	54%	89%	81%
North Somerset Council	91%	80%	76%	78%
South Glos Council	71%	80%	71%	68%
Uni of Bath	50%	100%	100%	100%
UWE	87%	88%	77%	70%
Bath Spa Uni	50%	76%	20%	100%
All others	52%	56%	42%	47%



Annex 2 – Breakdown by case type within target

Within target	Retirements		
	Cases	Within	%
BANES Council	29	24	83%
Bristol City Council	57	46	81%
North Somerset Council	9	7	78%
South Glos Council	31	21	68%
Uni of Bath	3	3	100%
UWE	10	7	70%
Bath Spa Uni	3	3	100%
All others	74	35	47%



Annex 1 – TPR Errors by Member Numbers

	December 2018				March 2019				Trend
	Member Records	TPR Errors	% Errors	Data Score	Member Records	TPR Errors	% Errors	Data Score	
ACTIVE	36651	408	1.11	98.89	36955	271	0.73	99.27	▼
UNDECIDED	3964	627	15.82	84.18	3759	657	17.48	82.52	▲
DEFERRED	42268	4147	9.81	90.19	42163	3836	9.1	90.9	▼
PENSIONERS	30526	136	0.45	99.55	30717	130	0.42	99.58	▼
DEPENDANTS	4692	71	1.51	98.49	4721	68	1.44	98.56	▼
FROZEN	3724	1240	33.3	66.7	3816	1135	29.74	70.26	▼
TOTALS	123479	6630	5.37%	94.63	122131	6097	4.99%	95.01%	▼

Annex 2 – Outstanding Queries by Type

	December 2018		March 2019		Trend
	TPR Errors	%	TPR Errors	%	
Age 75 exceeded LGPS eligibility issue	54	0.75%	49	0.74%	▼
CARE pay for 2014-2015 required	10	0.14%	5	0.08%	▼
CARE pay for 2015-2016 required	23	0.32%	25	0.38%	▲
CARE pay for 2016-2017 required	73	1.01%	63	0.95%	▼
CARE pay for 2017-2018 required	133	1.83%	122	1.84%	▼
Casual hours data required	38	0.52%	23	0.35%	▼
Historic refund case	826	11.40%	737	11.09%	▼
Leaver form required	538	7.42%	490	7.37%	▼
Missing data on leaver form - escalation	6	0.08%	4	0.06%	▼
Correct Forenames required	10	0.14%	10	0.15%	▼
Correct NINO required	151	2.08%	147	2.21%	▼
Correct address required	5356	73.90%	4949	74.45%	▼
Correct title required ie Miss or Mr	8	0.11%	6	0.09%	▼
Pay Ref required	11	0.15%	9	0.14%	▼
Date joined fund	4	0.06%	1	0.02%	▼
Data required from a previous employer	6	0.08%	7	0.11%	▲
Grand total	7248	100.00	6647	100.00	▼

Common Data

Scheme Specific Data

Annex 3 – Outstanding TPR by status

	TPR Errors Dec 2018	%	TPR Errors March 2019	%
1 ACTIVE	432	100.00%	289	100.00%
CARE pay for 2014-2015 required	8	1.85%	3	1.04%
CARE pay for 2015-2016 required	20	4.63%	16	5.54%
CARE pay for 2016-2017 required	58	13.43%	41	14.19%
CARE pay for 2017-2018 required	111	25.69%	91	31.49%
Casual hours data required	25	5.79%	14	4.84%
Correct address required	186	43.06%	108	37.37%
Correct NINO required	7	1.62%	4	1.38%
Pay Ref required	10	2.31%	7	2.42%
Date joined fund required	2	0.46%	0	0.00%
Data Required from a previous employer	5	1.16%	5	1.73%
2 UNDECIDED	710	100.00%	696	100.00%
Age 75 exceeded LGPS eligibility issue	1	0.14%	1	0.14%
CARE pay for 2014-2015 required	2	0.28%	2	0.29%
CARE pay for 2015-2016 required	3	0.42%	9	1.29%
CARE pay for 2016-2017 required	15	2.11%	22	3.16%
CARE pay for 2017-2018 required	22	3.10%	32	4.59%
Casual hours data required	13	1.83%	9	1.29%
Correct NINO required	0	0.00%	2	0.29%
Correct address required	104	14.65%	121	17.36%
Leaver form required	538	75.77%	490	70.3%
Pay Ref required	1	0.14%	2	0.29%
Missing data on leaver form - escalation	6	0.85%	4	0.57%
Correct FTE Pensionable Salary 16-17	1	0.14%	0	0.00%
Data Required from a previous employer	0	0.00%	2	0.29%
Date joined fund required	0	0.00%	1	0.14%
4 DEFERRED	4170	100.00%	3868	100.00%
Age 75 exceeded LGPS eligibility issue	5	0.12%	5	0.13%
Correct address required	4119	98.78%	3816	98.55%
Correct NINO required	46	1.10%	47	1.21%
5 PENSIONERS	137	100.00%	131	100.00%
Correct address required	133	97.08%	130	99.24%
Correct NINO required	1	0.73%	1	0.76%
Age 75 exceeded LGPS eligibility issue	3	2.19%	0	0.00%
6 DEPENDANTS	75	100.00%	72	100.00%
Correct address required	24	32.00%	24	33.33%
Correct title required ie Miss or Mr	7	9.33%	5	6.94%
Correct NINO required	44	58.67%	43	59.72%
9 FROZEN	1723	100.00%	1591	100.00%
Age 75 exceeded LGPS eligibility issue	45	2.61%	43	2.7%
Correct Forenames required	10	0.58%	10	0.63%
Correct title required ie Miss or Mr	1	0.06%	1	0.06%
Correct address required	789	45.79%	750	47.14%
Correct NINO required	52	3.02%	50	3.14%
Historic refund case	826	47.94%	737	46.32%
Grand Total	7248	100.00%	6647	100.00%

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APPENDIX 5

Late Payers to 31st March 2019

Employer	Payroll Month	Days late	Cumulative occasions	Amount £	Significance	Reason / Action
Not reported previously:						
Aspens (Stoke Lodge & Callicroft Primary School)	December	80	4	460.28	Significant days late	Part of original payment was made on time, but did not match the remittance submission by the employer (i.e underpaid by £460.28). After chasing the employer repeatedly for clarification/payment, payment was made.
January to March:						
Notaro Homes	January	11	1	1,188.72	Significant days late	Payment was late due to staff sickness.
Aspens (Redland Green Academy)	February	21	5	872.02	Significant days late	Employer encountered problems reconciling payments to remittance submissions (38 individual contracts). Also coincided with key staff member being replaced. New member of staff has been trained with regards to APF pension contributions.
Aspens (Warmley Park School)	February	21	5	425.90	Significant days late	As above.
KGB Cleaning	February	21	2	497.64	Significant days late	Due to staff member being on leave. KGB Cleaning left the fund on 31 st March 2019

The Park Centre	February	18	1	2,380.32	Significant days late	Due to capacity and hour restrictions of staff. March contributions were paid 10 days early, however.
NO LATE PAYERS	March					
				5,824.88	Over The 3 Months	
Total Contributions in Period (excluding deficit payments)				33,113,164	Late payments value as a % of total = 0.02%. Late Payments received from 6 out of 396 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:	13th June 2019	AGENDA ITEM NUMBER
TITLE:	Internal Audit Update	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendix 1	Final Audit Report – Pensions Payroll	
Appendix 2	Final Audit Report - COP 14 Annual Review	
Appendix 3	Final Audit Report – Data Integrity	

1 THE ISSUE

- 1.1 The purpose of this report an update on Internal Audit activity.
- 1.2 The report and its appendices are important for the Board to consider in the context of their understanding of the performance and management of the fund.

2 RECOMMENDATION

That the Board

- 2.1 Notes the report and outcomes from Internal Audit work carried out on the Avon Pension Fund for 2018/19.

3 FINANCIAL IMPLICATIONS

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

4 REPORT

2018/19 Internal Audit Work

- 4.1 Internal Audit reviews the fund as part of their overall plan across all activities within the Council and there is no specific audit plan for the Pension Fund.
- 4.2 However risks connected to the Pension Fund are considered separately as part of the planning process and this normally results in a small number of audit reviews occurring each year depending on the scope of works.
- 4.3 Final Audit reports for three areas are attached at Appendices 1 – 3, in each case the audit opinion is Level 4 – Good and there are no significant issues to the bring to the Boards’ attention.

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 Report and Issues have been subject to consultation with the S151 Officer.

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

Internal Audit Report
Confidential

Avon Pension Fund
Pensions Payroll

January 2019

Executive Summary

Audit Opinion:

Assurance Rating	Opinion
Level 5	The systems of internal control are excellent with a number of strengths and reasonable assurance can be provided over all the areas detailed in the Assurance Summary
Level 4	The systems of internal control are good and reasonable assurance can be provided. Only minor weaknesses have been identified over the areas detailed in the Assurance Summary
Level 3	The systems of internal control are satisfactory and reasonable assurance can be provided. However there are a number of areas detailed in the Assurance Summary which require improvement and specific recommendations are detailed in the Action Plan
Level 2	The systems of internal controls are weak and reasonable assurance could not be provided over a number of areas detailed in the Assurance Summary. Prompt action is necessary to improve the current situation and reduce the risk exposure
Level 1	The systems of internal controls are poor and there are fundamental weaknesses in the areas detailed in the Assurance Summary. Urgent action is necessary to reduce the high levels of risk exposure and the issues will be escalated to your Director and the Audit Committee

Assurance Summary:

Assessment	Key Control Objectives
Good	Procedures are developed, reviewed and updated, and made available to all staff.
Satisfactory	Management reporting is relevant, accurate and timely.
Excellent	Statutory returns are compiled accurately and submitted by deadline dates.
Satisfactory	System access is appropriate, and amendments are properly authorised.
Good	Payments are accurate and only made to eligible recipients.
Excellent	Payments are accurately made on a timely basis.
Good	Payments and related information is accurate and sent to external organisations on a timely basis.
Satisfactory	Regular payroll reconciliations are undertaken.

Detailed Report

Opinion:

Internal Audit has undertaken a review of the risks and controls related to Avon Pension Fund Payroll service and assessed the framework of internal control to be at 'Level 4'. A total of 3 audit recommendations are detailed in the Action Plan.

Scope and Objectives:

The scope and objectives of our audit were set out in the Audit Brief and a summary of our opinion against each of the specific areas reviewed has been detailed in the Assurance Summary section above.

Background

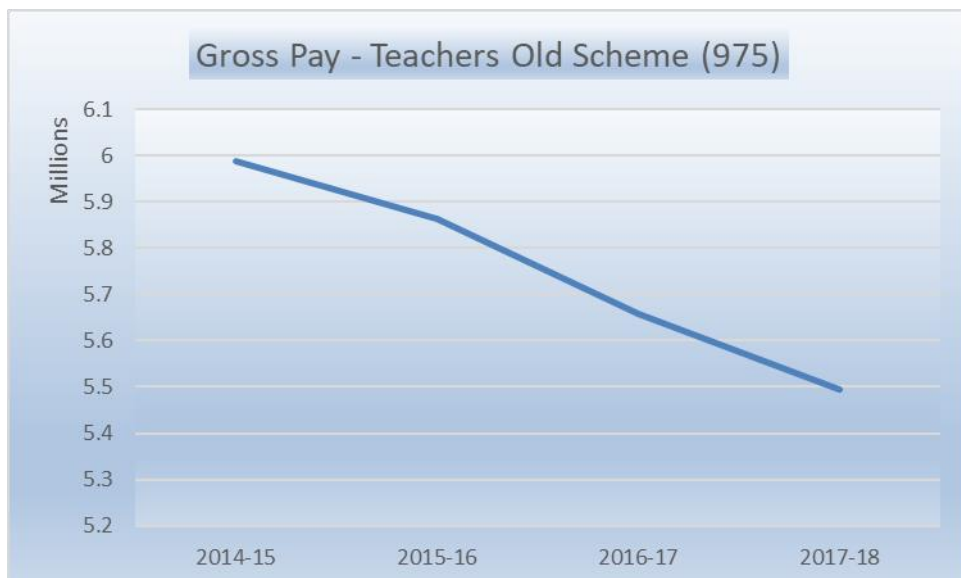
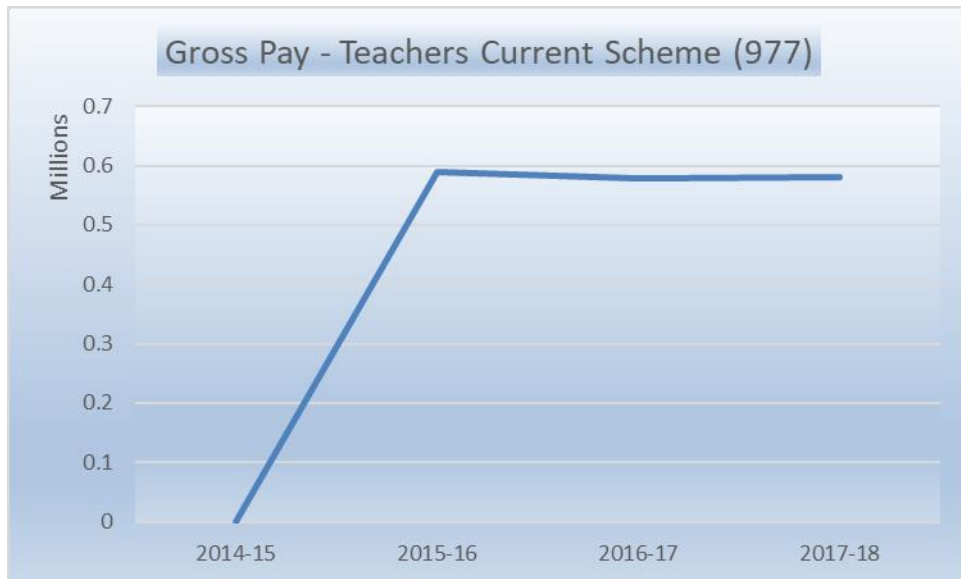
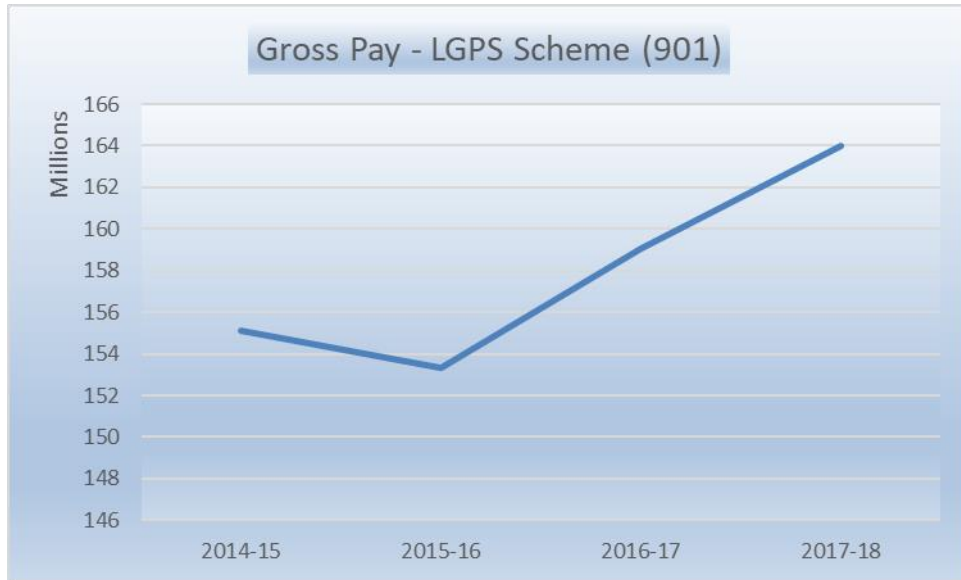
The Avon Pension Fund has a team of around 40 staff that are responsible for the administration and safeguarding of the Fund which has net assets in the region of £3.7bn (as reported in the 2017 Pension Fund Performance Guide).

The Pensions Payroll Team consists of two officers who are responsible for the day to day processing of starters, leavers and adjustments as well as making sure that the monthly, weekly and interim payroll runs all occur on time.

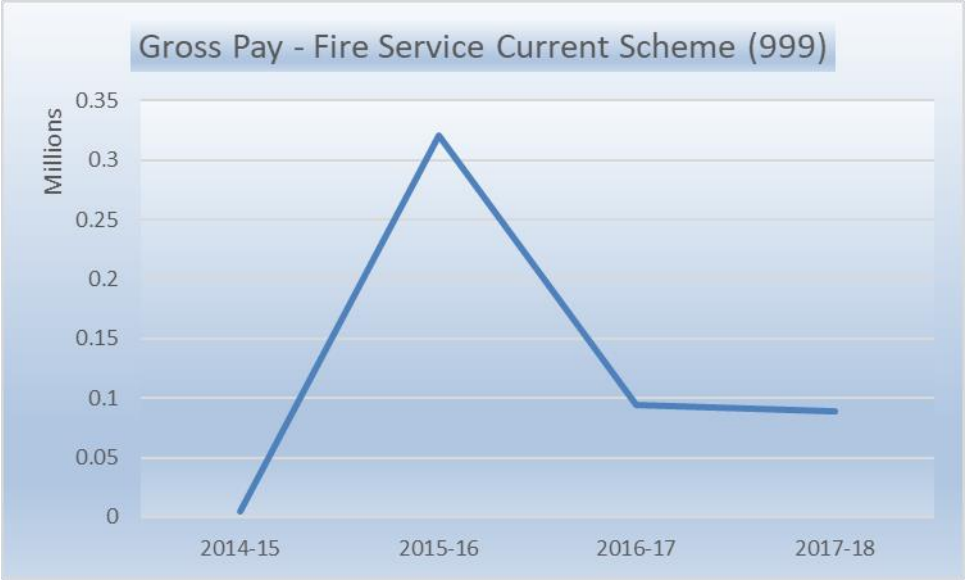
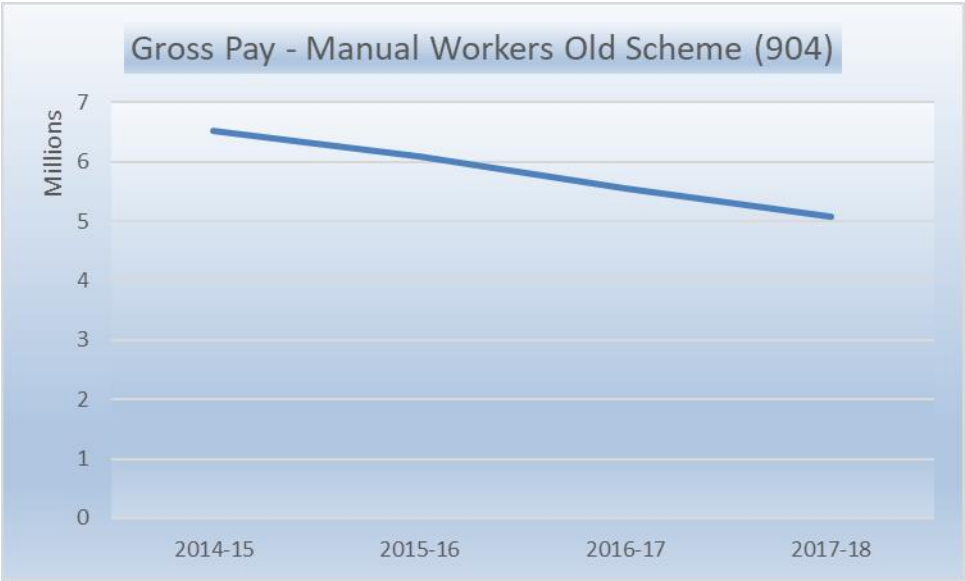
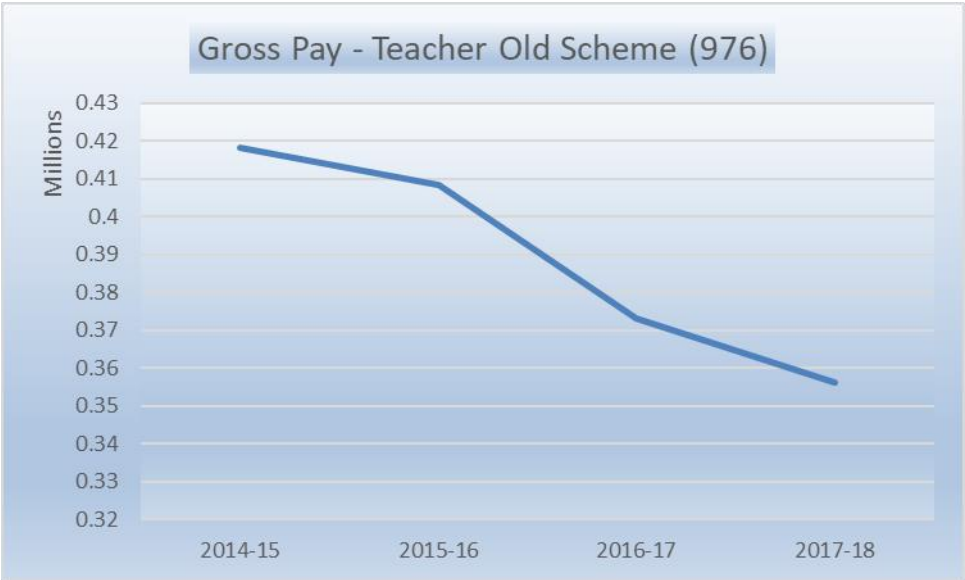
The charts below provide an indication of the sums involved and the trends over the last four to five years.



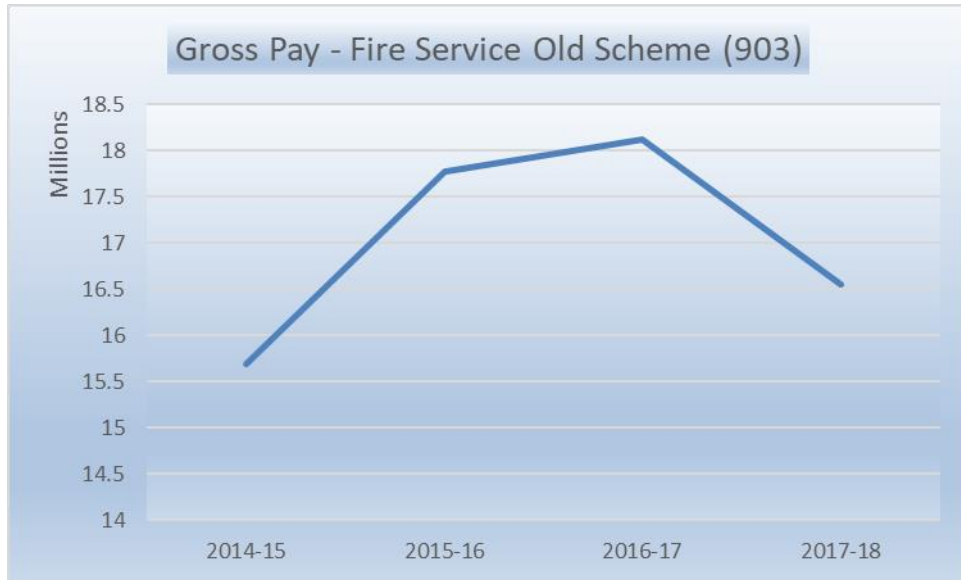
Internal Audit Report – APF Payroll



Internal Audit Report – APF Payroll



Internal Audit Report – APF Payroll



Context & Audit Comment:

The current audit has been conducted as part of the 2018/19 Internal Audit Plan and has sought to confirm that the key risks relating to pensions payroll are effectively mitigated by reviewing and testing those mitigations and reporting on their suitability and effectiveness.

To arrive at our conclusions, we have met with officers from the APF Payroll and Finance Teams to gain an understanding of the systems used and have reviewed supporting information and conducted sample testing of transactions and records.

For each of the control objectives (and its associated risk) reviewed, we found established processes and actions that, when implemented effectively, help to reduce the impact and/or likelihood of risk to levels which are deemed acceptable to management. Some improvements to both the processes themselves and their implementation are advised.

Internal Audit Report – APF Payroll

The audit identified evidence of good practice being employed within day to day processes.

This report does not include any findings considered to constitute a high risk to the effective operation of the fund, however improvements are possible in some areas which, when implemented, could further reduce risk exposure.

Low risk findings, for example where controls had generally been effective but an isolated lapse with limited impact was found, have not been reproduced within this report but have been discussed and agreed separately with the Pensions Manager and Pensions Payroll Team.

Audit Summary Findings

We identified the following strengths:

- Documented procedures are in place covering many aspects of the work as undertaken by both Pensions Payroll and Finance Teams
- Statutory returns such as those relating to Fund Tax are processed promptly and accurately
- Authorised request forms had been received by the system administrators in respect of new system users
- System Administrators introduce new controls where a system weakness has been identified (e.g. recently in respect of deleting leavers from the system)
- New retirees had been processed promptly and accurately
- First time payments made through an 'Interim' payment batch are subject to independent checks by a pension fund Manager
- Fully signed and authorised records were found for all new retirees within our test sample
- The Pensions Payroll team make effective use of digitization for the retention of records
- Adjustments to monthly pensions had been processed promptly
- Deletions or adjustments due to death or commutation had been processed promptly
- A lump sum payment in excess of £100k had been escalated to a Senior Manager for approval
- The Real Time Information (RTI) link with HMRC enables tax information to be exchanged and individual tax codes to be updated automatically
- Failures of the RTI link to update tax information automatically are monitored regularly, investigated and resolved
- Instructions from Heywood, together with data obtained from HMRC had been used to update tax band information accurately at the start of the financial year
- Independent checks had been conducted to ensure that standing data had been updated correctly
- Matches from the 2016 National Fraud Initiative (NFI) had been fully investigated and resolved
- Data for the 2018 NFI had been promptly submitted to the Department for Works and Pensions
- Exception reports such as bank change details, gross pay over £2.5k and an Immediate Payments-Paid Adjustments are run and used for balancing and to identify unexpected transactions. These reports are initialled and dated
- PAYE deductions had been promptly and accurately paid to HM Revenue and Customs (HMRC)
- PAYE payments to HMRC are reconciled to the payroll system data
- BACS totals are independently checked and authorised by a pension fund manager
- Checklists are used for many of the day to day processes, reducing the risk of steps being omitted

Internal Audit Report – APF Payroll

We identified the following weaknesses:

- The PAYR user role within Altair does not allow for sufficient separation of duties. A user with this level of access could create a ghost pensioner and begin payments
- Long term to short term adjustment records in several instances had not been fully signed, reducing the ability to evidence that all necessary checks had been carried out
- The payroll to general ledger reconciliations did not include evidence of independent review and sign off or details of who had completed the reconciliation

Audit & Risk Personnel:

Lead Auditor: Gary Spratley

Acknowledgements:

Sincere thanks to Geoff Cleak, Pensions Manager and members of the Pensions Payroll and Finance teams for their help and assistance provided throughout the Audit review.

**Internal Audit Report – Payroll
ACTION PLAN**

MEDIUM RISK EXPOSURE				
	Weakness Found	Implication or Potential Risk	Recommendation(s)	Management Response
M1	<p><u>System Access Controls</u></p> <p>Users assigned to the PAYR group have almost unrestricted access to all functions within the payroll system. The system does not therefore automatically ensure that the expected separation of duties is applied.</p>	<p>A user with PAYR level access could create a ghost pensioner within any scheme including LGPS, insert them into the main payroll run and setup regular payments to them, bypassing manual controls such as the manager review that occurs for all 'interim' payments.</p>	<p>User roles within the payroll system should be amended to ensure that no one officer has permissions to undertake all the steps necessary to create, approve and pay a pensioner.</p>	<p>Due to operational needs we have decided against restricting the PAYR group permissions and will accept the risk associated with this decision.</p> <p>To mitigate, a report which shows all new starters across all schemes that have been set up manually within a period, will be passed to one of the Pension Managers to review and sign off.</p> <p>Responsible Officer: GC, Pensions Manager Target Date: January 2019</p>

Internal Audit Report – Payroll

MEDIUM RISK EXPOSURE				
	Weakness Found	Implication or Potential Risk	Recommendation(s)	Management Response
M2	<p><u>Evidence of Adjustment Processing</u></p> <p>Where an adjustment is made to switch a dependent’s pension from short term to long term, the standard practice is for a 'Monthly Elements Sheet' to be completed and signed by two members of the member services team and two members of the pensions payroll team; the first as the preparer / inputter, and the second as an independent checker. For three of the five cases within our sample, we noted that one or more of the evidential signatures was missing. In one of these cases, the adjustment had resulted in an incorrect amount being paid to the pensioner, albeit a very minor amount in this instance.</p>	<p>Although Altair uses ‘tasks’ to record specific actions completed by officers within the Member Services teams, these ‘tasks’ do not exist for the work undertaken by members of the Payroll Team and so not having fully completed ‘Monthly Elements Sheets’ reduces the level of accountability.</p> <p>Missing evidence of independent checks may also indicate that the checks themselves have not been fully completed and as a result there is an increased risk of errors such as the one identified during testing.</p>	<p>All relevant officers should ensure that the required checks are undertaken, and the 'Monthly Elements Sheet' is signed as evidence that these have been carried out.</p>	<p>Agreed. Reminder to relevant staff and process to be tightened up.</p> <p>Responsible Officer: KS, Member Services Manager Target Date: December 2018</p>

Internal Audit Report – Payroll

MEDIUM RISK EXPOSURE				
	Weakness Found	Implication or Potential Risk	Recommendation(s)	Management Response
M3	<p><u>Payroll to General Ledger Reconciliation</u></p> <p>The reconciliation spreadsheets (main and separate PAYE rec) do not record the name of the completing officer and are not independently reviewed and signed off.</p>	<p>Lack of separation of duties and supervisory control may lead to management remaining unaware of unresolved variances.</p>	<p>The reconciliation should be independently checked and certified and should record the names of the completing and checking officers.</p>	<p>We will ensure that the payroll reconciliation is independently reviewed and that details of officers preparing and checking the reconciliation are recorded.</p> <p>Responsible Officer: MP, Finance Manager Target Date: February 2019</p>

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Internal Audit Report

Confidential

Avon Pension Fund COP14 – Maintaining Contributions & Providing Member Information

February 2019

Executive Summary

Audit Opinion:

Assurance Rating	Opinion
Level 5	The systems of internal control are excellent with a number of strengths and reasonable assurance can be provided over all the areas detailed in the Assurance Summary
Level 4	The systems of internal control are good and reasonable assurance can be provided. Only minor weaknesses have been identified over the areas detailed in the Assurance Summary
Level 3	The systems of internal control are satisfactory and reasonable assurance can be provided. However there are a number of areas detailed in the Assurance Summary which require improvement and specific recommendations are detailed in the Action Plan
Level 2	The systems of internal controls are weak and reasonable assurance could not be provided over a number of areas detailed in the Assurance Summary. Prompt action is necessary to improve the current situation and reduce the risk exposure
Level 1	The systems of internal controls are poor and there are fundamental weaknesses in the areas detailed in the Assurance Summary. Urgent action is necessary to reduce the high levels of risk exposure and the issues will be escalated to your Director and the Audit Committee

Assurance Summary:

Assessment	Key Control Objectives
Satisfactory	A complete and accurate contributions monitoring record is maintained.
Excellent	Actual payments are effectively monitored
Good	Late payments are properly assessed and reported to the regulator where appropriate
Excellent	Timely and complete benefit statements are provided to members
Good	Comprehensive information is made available to members and other relevant persons

Detailed Report

Opinion

We have assessed the framework of internal control to be at 'Level 4'. A total of two audit recommendations are detailed in the Action Plan section of this report.

Scope and Objectives

The scope and objectives of our audit were set out in the Audit Brief and a summary of our opinion against each of the specific areas reviewed has been detailed in the Assurance Summary section above.

Background

The Public Service Pensions Act 2013 (the 2013 Act) introduces the framework for the governance and administration of public service pension schemes and provides an extended regulatory oversight by The Pension Regulator (TPR).

TPR is required to issue one or more codes of practice covering specific matters relating to public service pension schemes. COP14 sets out the legal requirements for public service pension schemes in respect of those specific matters. It contains practical guidance and sets out standards of conduct and practice expected of those who exercise functions in relation to those legal requirements.

COP14 is particularly directed at scheme managers and the members of pension boards of public service pension schemes and connected schemes. Scheme managers must comply with various legal requirements relating to the governance, management and administration of public service pension schemes. Pension boards must also comply with certain legal requirements, including assisting scheme managers in relation to securing compliance with scheme regulations and other legislation relating to the governance and administration of the scheme, any requirements of the regulator and with any other matters specified in scheme regulations.

Context & Audit Comment

The current audit has been conducted as part of the 2018/19 Internal Audit Plan.

To arrive at our conclusions, we have met with officers from the APF Administration and Finance Teams to gain an understanding of the systems used and have reviewed supporting information and conducted sample testing of transactions and records.

We have also considered the current position with respect to a key recommendation that was made in the Employee Contributions audit which was finalised in June of this year; namely, the agreement to enable a reconciliation between contribution data within Altair and actual contribution payments received. Work is currently underway on this project but there are technical difficulties that have yet to be overcome, not least being the sheer number of employers involved, and the project is further dependent on the migration of employers to one of the iConnect methods of uploading contribution data. It is anticipated that a further 12 to 18 months will be required before the new reconciliation process encompasses the bulk of employers.

The fund currently administers pensions on behalf of 415 employers. Of these, 161 are iConnect enabled, which equates to 63% of members data.

APF - COP14: Maintaining Contributions & Providing Member Information

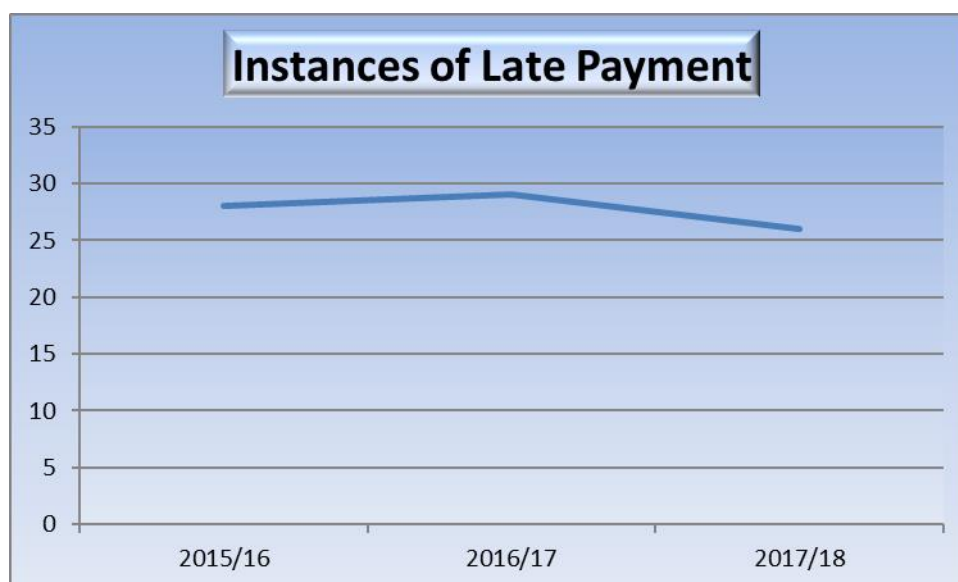
Overall, we found that the control framework in place and operating was enabling the achievement of the control objectives subject to review. Although risks cannot be eliminated entirely, the systems and processes in place do help to reduce the residual risk level to one that is considered acceptable.

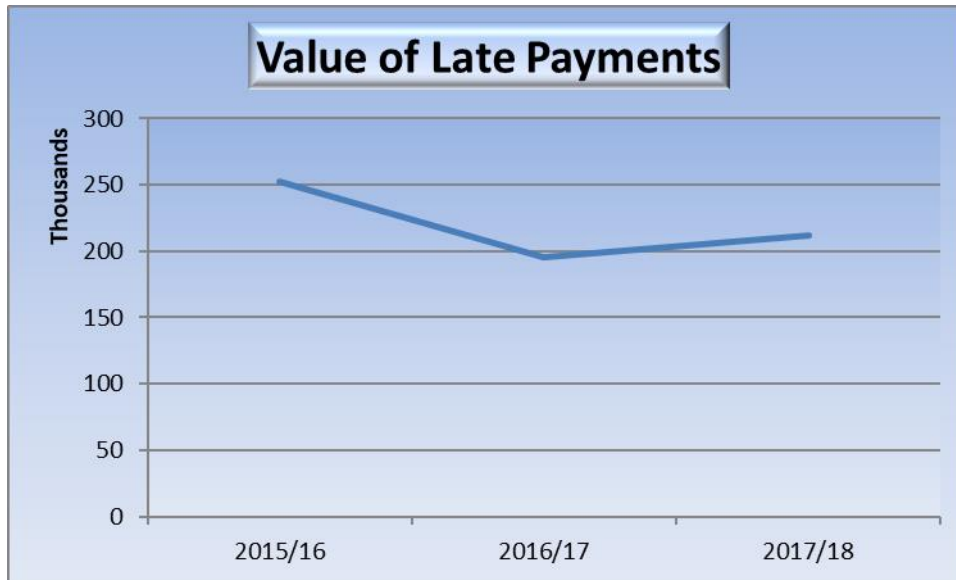
Not all areas were without some weakness however and improvements are possible to both system design and implementation going forwards. The principal finding for this audit is the need to further develop and embed a robust monitoring process for iConnect, however it is acknowledged that the APF is already working on the development of day to day systems and reporting processes which will improve both control and efficiency.

Regarding transparency and meeting the Code's requirements in respect of communications with members, we found that there is a communications policy in place (although due to be updated) and that information is, on the whole, shared in a timely way. The APF website was found to contain relevant information such as newsletters for active, deferred and retired members, a further news bulletin page, information on changes to the LGPS, copies of annual reports and general background information on the scheme. Annual Benefits Statements had been issued by the statutory deadline.

Where low risk findings have been identified, for example isolated control lapses with limited impact, these have not been reproduced within this report but have been discussed and agreed separately with the Pensions Manager.

The following charts are included for information and context and show how the total number and value of late payments has changed since April 2015. As at the time of testing the number of late payments in respect of the 2018 financial year and recorded in the Breach Control Spreadsheet (which included entries up to September 2018) stood at 18 with a total value of £363,535, indicating that the current year is likely to be the highest yet for late payments. We note, however, that this includes two high value late payments, valued at £166,353 during May and £110,200 during June. In both instances the payments were received within a few days and there have been no reoccurrences related to the employers in question. We understand that there have been no late payments that have been considered of sufficient significance to warrant being reported to TPR, however a formal letter was recently sent to one employer who had repeatedly paid late and paid amounts that did not match the LGPS50.





Audit Summary Findings

We identified the following strengths:

- Requirements for employers regarding contribution payment deadlines have been clearly defined and are communicated to employers.
- Contribution rates for employers are clearly recorded within the monitoring spreadsheet.
- Contribution rates for employees are clearly recorded within Altair.
- Tolerance checks are applied to the gross employee contributions received compared to gross pay to identify potential variances.
- Income is monitored daily and reconciled to LGPS50 returns submitted by employers.
- A major project to migrate employers to one of the iConnect solutions is underway, with the potential to improve efficiency and reduce the work required at year end.
- Documented procedures are in place and a process well established to identify and report late payments from employers.
- Production and issue of Annual Benefits Statements is subject to forward planning which begins many months in advance and includes a retrospective appraisal of the prior exercise including lessons learned.
- TPR checklists and guidance are used to ensure the ABS process is conducted in accordance with good practice.
- The APF website was found to contain a range of useful and informative pages and documents that are freely accessible to interested third parties and stakeholders.
- An ABS is issued not only to active but also deferred members as standard.
- Testing confirmed that an ABS had been issued to all members (including deferred) within our sample, excepting those where valid reasons for non-issue existed.
- Information for new members had been issued within the timescales outlined by the COP.

We identified the following weaknesses:

- Monitoring processes relating to iConnect uploads are still to be fully developed and documented and remain a work in progress.
- Working documents used to record details of late payments did not have all the required information in some instances.

Audit & Risk Personnel

Lead Auditor: Gary Spratley

Acknowledgements

Sincere thanks to Geoff Cleak, Pensions Manager and members of the Pensions Administration and Finance teams for their help and assistance provided throughout the Audit review.

Internal Audit Report – COP14: Maintaining Contributions & Providing Member Information
ACTION PLAN

MEDIUM RISK EXPOSURE				
	Weakness Found	Implication or Potential Risk	Recommendation(s)	Management Response
M1	<p><u>iConnect Monitoring</u></p> <p>Monitoring systems used to identify and resolve late or missing iConnect returns are very much still in development and require further enhancement to scope and efficiency.</p> <p>For example, the current process which APF use for monitoring the submission of online returns via I-Connect requires a large degree of manual processing, by loading each employer record into I-Connect and noting the relevant dates in a spreadsheet. The process also excludes I-Connect users who upload data via a csv file</p> <p>Going forward, the addition of an ERM module within Altair, due to occur in February, is expected to allow a more comprehensive, automated and streamlined reporting and monitoring process.</p> <p>Due to the monitoring processes being in a state of flux, documented procedures covering the process have also to be drawn up.</p>	Data quality may be impaired.	Efficient, effective and comprehensive monitoring and reporting processes should continue to be developed (as planned). Documented procedures covering these processes should then be drawn up and approved by the Employer Services Manager.	<p>Yes agree with recommendations as stated. We are continuing to develop procedures and are looking into alternative methods, as well as seeking additional guidance from our Financial Systems Team to see if other ways of reporting are possible. We have also set out expectations of employers for the submission of monthly returns in our draft Admin Strategy and SLA.</p> <p>Responsible Officer: ES Manager Target Date: March 2020</p>

Internal Audit Report – COP14: Maintaining Contributions & Providing Member Information

MEDIUM RISK EXPOSURE				
	Weakness Found	Implication or Potential Risk	Recommendation(s)	Management Response
M2	<p><u>Incomplete Breaches Control Spreadsheet</u></p> <p>The following points were noted regarding the Breaches Control Spreadsheet entries for 2018, this being the working document used to record and assess late payments: 'Reason/Action' is blank for three incidents. 'Significance' is blank for six incidents. The late payment by Eurotaxi in May 2018 was the fourth such incident in as many months, however this cumulative total had not been recorded for the May late payment. One significant missed payment for £110k states 'unable to obtain reason due to school holidays'.</p>	<p>APF may not be able to demonstrate that it has complied fully with the COP in all instances.</p> <p>Furthermore, without full details of breaches it may be more difficult to identify patterns or trends, ensure employers are taking appropriate actions to prevent reoccurrences and may reduce the level of detail regarding breaches that is reported to stakeholders.</p>	<p>The Finance Manager should ensure, by periodic monitoring and supervision, that team members are fully completing the breaches control spreadsheet in all instances, including follow up actions to identify late payment causes where the late payments are significant.</p>	<p>Our priority is to work with employers to minimize late payments in future. The team always follow up late payments. This involves establishing a relationship with employers that we would not wish to jeopardise by insisting on the provision of a disproportionate level of information.</p> <p>Reason / Action and Significance columns are always completed in the Committee Report.</p> <p>Eurotaxi had particular problems when they joined the Fund. The correct number of cumulative incidents was always reported to the Committee. Following our efforts the performance of the company greatly improved.</p> <p>The payment of £110k was only two days late from an employer that regularly pays on time or up to a week early. At the time of preparing the Committee report including this late payment the schools were closed for the summer and nobody was</p>

Internal Audit Report – COP14: Maintaining Contributions & Providing Member Information

				<p>available to explain it. This was therefore honestly reported to the Committee. Since the employer has a very good record it could have been unproductive and possibly detrimental to our working relationship to require an explanation for a two day late payment so long after the event.</p> <p>Responsible Officer: Martin Phillips Target Date:</p>
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Internal Audit Report

Confidential

**Avon Pension Fund
Data Integrity - Scheme Record
Keeping**

April 2019

Executive Summary

Audit Opinion:

Assurance Rating	Opinion
Level 5	The systems of internal control are excellent with a number of strengths and reasonable assurance can be provided over all the areas detailed in the Assurance Summary
Level 4	The systems of internal control are good and reasonable assurance can be provided. Only minor weaknesses have been identified over the areas detailed in the Assurance Summary
Level 3	The systems of internal control are satisfactory and reasonable assurance can be provided. However there are a number of areas detailed in the Assurance Summary which require improvement and specific recommendations are detailed in the Action Plan
Level 2	The systems of internal controls are weak and reasonable assurance could not be provided over a number of areas detailed in the Assurance Summary. Prompt action is necessary to improve the current situation and reduce the risk exposure
Level 1	The systems of internal controls are poor and there are fundamental weaknesses in the areas detailed in the Assurance Summary. Urgent action is necessary to reduce the high levels of risk exposure and the issues will be escalated to your Director and the Audit Committee

Assurance Summary:

Assessment	Key Control Objectives
Good	Necessary member information is promptly, completely and accurately transferred by employers.
Good	Member information is completely and accurately entered into the system.
Good	Member information is regularly reconciled to that held by employers.
Good	Employer non-compliance is effectively addressed.
Good	Information relating to non-active members is kept up to date.
Excellent	Information reported to the Board is appropriate and sufficiently detailed.
Good	Action taken to address missing or poor quality information / data is effectively monitored.
Excellent	Board meeting records held are in compliance with relevant regulations

Detailed Report

Opinion

We have assessed the framework of internal control to be at 'Level 4'. A total of 4 audit recommendations are detailed in the Action Plan section of this report.

Scope and Objectives

The scope and objectives of our audit were set out in the Audit Brief and a summary of our opinion against each of the specific areas reviewed has been detailed in the Assurance Summary section above.

Background

Pension funds have a duty to administer records for its current and deferred members as well as pensioners. Requirements for this are set in legislation including The Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014 and are further outlined in The Pension Regulator Code of Practice 14 - Governance and Administration of Public Service Pension Schemes.

Without accurate and reliable common data such as member address information, maintaining contact with the members becomes more difficult and may result in an inability to disseminate important information or to commence pension payments.

As a result, the focus of this audit was to look at non-financial member data and provide assurance on systems and processes used by Avon Pension Fund to maintain the accuracy and reliability of this data.

Context & Audit Comment

The current audit has been conducted as part of the 2018/19 Internal Audit Plan.

To arrive at our conclusions, we have met with officers from the APF Administration and Finance Teams to gain an understanding of the systems used and have reviewed supporting information and conducted sample testing of records.

The fund administers pensions on behalf of 415 employers and holds in the region of 122,000 member records for public sector schemes covering workers in Local Government, Teaching and the Fire Service.

Submission of Member Data

Several methods are currently in place by which employers submit member data, such as that relating to starters, leavers and amendments. The fund is currently migrating employers to the I-Connect methods which when complete will eliminate the need for a large-scale year-end data control exercise. 161 employers are so far I-Connect enabled, which equates to 63% of the member base. I-Connect allows employers to submit member data which the system validates and posts directly to Altair.

We found controls to be in place that help ensure data exchanged via I-Connect is accurate, timely and complete. These include detailed user guides with screenshots, optional training for employers and data submission using a standardised format with mandatory data fields. A monitoring process is currently in place which helps identify late or incomplete returns and this includes an escalation process if employers do not respond. The monitoring process is being refined and is subject to change, with greater efficiency and automation being introduced once the new ERM module of Altair is introduced.

Internal Audit Report – APF Data Integrity - Scheme Record Keeping

Using I-Connect, we sampled starters, leavers and record amendments and confirmed that they had been correctly and promptly posted through to the Altair system. For starters, this included a check that key or 'common' data fields had been provided.

A significant amount of member data is uploaded to Altair by APF, most notably during the year-end data control exercise, which is being phased out. The most recently completed exercise was in respect of the 2017-18 financial year. Supporting records for this exercise had been retained and demonstrate the controls used to help ensure data quality is preserved. Data received from employers was reconciled to Altair in what are referred to as 'pre and post load checks', with employers then engaged in respect of any queries. Most of these uploads were timely (April to June 2018), however a few late or anomalous submissions were apparent from upload dates (July 2018).

Activity is planned for later this year to further improve the accuracy and timeliness of record keeping including the introduction of a revised Pensions Admin Strategy; Service Level Agreements with employers; and production of a scale of charges that inform employers of the penalties or costs that may be incurred by them for failing to submit accurate and timely data.

Unlike with I-Connect, employers using the year end submission method of data transfer are not required to confirm member details such as addresses, as this information was not required by the return. Reliance is placed on the employer to inform APF when changes occur as and when throughout the year. The matter of amending the spreadsheet return to include either the Members full address or Post Code to enable a data matching exercise to identify discrepancies was discussed. The discussion identified that there would be complications with carrying out the process to extract data (for matching purposes) and that there was also insufficient time to make the changes to the electronic return. It was also flagged that by September 2019 that all the remaining employers would be using I-Connect.

Member Data Reconciliation

The year-end data control exercise has been useful not only in updating member records with information such as contributions but also in reconciling these records to ensure APF records remain accurate.

With the migration to I-Connect, the employer will effectively be carrying out their own reconciliation of member data every month, as the system compares existing member data to that being submitted and flags up any discrepancies. This should mean that a snapshot of active member data taken at any point during the year will be more accurate than under the previous system. The role of APF will therefore be focussed more on monitoring and when necessary chasing employers.

Unrelated to this audit, but worth mentioning, is the reconciliation of member contributions. Historically this has not been possible however the longer term goal of APF is to be able to reconcile this data. The migration to I-Connect should assist with this and APF are exploring how best to link the monthly submissions via I-Connect to the actual payments received from employers.

Employer Non Compliance

APF have an established process in place for identifying employers who may be in breach of legislative / The Pension Regulator requirements e.g. late processing of payments or high levels of member data errors. APF work with employers to try and prevent these issues arising by way of: 1) information provided to employers on their responsibilities, 2) monitoring employer performance and reporting any concerns; 3) occasional targeted training sessions.

Internal Audit Report – APF Data Integrity - Scheme Record Keeping

Breaches are also regularly reported to the Pension Board and where necessary fines are levied. However, APF's approach has been to try and encourage improvements in employer administration rather than penalise them, e.g. the APF will often offer to waive the fine if the employer representatives attend further training.

As employers migrate across to I-Connect, the move will be supported by a new policy framework which includes the Pension Administration Strategy and a Service Level Agreement that is considerably more detailed and comprehensive than prior versions. A new scale of charges will also explicitly highlight to employers that they may be fined for unacceptable levels of non-compliance and incur admin charges for unreasonable amounts of additional work that APF are forced to carry out because of non-compliance.

Data Quality for Non-Active Members

Over 43,000 members are currently listed as deferred. Maintaining accurate records for deferred members presents additional problems for the fund as there is no regular update of information such as would be provided by the current employer. Whilst pension funds do have a statutory responsibility to maintain accurate records, achieving a 100% accuracy would be unrealistic and prohibitively expensive. APF have therefore adopted a pro-active risk-based approach to data quality for these members.

Existing measures to promote good data quality for deferred members include an area of the fund website where members can update their details, and regular communications informing the member about the ability to update personal details online.

The single largest number of data errors relates to the current address. As reported in the November Compliance Report to the Pension Board the total figure stood at 5,415, with 4,170 of these in respect of deferred members. Updating these records presents even greater difficulty as all direct contact with the member has been lost. APF have, during the current year, stepped up their efforts to tackle this issue. As standard, APF will seek to validate contact information for all members who are approaching retirement age via the use of an online search tool and subsequent use of an external tracing agency. However, it is still necessary for APF to validate these results by contacting the member using the new address. If the member fails to respond, as does happen, the new details are retained but it cannot be verified that the address is correct, i.e. the benefits of the tracing exercise are not realised.

Supporting evidence of the tracing exercise carried out by Accurate Data Services was reviewed and found to be satisfactory. The tracing process has four stages, each attracting higher costs, which range from a mortality check costing £0.15 per unit to a detailed manual search which is estimated at £45 per unit. So far, APF have restricted the searches to the first three levels to ensure the most cost-effective use of available resources. Further discussions have yet to be held within APF to decide whether progressing to more expensive manual checks is justified. Considerations would include the value of the pension pots involved and whether the costs of these searches can be charged to the individual's pension pot. For younger gone away pension members the risk to the Fund is that they may move many times during their working life and if they fail to notify APF of their whereabouts then the Fund may need to repeatedly trace the same individual incurring additional costs each time. The spreadsheet listing the original batch of 5,481 members shows that 979 addresses had, at the time of testing, been updated because of the exercise, which has so far cost a total of £21,613, against an original budget of £25,000.

Monthly Data Error Monitoring

Monthly reports are run to identify potential data errors within Altair. These are then split by employer and sent to them for resolution. The employers concerned tend to be those who have yet to migrate to I-Connect, (I-Connect has a good degree of inbuilt data validation, preventing users from uploading poor/incomplete data in the first instance).

Spreadsheets are used to record the progress of this monitoring exercise and these were reviewed during the audit to independently verify timely completion.

Internal Audit Report – APF Data Integrity - Scheme Record Keeping

Whilst the risk of data error cannot be eliminated entirely the systems and processes in place help to effectively identify and correct errors in data.

Reporting to the Pension Board

A review of Pension Board minutes and compliance reports found the level of information being provided on data quality to be of a good standard. There is evidence of improvements in reporting, namely the addition of green/red colour coding, trend arrows and an overall TPR data score.

We compared the compliance report to one from another South West fund and found the APF report to be more detailed and comprehensive in scope. APF themselves indicated that although they had attempted to compare their compliance reports to neighbouring funds within the Brunel group, this proved unproductive due to there being no consistent reporting methodology or standards of reporting to enable a meaningful comparison.

We also considered the effectiveness of Pension Board meetings themselves in terms of frequency, attendance, engagement and participation, and do not have any significant concerns in this regard. However, a greater degree of input from employer representatives may be beneficial in term of developing future compliance reporting.

Audit Summary Findings

We identified the following strengths:

- Employers are being migrated to the I-Connect system which will allow member records to be updated with greater frequency.
- Migration to I-Connect will ease work pressures at year end by spreading the workload throughout the year, for example in relation to data queries.
- The I-Connect system has a good degree of inbuilt controls designed to reduce the possibility of erroneous data being input and forces the employer to review any changes in data since the previous period.
- The administrative section of the fund has a good level of resourcing including a team whose primary function is data control.
- Key documents such as the Pensions Administration Strategy and Service Level Agreements are currently being updated and expanded and should provide a more robust and comprehensive framework for supporting the key objectives of the fund.
- APF provided a good level of support for employers, including guidance manuals and procedures as well as training sessions and briefings.
- The fund routinely monitors data quality issues, identifying and if necessary fining employers whose data quality is considered below standard.
- Where member data is shared with employers, for instance in relation to TPR queries, it is exchanged via the Globalscape secure portal, helping to prevent unauthorised access.
- Various methods are used to inform members of the need to keep in touch and update personal information such as address details.
- Regular system reports enable monitoring of TPR errors, which relate to erroneous or missing member data.
- Members who are approaching normal retirement age are identified and an address validation exercise undertaken regardless of whether the address is believed to be accurate.
- The current tracing project has so far managed to update 980 of the 5840 member addresses known to inaccurate.
- Performance reports submitted to the board are detailed and comprehensive and showed evidence of having been improved over the last year.
- The number of board meetings was deemed to be sufficient and exceeded that of a neighbouring fund which was used as a comparator.
- The level of interaction and challenge by the board was deemed to be good, as was the overall quality of meeting records and minutes.

Internal Audit Report – APF Data Integrity - Scheme Record Keeping

We identified the following weaknesses:

- Until the I-Connect migration project is complete, the full benefits will not be realised and there will be a need to maintain multiple work streams to cover all the methods used by employers to exchange data, reducing efficiency.
- System access controls for I-Connect were not adequate based on the likelihood that User ID's were being shared.
- Employer declaration forms regarding data quality are not collected from all employers and were in some cases significantly late following the last year end exercise.
- Records indicated that several employers were not engaging sufficiently with APF to clear outstanding data quality issues.
- A number of tasks within Altair related to the address validation of preserved into payments members appears to have stalled.

Audit & Risk Personnel

Lead Auditor: Gary Spratley

Acknowledgements

Sincere thanks to Geoff Cleak, Pensions Manager and members of the Pensions Administration and Finance teams for their help and assistance provided throughout the Audit review.

Internal Audit Report – APF Data Integrity - Scheme Record Keeping
ACTION PLAN

MEDIUM RISK EXPOSURE				
	Weakness Found	Implication or Potential Risk	Recommendation(s)	Management Response
M1	<p>I-Connect Security</p> <p>Regarding system security for I-Connect, we determined via discussion with the Senior Pension Officer responsible, that in several instances, employers do not have a sufficient number of login credentials, leading to the sharing of usernames and passwords; It is not possible to assign a user a read-only role.</p>	<p>Lack of audit trail and therefore accountability.</p>	<p>APF should ensure that each I-Connect user has a unique log in. For some larger employers this may require multiple credentials being issued.</p> <p>APF should liaise with Heywood on the possible introduction of a read-only role to the I-Connect system.</p>	<p>A meeting has taken place with our Financial Systems Team to review system security for IConnect. A Data Protection Impact Assessment has also been carried out in conjunction with our Information Governance Team. Agreed actions are to:</p> <ul style="list-style-type: none"> -review authorisation form and refuse generic user names & emails where possible -review existing generic users and request person specific users instead -carry out annual review of users and disable / delete unused accounts -make recommendations to Heywood to implement increased password strength and expiry <p>Responsible Officer: Employer Services Manager Target Date: Sept 2019</p>

Internal Audit Report – APF Data Integrity - Scheme Record Keeping

MEDIUM RISK EXPOSURE				
	Weakness Found	Implication or Potential Risk	Recommendation(s)	Management Response
M2	<p>Declaration Forms</p> <p>Employers are required to submit a declaration regarding the quality of member data submitted. We noted that:</p> <ol style="list-style-type: none"> 1) These declarations do not currently cover I-Connect users; 2) Year-end declarations from other employers were in some instances received significantly later than the 30 April deadline, examples being employers 00757 and 00696, who submitted their returns in June and August respectively. 	<p>Member data may be unreliable or inaccurate.</p>	<p>Declaration forms should be completed by all employers and submitted promptly by the due date. APF may wish to discuss with Heywood to see if a declaration can be built into I-Connect that the employer reads and clicks to confirm during every submission.</p>	<p>Declarations are currently under review and there will be separate declarations for IConnect online returns, extracts and also for the old style year end returns. All employers will be given a deadline of 31 May for return of the declaration. We do chase until received but currently there is no fine. A decision was made several years ago not to hold up the loading of the data until the declaration was received due to knock on consequences of not having the data on the system. E.g. issue of Annual Benefit Statements</p> <p>Responsible Officer: Employer Services Manager Target Date: May 2019</p>

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MEDIUM RISK EXPOSURE				
	Weakness Found	Implication or Potential Risk	Recommendation(s)	Management Response
M3	<p>Employer Engagement</p> <p>Records of TPR monitoring activity suggest that many employers are failing to engage promptly with APF to rectify data quality issues. Document '2018-19 Employers TPR Control Sheet' which relates to a previous</p>	<p>Data quality issues go unresolved, resulting in APF holding inaccurate data on its members.</p>	<p>APF should consider how best to further encourage employers to promptly deal with TPR data issues.</p>	<p>Employers are made aware of their responsibilities when the join the fund. A letter is also due to be going out next week to all employers reiterating the need to provide accurate data and respond promptly to queries. The letter will state that unreliable data</p>

Internal Audit Report – APF Data Integrity - Scheme Record Keeping

	<p>quarter, was showing 60 entries within the 'Sent' tab, indicating the queries had been sent to the employer but not yet resolved.</p>			<p>could result in higher employer contribution rates as set by the actuary in the forthcoming valuations.</p> <p>Responsible Officer: Employer Services Manager Target Date: January 2019</p>
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MEDIUM RISK EXPOSURE

	Weakness Found	Implication or Potential Risk	Recommendation(s)	Management Response
<p>Page 212</p>	<p>M4 Address Validation Exercise for Preserved into Payments Members</p> <p>Whilst PIPTRACE tasks raised between August and October 2018 had been cleared promptly (on the same day for those in our sample), PIPTRACE tasks raised during December and early January have had no actions recorded against them at all In addition, follow on task PIPESCAL had been raised in a number of cases between June and September 2018 but have yet to be resolved and actions recorded against them.</p>	<p>Members who are preserved into payments are approaching normal retirement age. Any delay in validating their address details could impact the ability to begin pensioner payments to them.</p>	<p>APF should ensure that the data validation exercise for preserved into payments members is promptly progressed and resolved.</p>	<p>A procedure is in place to deal with cases promptly. A work monitoring spreadsheet has recently been set up for the Team Leader to monitor that monthly jobs and tasks are completed on time.</p> <p>Responsible Officer: Employer Services Manager Target Date: March 2019</p>

Bath & North East Somerset Council		
MEETING:	LOCAL PENSION BOARD - AVON PENSION FUND	
MEETING DATE:	13 June 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.

4.5 As previously noted, the risk from the transfer of skills/knowledge from the Fund to the Brunel Pensions Partnership remains high (Risk #28) and has now been further compounded following multiple staff changes to service management across the administration team. Actions to mitigate this are being put in place by officers

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: 29/05/2019

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					
					1	2	3	4	5	1	2	3	4	5										
1	R28 The Fund is unable to recruit appropriately skilled administrative, technical or investment staff given the short supply of such staff regionally in the market. This could restrict the Fund's ability to develop and implement the service plan and administer the Fund. On the investment side this has been exacerbated by the creation of BPP Ltd. (Brunel) based in Bristol which will manage the fund's assets.	01-Jul-08	All Team Managers	Governance						5							5	25	HIGH	H	H	H	On target	Complete PDC process with all staff to identify training and professional qualification needs based on Service requirements. Officers are trained and updated in key areas. Attendance at relevant national courses and internal training with peers. Succession planning to build resilience and minimise risk of losing skilled/specialist staff. Re Brunel - significant impact with loss of 3 FTE staff. Rebuilding team reflecting transition of assets to BPP. Will buy in resource from advisors or BPP as appropriate and strengthened Governance and Risk Management within the fund. Investment work programme is continuously risk reviewed to ensure focus is on strategic and operational priorities. Changes impacting across all Administration Team management due to loss or movement of 4 service managers. Recruitment plan in place to appoint replacements and temporary cover arrangements in place in the interim period to maintain service objectives. (2 of 4 management posts now recruited. One further agreed appointment to start in September. One awaiting interview process). The 2019/22 Service Plan provides for extra resource to support delivery of strategic training plan.
2	R42 Increase political pressure to reform the scheme & governance, reduce costs and direct investment decisions. If the fund does not have a robust plan for change, risk that government will direct funds. Implications: committee is unable or does not make decisions in best interest of the fund.	12-Sep-13	Head of Business, Finance and Pensions	Investment Strategy					4							4	16	HIGH	H	H	H	On target	The Investment Strategy Statement clearly defines the investment principles and objectives and the strategy in place to deliver.	
3	R25 Lack of knowledge and continuity within the Committee (risk arises as some members face re-election simultaneously. Until members are fully trained maybe a delay in decision making).	01-Jul-08	Pensions Investments Manager	Governance					4					3			12	MEDIUM	M	M	M	On target	The Fund is a participant in the Brunel Pension Partnership to meet the government broad agenda to reduce investment fees and increase efficiency. Avon, Brunel and the LGPS Cross Pool Collaboration Group actively engages with government on a wide range of issues related to the government's agenda.	

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	<p>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.</p> <p>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)</p> <p>Project set up to ensure GDPR compliance to identify processes that need to be put in place - working with corporate Information Governance team.</p>
8	R54	The Fund is a participating fund in the Brunel Pension Partnership for pooling its assets. The FCA-authorized 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 2 years 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	<p>The Brunel governance structure is in place. This structure ensures Committee, Board and officers effectively manage the new relationship. Expert advice is 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 through to 2021. Portfolio specifications have been agreed. Avon developed its own plan consistent with Brunel timetable to ensure any decisions / governance required by Avon is identified and dealt with accordingly. Client Group monitors 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 and extra resources agreed by Shareholders.</p> <p>Quarterly Committee agenda includes Brunel update report. Client side sub groups work closely with Brunel on portfolios & transition, financial aspects, RI and services/operations delivered by Brunel.</p>	
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 LGPS issued templates for quoted assets. However, to provide consistency across all institutional investors, the FCA, via the Cost Transparency Initiative (CTI), is developing the templates for managers to provide the info to the Fund. However, once the CTI's institutional-investor-wide templates are launched, they will be adopted by the LGPS Code. There will be a	18-Jul-18	Investments Manager	Investment Strategy			4			2			8	MEDIUM	M	M	L	On target	<p>The Fund has a project plan in place to collate as much info as possible in line with the Code using the original LGPS template. Brunel will provide data for Listed assets managed within the pool. The FCA reporting template has yet to be issued. As the CTI templates have yet to be issued CIPFA has confirmed 2018/19 disclosure is on best endeavours basis as data is still incomplete. SAB is in process of establishing a compliance system to provide cost effective template data collection and LGPS Code compliance checking.</p>	

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:	13 th June 2019	AGENDA ITEM NUMBER
TITLE:	Pension Board – Annual Report 2018/19	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendix 1 – Draft Annual Report		

1 THE ISSUE

- 1.1 The purpose of the report is to present the draft annual report of the Board's activities for 2018/19, as required under its Terms of Reference for approval.

2 RECOMMENDATION

- 2.1 The Local Pension Board is asked to approve the annual report subject to any comments at its meeting.

3 FINANCIAL IMPLICATIONS

- 3.1 There are no direct financial implications relevant to this report.

4 THE REPORT

- 4.1 Under the Public Service Pensions Act 2013 and as part of its terms of reference the LPB is required to produce and publish an annual report to the Council on its work, including any breaches of the law by the fund, recommendations on process and governance, and it should be circulated to the fund members and employers, and S151 officer and Monitoring Officer.
- 4.2 Based on its Terms of Reference document it is proposed the LPB annual report will summarise the Board's establishment and activities over the past 12 months and briefly look forward to the proposed work plan for the forthcoming year.
- 4.3 An outline structure and draft is attached at Appendix 1 for comment and approval by the Board.
- 4.4 The Annual Report will be available on the Fund's website and also be referenced in the Annual Report of the Avon Pension Fund.

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.

6. EQUALITIES

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

7. CONSULTATION

7.1 The report was distributed to the S151 Officer for consultation.

Contact person	<i>Jeff Wring (01225 477323)</i>
Background papers	<i>Council Report – Establishment of Avon Pension Fund Board – 15th January 2015</i>
Please contact the report author if you need to access this report in an alternative format	

Avon Pension Fund – Local Pension Board – Annual Report 2018/19

1. Introduction

Welcome to the fourth Annual Report of the Local Pension Board (LPB) of Avon Pension Fund.

The Board was established in 2015 arising from the Public Sector Pension Act 2013 and Local Government Pension Scheme (Governance) Regulations 2015.

The purpose of the Board is to assist the Administering Authority (BANES Council) of the Avon Pension Fund (APF) secure compliance with the LGPS regulations and requirements of the Pensions Regulator (TPR) and ensure efficient and effective governance and administration of the fund.

This report covers the period 1st August 2018 to 1st July 2019 within which the Board has held three formal meetings. During this period the members of the LPB have continued to develop their knowledge and understanding of the LGPS and TPR requirements as required by law.

The fourth year of operation of the LPB was focussed on its statutory responsibilities with a core agenda of key governance themes around the fund's legal compliance, risk management and benchmarking.

It has also actively monitored the fund's involvement in the Brunel Pensions Partnership (BPP) that was established in 2017 to facilitate the pooling of the funds assets with 9 other LGPS funds in 2018.

I am pleased to say that with the support of the officers to the APF; the LPB has made good progress in fulfilling its terms of reference and continuing to support the administering authority in its statutory duties.

The LPB has reviewed a wide range of LGPS regulations and TPR requirements and made a number of recommendations to the administering authority (see page 8 and Appendix 1).

This has included starting a process of review of all administration processes against their legal timeframes, reviewing high level of risks facing the APF on a regular basis, analysing key issues around data quality – notably missing addresses - and reviewing the refreshed statutory Investment Strategy Statement (ISS) for its compliance against the DCLG statutory guidance.

In addition we have received the outcome of our annual compliance check from Internal Audit in relation to the funds compliance with TPR Code of Practice 14 along with a number of other audit reviews of the fund and its administration. The LPB welcomed the actions being implemented by the fund to ensure it fully complies with the Code and improve the control framework around the Administration of the APF.

The LPB noted the growing administration pressures from more employers joining the fund as well as new TPR requirements in respect of record keeping and data quality. In light of this the LPB supported the need to future proof the level and quality of administration services to fund members in the forthcoming review of the fund's administration strategy.

The LPB also continues to overview the APF communication strategy and stressed the need for all scheme information to be kept up to date and the importance of the fund website to employers and members.

Looking ahead the LPB will continue to assist and support the APF in respect of minimising potential governance and other risks arising from BPP and the pooling of the funds assets with 9 other LGPS funds.

Last but not least could I thank my fellow Board members for their commitment to their roles on the LPB and I commend this report to you.

Howard Pearce
Independent Chair

2. Legal basis of Local Pension Board

Background

At the request of central government Lord Hutton conducted a review into public service pensions in 2010 and published his findings in March 2011 which recommended significant change to the governance of the pensions *'to make...schemes...more transparent'*.

Subsequently legislation was introduced in the form of the Public Sector Pension Act 2013 along with the Local Government Pension Scheme (Governance) Regulations 2015. These require each Local Government Pension Scheme (LGPS) administering authority to establish a new body known as a Local Pensions Board (LPB) to assist the Council (LGPS Administering Authority).

One of the key aims of the reform was to raise the standard of management and administration of public service pension schemes and to achieve more effective representation of employer and employee interests. The LPB must have equal representation of scheme members and scheme employers.

The APF LPB is a separate legal entity from the APF Pensions Committee (Section 101 committee) to which as administering authority (BANES Council) has delegated its functions in relation to the administration of the LGPS.

Specific Role and Purpose

The Public Sector Pension Act 2013 sets out the requirements for the establishment of a LPB with the responsibility for assisting the LGPS local scheme manager (BANES) in relation to the following:

a) Securing compliance with the regulations, any other legislation relating to the governance and administration of the Scheme, and 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 LPB will assist the 'scheme manager' by monitoring and advising on compliance with the pension scheme regulations, along with all other legislation and the requirements imposed by the Pensions Regulator to ensure the effective and efficient governance and administration of the scheme.

The role of the LPB can be likened to that of a "critical friend" but is not a decision making body. It has an important advisory role for the APF and works with the Pensions Committee to scrutinise its decision making processes and to ensure the Fund's compliance with all its legislative requirements.

The Pension Regulator (TPR)

From April 2015, the Pension Regulator had responsibility for the LGPS. Therefore one focus for the LPB is ensuring the fund's compliance with TPR Codes of Practice. This is split into a number of areas which covers governance, risk management and resolving issues.

The LPB as part of their work plan has needed to consider these areas, to ensure the Fund is compliant and if not to make recommendations to the APF Pensions Committee to address these requirements.

Terms of Reference

Terms of Reference for the LPB are available through the following link.

<http://www.avonpensionfund.org.uk/>.

Avon Pension Fund – Local Pension Board – Annual Report 2018/19

3. Establishment of Local Pension Board

The requirement for an Independent Chair and Board Membership was outlined in the terms of reference to the LPB which were agreed by full BANES Council on the 15th January 2015.

Adverts for the role of Chair were placed on the Fund's website, Western Daily Press, Jobsgopublic.com, Local Government Chronicle online and the Council's job vacancy website.

All applicants were then reviewed against the five published criteria in the person specifications and a shortlist of four candidates drawn up for interview with the Strategic Director of Resources, Head of Business, Finance and Pensions and the Head of Audit West.

Interviews were held in June 2015 and a preferred candidate – Howard Pearce (former Head of Pension Fund Management, Environment Agency) – was identified and recommended to the LPB for an appointment of four years.

The process for the appointment of Board Members followed a similar path with adverts placed on the Fund's website and pro-actively distributed through the many employee and employer communications and conferences.

Interviews for Board Membership were held from June 2015 through to May 2016 and as at May 2016 a full complement of employer and employee members are now in post.

Details of the Local Pension Board Members

Independent Chairman:

Howard Pearce. Appointed 1st July 2015. 4 year term of office to 30 June 2019.

Employer Member Representatives:

Gaynor Fisher, active member. Appointed 1st July 2015. 4 year term of office to 30 June 2019.

Steve Harman, active member. Appointed 1st July 2015. 4 year term of office to 30 June 2019.

Tony Whitlock, active member. Appointed 1st May 2016. 4 year term of office to 30 April 2020.

Scheme Member Representative:

David Yorath, retired member. Appointed 1st July 2015. 4 year term of office to 30 June 2019.

Tom Renhard, deferred member. Appointed 1st July 2015. 4 year term of office to 30 June 2019.

Mark King, active member. Appointed 1st May 2016. 4 year term of office to 30 April 2020.

In total the Board has well over 100 years experience of the LGPS. Details of each Board members experience, LPB training log, and register of interests for are available through the following link.

<http://www.avonpensionfund.org.uk/>.

Attendance at Local Pension Board Meetings – August 2018 – July 2019

Role	Board Member	Attendance
Independent Chairman	Howard Pearce	3/3
Employer Representative	Gaynor Fisher	3/3
	Steve Harman	2/3
	Tony Whitlock	3/3
Member Representative	David Yorath	3/3
	Tom Renhard	3/3
	Mark King	2/3

4. Training

Background

In accordance with the Pension Regulator (tPR) Code of Practice 14 every individual member of a LPB must in summary:

- Be Conversant with the rules of the local government pension scheme (LGPS) &
- Have knowledge and understanding of the law relating to pensions:

These responsibilities begin from the date the LPB member takes up their role. These knowledge and understanding requirements apply to every individual member of a LPB rather than as a collective group.

Degree of Knowledge and Understanding

The legal requirement is that members of the LPB must be conversant with the rules of the LGPS and any document recording policy about the administration of the fund. This is implied as a working knowledge so that members are aware of which legislation/policies to refer to when carrying out their role.

Areas of Knowledge and Understanding

LPB Members should be conversant with, but not limited to the following areas:

- a) Scheme approved policies
- b) Risk assessment/management
- c) Scheme booklets/members communications
- d) Role of LPB Members and the scheme manager
- e) Policies in relation to discretions
- f) Communications with scheme members and employers
- g) Key policy documents on administration, funding and investment

Training Undertaken

During the year on-going technical training was provided to LPB members by officers from or advisors to the APF on a full range of topics covering the LGPS framework and TPR requirements.

All 7 members of the LPB have completed the TPR public sector pension toolkit certification. In addition three members attended the LGE LGPS Fundamentals Course.

The LPB training plan is a topic at each board meeting and all Board Members maintain a training log, which is also submitted annually to assist in the identification of on-going training needs.

Details of the LPB training plan and members training logs are available through the following link –

<https://democracy.bathnes.gov.uk/ieListMeetings.aspx?CommitteId=563>

5. Local Pension Board Code of Conduct and Conflicts of Interest Policy

Code of Conduct

All LPB members have signed up to an LPB Code of Conduct in which emphasises that as a holder of public office there is an expectation that LPB members will comply with the ‘seven principles of public life’, also known as the ‘Nolan Principles’.

Conflicts of Interest

All LPB members have also signed up to the LPB Conflicts of Interest Policy. This requires all members to notify BANES Democratic Services team of any potential conflict of interest arising as a result of their position on the Board.

All meetings of the LPB include a standing item titled ‘Declaration of Interests’ at the start of the meeting where any declaration in relation to the items on the agenda should be made.

All LPB members have formally completed their declaration of interest forms and at the 4 formal meetings which have been held during the year no ‘conflicts’ have been declared. For more information on conflicts of interest and declarations at each meeting please use the following link –

<https://democracy.bathnes.gov.uk/mgCommitteeDetails.aspx?ID=563>

6. Pension Board Costs & Budget

In meeting the requirements of the Public Sector Pension Act (2013) and establishing a Local Pensions Board, Bath & North East Somerset approved terms of reference and necessary supporting arrangements at its meeting of its full Council on the 15th January 2015.

The LPB agrees a budget on an annual basis to enable the Board to perform its duties and a summary of the costs is included below –

Summary Financial Table

Budget Area	2018/19 Budget	2018/19 Actuals
LPB Members Allowances	£8,000	£7,500
LPB Members Training Costs & External Support	£6,000	£2,500
LPB Meeting & Democratic Services Costs	£6,000	£5,750
Total	£20,000	

As with all elements of the public sector there is exceptional pressure to ensure value for money can be demonstrated and the Board will continue to consider this in its future operations.

7. Local Pension Board Compliance with the Pension Regulator’s Code of Practice No.14

As part of assessing both the effectiveness and compliance of the Board with its key requirements, the APF carried out a self-assessment of the LPB’s current arrangements against TPR Code of Practice No. 14 in 2016/17. The full results of this exercise were reported initially in May 2016 and revisited in November 2016 and are available via the following link.

<https://democracy.bathnes.gov.uk/documents/s44211/LocalPensionBoardTPRCOP14UpdateNov2016.pdf>

Subsequent to this Internal Audit carry out an annual review of compliance against the Code and their latest report is available via the following link –

<https://democracy.bathnes.gov.uk/documents/s49951/LocalPensionBoardAuditUpdateFeb2018App2.pdf>

In summary the opinion was positive with a ‘Good’ opinion on compliance and the internal control framework and the review identified only a small number of issues identified for the APF to achieve best practice, including –

- Issues regarding the transparency of declarations of interest for the Investment Panel were noted, in particular the failure to consistently publish declarations on ‘modern gov’. These are being addressed and do not impact directly on compliance with the Code so no formal recommendation has been made.
- Supporting records such as risk registers and the breaches control sheet had not always been completed accurately or fully. However the errors / omissions were not significant in nature.
- The way in which ‘acknowledgements’ in respect of formal disputes are handled is not always in line with procedures although no significant issues were identified.
- Communications with members had not always been in strict compliance with the requirements of the Code but again these were not significant.

The Board support independent review and the work of Internal Audit and their reports and findings were reported to the Board in February and June 2019 along with their other reviews of the Pension Fund and overall Plan –

<https://democracy.bathnes.gov.uk/documents/s49949/LocalPensionBoardAuditUpdateFeb2018.pdf>

8. Pension Fund Communications

Effective member and employer communications form a core part of the role of the APF. During the year the Board was represented at the Employers conference and also reviewed at a high level the APF’s communications strategy and website.

The Board continue to work with APF officers on assessing all methods of communication both with Members and Employers, especially where issues have been identified and greater engagement or training is required.

Reviewing the strategy and approach to how the fund communicates to its many stakeholders will remain a key element of the work plan of the Board on a rolling basis.

9. Risk Management

Risk management processes for the APF follow the framework laid down by the LGPS administering authority (BANES Council). The APF Risk Register identifies the significant risks that could have a material impact in terms of value, reputation, compliance or provision of service and sets out the mitigating action taken to manage down each risk.

The Register is reviewed regularly and the key risks fall into one of the following categories –

- (i) Failures in the fund administration & control of operational processes and strategic governance processes and TPR compliance;
- (ii) Service delivery partners not delivering in line with their contracts or SLAs;
- (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
- (iv) Changes to the LGPS nationally and increasing political pressure to reform the scheme structure, governance frameworks and to centrally direct investment decisions

The LPB's ongoing review of the risk register concurred with the Pensions Committee that the top risks facing the fund revolve around –

- BPP Governance, asset pooling and benefit realisation
- Significant growth of new employers, especially Academies
- Delivering the future funding strategy
- Recruitment and Retention
- Data Quality
- Compliance with Legal Timeframes
- Information Governance (GDPR)

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

The LPB has actively engaged on the key risks facing the APF and its administration and supports increases in resources to mitigate some of these risks as well as discussing issues around capacity, skills gaps and recruitment and retention created primarily as a result of indirect implications from BPP.

The LP will continue to ensure that a review of the funds risk register will remain a regular agenda item at each meeting.

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10. Summary Review of Areas Covered in 2018/19 & Recommendations Made

The fourth year of operation of the LPB was focussed on key governance themes of legal compliance, risk management, and best practice as well as monitoring the significant developments connected to asset pooling and creation of the Brunel Pensions Partnership. A summary of the areas covered and recommended is detailed as follows (**Full Details at Appendix 1**) –

Review of LPB Arrangements
Review of LPB Terms of Reference, Code of Conduct, Conflicts of Interest, Breaches
Review of Training Requirements
Review of Work Plan
Review of Pension Fund Activities
Review of Avon Pension Fund Committee & Investment Panel Minutes
Review of Project Brunel, Brunel Oversight Board
Review of Investment Strategy Statement
Review of Governance Framework
Review of Scheme Employers & Admitted Bodies
Review of Pension Fund Administration
Review of Compliance Reports at all meetings
Review of Risk Register at all meetings
Review of Service Plan annually
Review of GDPR Implementation
Review of Legal Timeframes & Missing Addresses
Review of Annual Report
Independent Assurance
Review of TPR, SAB & CIPFA external benchmarking exercises
Review of External Audit plan and reports
Review of Internal Audit plan and reports

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11. Draft Forward Plan for 2019-20

The draft work plan for the next 12 months is detailed as follows and will be kept under regular review.

AGENDA ITEM	07/03/19	13/06/19	17/10/19	TBC Feb 20	TBC June 20
Board Governance					
Terms of Reference (Governance) review					
Code of Conduct/ Conflicts of Interest policy					
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			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			X
Governance (& FRC) Compliance statement				X	
Internal Audit plan/reports on APF		X			X
External Audit Governance Report and Accounts			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			
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, IDRPCs, PO cases review					X

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Appendix 1 – Local Pension Board – Actions & Decisions

	Area	Action/Minutes
8th November 2018	Action Log/Tracker APF Committee Minutes APF Investment Panel Minutes LGPS Updates & Developments BPP Update ISS Consultation Compliance Report Benefit Statement Update Risk Management Update Training & Work Plans	https://democracy.bathnes.gov.uk/ieListDocuments.aspx?CId=563&MIId=5268&Ver=4
7th March 2019 Page 230	Action Log & Tracker APF Committee Minutes APF Investment Panel Minutes LGPS Updates & Developments BPP Update Compliance Report Consultation on Governance Changes to APF Risk Management Update Training & Work Plans	https://democracy.bathnes.gov.uk/ieListDocuments.aspx?CId=563&MIId=5269&Ver=4
13th June 2019	Action Log & Tracker APF Committee Minutes APF Investment Panel Minutes Brunel Oversight Board Minutes LGPS Updates & Developments BPP Update APF Service Plan APF Admin Strategy Internal Audit Update Compliance Report Risk Management Update Training & Work Plans	To Follow

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Bath & North East Somerset Council		
MEETING:	LOCAL PENSION BOARD - AVON PENSION FUND	
MEETING DATE:	13th June 2019	AGENDA ITEM NUMBER
TITLE:	Pension Board – Training 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.

2 RECOMMENDATION

That the Board

- 2.1 Notes the report and recommends high level Training needs through 2019/20.

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 2019/20 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.

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	

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	07/03/19	13/06/19	17/10/19	TBC Feb 20	TBC June 20
Board Governance					
Terms of Reference (Governance) review					
Code of Conduct/ Conflicts of Interest policy					
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			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			X
Governance (& FRC) Compliance statement				X	
Internal Audit plan/reports on APF		X			X
External Audit Governance Report and Accounts			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			
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, IDRs, PO cases review					X

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