Bath & North East Somerset Council

Pension Board

Date: Thursday, 28th November, 2019
Time: 1.00 pm
Venue: Council Chamber - Guildhall, Bath

Board Members: Nick Weaver (Chair Designate), Steve Harman (Employer Representative), Mark King (Member Representative), David Yorath (Member Representative) and Tony Whitlock (Employer Representative)

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, 28th November, 2019

at 1.00 pm in the Council Chamber - Guildhall, Bath

A G E N D A

16. TRAINING AND WORKPLAN UPDATE (Pages 133 - 138)

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

Bath & North East Somerset Council		
MEETING:	Local Pension Board – Avon Pension Fund	
MEETING DATE:	28th November 2019	**AGENDA ITEM NUMBER**
TITLE:	Appointment of the Chairman of the Board	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report: None		

1 THE ISSUE

1.1 The purpose of the report is to confirm the appointment of the Independent Chairman of the Local Pension Board (LPB).

2 RECOMMENDATION

2.1 The Local Pension Board is asked to approve the appointment of Nick Weaver as Independent Chairman of the Board.

3 FINANCIAL IMPLICATIONS

3.1 The Chairman's role receives an annual allowance of £6,986 and this is within the existing budget allocation of the Board.

4 THE REPORT

4.1 The requirement for an Independent Chairman was outlined in the terms of reference to the LPB which were agreed by full Council on the 15th January.

4.2 Adverts for the role were placed on the Fund's website, Jobsgopublic.com, Local Government Chronicle online and the Council's job vacancy website.

4.3 Nomination packs included the role profile and person specification and all applicants were then reviewed against the five published criteria and a shortlist of four candidates drawn up for interview with the Service Director One West and Head of Business, Finance and Pensions.

4.4 Interviews were held in August 2019 and a preferred candidate – Nick Weaver – was identified and recommended to the LPB.

4.5 The appointment will run for a period of four years commencing from the 1st of November 2019 and the LPB is asked to confirm the appointment of Nick Weaver as Independent Chairman.

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.

5.2 The appointment of an independent chairman will mitigate the risk of the LPB not fulfilling its duties as outlined in its Terms of Reference.

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

BATH AND NORTH EAST SOMERSET

PENSION BOARD

Thursday, 13th June, 2019

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

Also in attendance: Jeff Wring (Service Director - One West), Liz Woodyard (Investments Manager), Geoff Cleak (Pensions Manager) and Kathryn Shore (Technical and Compliance Advisor)

1 EMERGENCY EVACUATION PROCEDURE

The Democratic Services Officer advised the meeting of the procedure.

2 APOLOGIES FOR ABSENCE

Apologies were received from Tom Renhard.

3 DECLARATIONS OF INTEREST

There were none.

4 ITEMS FROM THE PUBLIC

There were none.

5 ITEMS FROM MEMBERS

A Member requested that thought be given to reducing the volume of agenda papers sent to Members, who were after all volunteers with other commitments. The Chair recalled the plan to supply information to AFP Committee members through an electronic portal, and requested that Board Members should be included in this, so that Members were not confronted with large amounts of paper arriving at the same time.

6 CHAIRMAN'S INTRODUCTION

The Chair welcomed Councillor Bruce Shearn, the newly-appointed Chair of the Avon Pension Fund Committee to the meeting. Cllr Shearn thanked him and said that his was his intention to attend future meetings of the Board.

The Chair reminded Members that the role and purpose of the Board (specified in section 5 of the Public Service Pensions 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 Avon Pension Fund.

7 MINUTES OF PREVIOUS MEETING: 7 MARCH 2019

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

8 ACTION TRACKER

The Chair noted that the Administration Strategy had been approved for consultation by the Pensions Committee at its March meeting, and was item 12 on today's agenda. This action was therefore complete.

There had been progress on one of other four actions and three were still open.

RESOLVED to note the Local Pension Board Action Tracker.

9 MINUTES OF AVON PENSION COMMITTEE: 22 MARCH 2019

The Chair noted that the issues of particular relevance to the work of the Board were the change in the Fund's governance arrangements and the Administration Strategy that had been agreed at the meeting. The latter formed the subject of a later agenda item.

RESOLVED to note the Minutes of the meeting of the Avon Pension Fund Committee of 22 March 2019.

10 MINUTES OF THE AVON PENSION COMMITTEE INVESTMENT PANEL: 27 FEBRUARY 2019

<u>Exempt Minute 43: Brunel Pension Partnership</u>

A Member asked about transition costs. The Investment Manager explained that transitions were performed by a transition manager. Before the transition an estimate was made of the costs of the transition, which was used as guidance in selecting a transition manager. The costs were higher than estimated, but officers were satisfied that they were reasonable.

The draft Minutes of the meeting of the Brunel Oversight Board for 30 April were circulated to Members, and the Investment Manager gave an update on Brunel Pension Partnership. She said that Brunel was reviewing its governance arrangements and its internal control environment. Brunel had issued a Climate Change Position Statement. The Committee would be considering climate change in October/Novembers as part of its review of investment strategy and she hoped that by then Brunel's climate change policy would be well-developed if not finalised.

The Chair requested that the Board to be kept informed about the progress of the Brunel governance review and any changes proposed. The Investment Manager reminded the Board that governance changes were a reserved matter, and would have to be approved by the shareholders. The Chair also asked about the reporting of investment costs and whether there would be transparency about the impact on APF. The Investment Manager said that there would be information in the Fund's annual report about actual and cumulative costs, with a commentary. She was waiting for the final numbers to be provided.

RESOLVED to note the public and exempt Minutes of the Avon Pension Fund Committee Investment Panel of 27 February 2019.

11 LGPS UPDATES

The Technical and Compliance Advisor presented the report.

A Member asked whether there the Fund had a policy on which consultations it responded to and which ones it did not. The Technical and Compliance Advisor acknowledged there were a number of consultations to which the Fund had not responded; there was no policy, but the Fund responded to those it thought important.

The Chair congratulated the Fund on adopting on the key performance measures recommended by CIPFA (agenda page 50) with effect from 1 April 2019.

The Chair said that there should be future agenda items on the Scheme Advisory Board's second survey of the effectiveness and operational efficiency of Local Pension Boards, which would be published later this year and on The Pensions Regulator report on the governance and administration of the LGPS funds. TPR had also done a special study on ten underperforming funds which would also be reported later in the year. He also drew attention to the Unison survey of responsible investing by LGPS funds, and was pleased to note that Avon was ranked second, for which officers and the Committee deserved congratulations.

RESOLVED:

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

2. to note the responses to the MHCLG consultations on 'LGPS Asset Pooling', 'Fair Deal', and 'Late Retirement Factors'.

12 PENSION FUND ADMINISTRATION STRATEGY

The Pensions Manager presented the report.

He noted that the Board would monitor the implementation of the Strategy and performance against standards. The Fund had consulted with employers about the Strategy in April and May, but only one response had been received within the deadline. The Chair said that was disappointing, but perhaps, optimistically, the failure to respond indicated satisfaction with the Strategy.

A Member asked for clarification of the role of the Board in monitoring the administration strategy. He said that he understood the monitoring of performance, but was uncertain what the Board could or should contribute in relation to other aspects of the strategy. The Chair replied that the Board had a statutory role to ensure that the Fund met administration requirements and was efficient and effective. To do this the Fund needed a strategy; the Board had to consider the appropriateness of that strategy and to monitor the performance of the Fund against it to ensure it was being delivered. If there were areas in which it was not being delivered, the Board had to investigate why that was the case, and to consider whether this might be due to a lack of resources or a need for changes in legislation, for example.

The Board noted the proposals for a charging service to employers who continually fail to meet agreed standards or who require additional assistance outside the Service Level Agreement. Members felt this was an imaginative innovation.

RESOLVED to note:

1. the draft Communications Policy Statement;
2. the draft ICT statement;
3. the draft Performance Standards;
4. the draft Customer Service Charter;
5. the draft Schedule of Additional Admin Charges.

13 PENSION FUND SERVICE PLAN

The Pensions Manager presented the report.

A Member asked whether there were still vacant posts in Pensions Administration. The Pensions Manager replied that all managers had now been appointed and were in place. A review was taking place of the structure of the Administration Team to ensure that it was appropriate going forward. There had been a restructuring in January 2017, which had freed up some staff resources. He said that it could be difficult to retain staff, given that some neighbouring authorities offered better remuneration packages.

The Chair said that the plan was very comprehensive, but wondered whether there was a prioritisation process for matching workload to available resources. The Pensions Manager replied that priority had to be given on the basis of urgency.

The Chair said that the Board would remain supportive of the Fund's efforts to secure the resources it required.

RESOLVED to note the 3-year Service Plan and Budget for 2019-22 for the Avon Pensions Fund.

14 COMPLIANCE REPORT

The Pensions Manager presented the report.

Members noted that there were 74 potential new employers joining the Fund in the next 6 months. As at the end of March, 254 employers are now on i-Connect and submitting monthly returns covering approximately 85% of the active membership. The project is currently on hold over the valuation period and will re-commence in July with the aim of getting the remaining employers using i-Connect by October.

The Chair thanked the Pensions Manager for the very comprehensive information now presented to the Board. The data was now sufficiently granular to allow the Board to do some probing.

Members were very pleased to note the significant increase in statutory targets being achieved, that on the SLA targets a number of ‘reds’ had become ‘amber’ and the progress on the i-Connect project.

RESOLVED to note:

1. Membership data, Fund and Employer performance for the 3 months to 31st March 2019;

2. progress and reviews of the TPR Data Improvement Plan.

15 INTERNAL AUDIT UPDATE REPORT

The Head of Audit and Assurance – One West presented the report.

Members were pleased to note that the audit finding was “Good” in each of the three reports, that APF management had accepted all the audit recommendations ,and that there was a high degree of assurance in relation to the three areas audited.

RESOLVED to note the report and outcomes from Internal Audit work carried out on the Avon Pension Fund for 2018/19.

16 RISK MANAGEMENT UPDATE

The Pensions Manager presented the report.

The Investment Manager drew attention to the actions being taken to mitigate risk R25 (lack of knowledge and continuity in the Committee) by the training of new members, including general training sessions and workshops relating to the imminent valuation of the Fund.

RESOLVED to note the report.

17 ANNUAL REPORT

The Service Director – One West presented the report.

He invited Members to communicate any comments about the content of the draft Annual Report by email within the next six weeks.

A Member noted that the budget for the latest year had been underspent again. The Service Director – One West said that he was very reluctant to reduce the allocation for training, so the budget had been set at the same level for next year.

RESOLVED to approve the draft annual report subject to any comments to be submitted by members.

18 TRAINING AND WORKPLAN

The Service Director – One West presented the report.

He noted that Gaynor Fisher and Tom Renhard would be leaving the Board after this meeting. The appointments of Mark King and Tony Whitlock would terminate next year. Recruitment to the Board had been delayed because of the absence on sick leave of the Head of Business Finance and Pensions. The appointment of the Chair had therefore been extended and his last meeting would be in October, to ensure that there is a proper handover to his successor. Meeting dates after October would be confirmed after the new Chair had been appointed. The quorum of the Board was 3, to include 1 member and 1 employer representative, so that it could still meet in October even if replacements for Gaynor Fisher and Tom Renhard had not been appointed. The position of Chair had been advertised.

The Chair said that he would try to ensure that there was a smooth handover to his successor.

The Chair and the Service Director – One West thanked Gaynor and Tom for their contribution to the work of the Board.

The Service Director – One West said that new Chair might have his/her own ideas about the priorities for the work plan and that future revision of it might be required. He had taken on board the comments made by Members about the volume of paper sent to them.

The Board wished the Head of Business, Finance and Pensions a speedy recovery.

RESOLVED to note the report.

19 DATE OF NEXT MEETING

NOTED that the next meeting was scheduled for 17 October 2019 in the Kaposvar Room, Guildhall, Bath.

The meeting ended at 3.35 pm

Chair(person) ....

Date Confirmed and Signed ....

Prepared by Democratic Services

Bath and North East Somerset Council

AVON PENSION FUND COMMITTEE INVESTMENT PANEL

Minutes of the Meeting held

Monday, 2nd September, 2019, 2.00 pm

Members: Councillor Shaun Stephenson-McGall (Chair), Councillor Chris Dando, Pauline Gordon, Shirley Marsh-Hughes and Councillor Bruce Shearn
Advisors: Steve Turner (Mercer) and Ross Palmer (Mercer)
Also in attendance: Donna Parham (Interim Director - Finance), Liz Woodyard (Investments Manager), Nathan Rollinson (Assistant Investments Manager) and Carolyn Morgan (Governance and Risk Advisor)

1 EMERGENCY EVACUATION PROCEDURE

The Democratic Services Officer advised the meeting of the procedure.

2 DECLARATIONS OF INTEREST

There were none.

3 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

There were none.

4 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

There was none.

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

There were none.

6 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

There were none.

7 MINUTES: 27 FEBRUARY 2019

The public and exempt minutes of the meeting of 27 February 2019 were approved as a correct record and signed by the Chair.

8 BRUNEL PENSION PARTNERSHIP - UPDATE ON POOLING

The Investment Manager presented the report.

She said that transition was on track. The Emerging Markets transition was now under way. The manager selection for the Global High Alpha Equity was nearing its conclusion, and it was expected that information would be received next week about what that portfolio would look like. Work on the passive Global Sustainable Equities portfolio had begun. Avon is very interested in this portfolio, because the existing mandate with Jupiter should map into it very well. It is hoped that the scoping paper for it will be received within the next few weeks, and that by the time of the Strategic Review it will be sufficiently developed for a judgement to be made as to whether it is a potential solution for Avon. Brunel continues to draw down for Secured Income and Renewable Infrastructure.

A Member noted that paragraph 6.1 of the covering report stated that the Fund's strategic allocation to Low Carbon Equities and renewable energy addressed the financial risk to the Fund's assets from climate change rather than a strategy to address the risk itself. Officers agreed to amend the wording.

Before discussing the exempt appendices to this report, 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 remainder 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.

After the discussion had been completed, the Panel returned to open session and **RESOLVED:**

1. to note the progress made on pooling of assets;

2. to note the project plan for the transition of assets.

9 REVIEW OF INVESTMENT PERFORMANCE FOR PERIODS ENDING 3O JUNE 2019

The Assistant Investments Manager presented the covering report.

Mr Turner presented the Mercer Performance Monitoring Report. He said that one area where Brexit was having an impact was the sterling exchange rate. He suggested that there was no reason for the Fund to change its currency hedging policy at the moment, as this would be equivalent to taking a bet on the outcome of Brexit and guessing whether it will be hard or soft, which is impossible to know.

The Chair asked whether it was normal for bond and equity markets to move in opposite directions. Mr Turner replied that the signals from the equity and bond markets had been completely different over the past ten years. There is a strange situation at the moment where the more bond yields fall, the more attractive equities appear. However, if bond yields were to fall sharply and quickly, this would impact on sentiment in the equity market, so there was still a rationale for the Fund to maintain equity protection.

RESOLVED:

1. to note information as set out in the reports;

2. that there were no issues to be notified to the Committee.

10 ANNUAL REVIEW OF RISK MANAGEMENT STRATEGIES

The Assistant Investments Manager introduced this item. He reminded Members that while the Committee had delegated monitoring of the operation of the Risk Management Framework to the Panel, it is the Committee which determines risk management strategies.

Before discussing the Mercer Risk Management Framework Overview 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 remainder 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.

Mr Ross and Mr Turner presented the Mercer Risk Management Framework Overview.

After discussion the Panel **RESOLVED:**

1. to note Mercer's report reviewing the strategies and collateral position;

2. to recommend to the Committee that the existing trigger framework for the LDI strategy should be maintained;

3. to note Mercer's recommendation to put in place another static EPS for the short term (12-18 months) once the current strategy begins to roll off, before evolving the strategy into a longer-term dynamic approach. The Committee is asked to consider these recommendations following the second Investment Strategy Review on 7 November 2019 and, if in agreement, delegate implementation of the new static EPS to the Investment Panel and Officers.

11 WORKPLAN

The Investment Manager presented the report. She said the workplan included Panel meeting dates for 2020 and 2021 and invited Members to let her know if any of these caused problems; the Panel had only five members and it was important that meetings were well attended. Dates had been chosen to allow Mercer time to prepare reports and to fit in with Committee meetings.

RESOLVED to note the Panel workplan for inclusion in Committee papers.

The meeting ended at 3.57 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 and North East Somerset Council

AVON PENSION FUND COMMITTEE

Minutes of the Meeting held

Friday, 27th September, 2019, 2.00 pm

Bath and North East Somerset Councillors: Bruce Shearn (Chair), Chris Dando, Paul May and Manda Rigby

Co-opted Voting Members: Councillor John Cato (North Somerset Council), Councillor Steve Pearce (Bristol City Council), Councillor Toby Savage (South Gloucestershire Council), William Liew (HFE Employers), Wendy Weston (Trade Unions), Pauline Gordon (Independent Member), John Finch (Independent Member) and Shirley Marsh-Hughes (Independent Member)

Co-opted Non-voting Members: Richard Orton (Trade Unions) and Michael Rumph (Trade Unions)

Advisors: Steve Turner (Mercer) and Paul Middleman (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), Kathryn Shore (Technical and Compliance Advisor), Carolyn Morgan (Governance and Risk Advisor) and Jason Morel (Communications & Public Relations Manager)

17 EMERGENCY EVACUATION PROCEDURE

The Democratic Services Officer advised the meeting of the procedure.

18 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Apologies were received from Councillor Shaun Stephenson-McGall and John Goddard.

19 DECLARATIONS OF INTEREST

William Liew declared a non-pecuniary interest as the representative of an employer in the Fund in relation to agenda item 10 (approval of FSS).

20 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

The Chair welcomed Councillor John Cato, John Finch and Mike Rumph to their first meeting of the Committee.

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

There were none.

22 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

There were none.

23 MINUTES: 21ST JUNE 2019

The public and exempt minutes of 21st June 2019 were approved as a correct record and signed by the Chair.

24 MINUTES OF THE PENSION BOARD 13TH JUNE 2019 AND PENSION BOARD ANNUAL REPORT

The Pensions Manager presented the report.

The Head of Business, Finance and Pensions advised the Committee that the current Chair of the Pension Board, Howard Pearce, would step down in October. His successor, Nick Weaver, would take up the position in November.

RESOLVED to note the report and appendices.

25 UPDATE ON LEGISLATION

The Technical and Compliance Advisor presented the report.

A Member referred to the information in appendix 1, page 57 about the SAB project on Tier 3 employers, and asked if there was any update. The Technical and Compliance Advisor replied that there were no further updates on this project at this time.

RESOLVED to note:

1. the current position regarding the developments that could affect the administration of the Fund;

2. the responses sent to the MHCLG consultation on the 'Local Valuation Cycle and the Management of Employer Risk' and the HM Treasury consultation on 'Restricting Exit Payments in the Public Sector'.

26 APPROVAL OF FSS (POST CONSULTATION) - TO FOLLOW

The Investment Manager presented the report. She drew attention to the comments from the Pension Board in Appendix 3.

The Fund's Actuary, Paul Middleman, drew attention to the three objectives that the Funding Strategy Statement had to meet, as set out in paragraph 1.3 of the covering report:

a) ensure that the benefits paid out in future will be reasonably met;
b) that the amount paid in annually covers the cost of the pension benefit accrued;
c) that current pension debt is not deferred for future generations to fund.

He also drew attention to the outstanding regulatory/legal matters that will need to be included in the FSS (paragraph 4.4), which if not resolved before 31 March 2020 would have to be managed within the FSS, and to his responses to comments received during the consultation (paragraph 5.3).

Responding to a question from a Member, Mr Middleman said that the FSS was not an appropriate document in which to discuss in detail climate change or responsible investment. The purpose of the FSS was to plan future funding with an appropriate level of prudence in the light of known risks. Climate change was one of the risks that might affect the level of returns, and expectations about future real returns were factored into the FSS.

A Member asked whether there was any advice from Government on what was reasonable for a deficit recovery period (DRP) for an employer. Mr Middleman said there was not. The DRP was one of the factors taken into account in developing the Funding Strategy, and so had to be seen as reasonable in that context. The funding plan has to ensure that the debt is not transferred to future taxpayers, but equally that not too much of a burden is put on current taxpayers. The Head of Business, Finance and Pensions said that the Pensions Regulator had recently issued a report on a number of funds and one of the concerns expressed was the lack of covenant assessments by some funds. Avon does a great deal of work on this, which facilitates the calculation of contributions and DRPs to maintain the balance between affordability and sustainability. He expected that the Pensions Regulator would issue guidance to encourage funds to do more in this area.

A Member asked about the potential impact of the McCloud decision on employers and on the administrative costs of the Fund. Mr Middleman said that a reasonable cost estimate would be calculated and each employer test the impact on them on the basis of that cost. There might then be scope for tapering contributions for individual employers. He agreed that there could be a significant impact on the administrative costs of the Fund, if there were complicated arrangements for backdated pension payments.

RESOLVED:

1. to note the feedback responses received, and the proposed amendments to the FSS;

2. to approve the FSS as set out in Appendix 1, subject to the insertion of information which can only be included when the actuarial valuation is complete;

3. to delegate the refinement and finalisation of the draft FSS to Fund Officers with the assistance of the Fund Actuary.

27 UPDATE ON BRUNEL PENSION PARTNERSHIP

The Investment Manager presented the report.

She said that transition remained on track. The creation of the Emerging Markets Equity portfolio was nearing transition. The Global High Alpha and DGF portfolios were making good progress. The Smaller Companies' equity portfolio and the Global Sustainable Equities portfolio had been launched. Brunel and the Client Group were still developing their monitoring reports; a Brunel Quarterly Investment Report was included with the papers for the meeting of the Investment Panel on 2 September. Members of the Committee and of the Pension Board have been sent invitations to the Brunel client engagement days, which would be held on 12th, 13^{th} and 19^{th} November. These would provide useful background for the Committee's Investment Strategy workshop on 17^{th} December.

The Committee, having been satisfied that the public interest would be better served by not disclosing relevant information, **RESOLVED** that the public should be excluded from the meeting for the consideration of exempt appendices 2, 3 and 5 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.

After returning to open session the Committee **RESOLVED** to note:

1. the progress made on the pooling of assets;

2. the updated project plan for the transition of asset.

28 ANNUAL RESPONSIBLE INVESTING REPORT

The Assistant Investments Manager presented the report.

RESOLVED:

1. to approve the annual Responsible Investment Report for 2018/19;

2. to agree the RI priorities for 2019/20.

29 REPORT ON INVESTMENT PANEL ACTIVITY

The Assistant Investments Manager presented the report.

RESOLVED to note the minutes of the Investment Panel meeting on 2 September at Appendix 1 and Exempt Appendix 2.

30 ANNUAL REVIEW OF RISK MANAGEMENT STRATEGIES

The Investment Manager presented the report. Members noted that the Panel had recommended at its meeting of 2 September that the current trigger framework should be maintained. However, on 4 September the Treasury announced that RPI would be phased out as a measure of inflation by 2030 and be replaced by CPI, so the recommendations in 2.1 were that the Panel should reconsider the LDI trigger framework at its next meeting and that in the meantime Officers should take appropriate action to protect the Fund's position.

Before discussing the Mercer Annual Risk Management Framework Overview the Committee, having been satisfied that the public interest would be better served by not disclosing relevant information, **RESOLVED** that the public should be excluded from the meeting for the consideration 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.

After the discussion the Committee returned to open session and **RESOLVED:**

1. to agree the following delegations given the Government's announcement regarding RPI:
   i. that the Panel reconsider the LDI trigger framework at the next Investment Panel meeting;
   ii. if market conditions dictate, that Officers take appropriate action to protect the Fund's position in the meantime.

2. to agree the Panel's recommendation, subject to full consideration at the November Strategy Review workshop, to put in place another static EPS for 12-18 months when the current strategy rolls off.

3. to delegate implementation of a new static hedge to Officers and the Investment Panel.

4. to delegate the decision whether to use dynamic hedging in the equity protection strategy to the Investment Panel

5. to note Mercer's report reviewing the strategies and collateral position.

31 REVIEW OF INVESTMENT PERFORMANCE

The Assistant Investments Manager presented the report.

Mr Turner presented the Mercer Investment Report.

After discussion the Committee **RESOLVED:**

1. to note the information set out in the report;

2. to note LAPFF Quarterly Engagement Report at Appendix 3.

32 PENSION FUND ADMINISTRATION - PERFORMANCE INDICATORS AND RISK

REGISTER

The Pensions Manager presented the report.

RESOLVED to note:

1. membership data, Fund and Employer performance for the 3 months to 30th June 2019;

2. progress and reviews of the TPR Data Improvement Plan.

33 WORKPLANS

The Governance and Risk Advisor presented the report.

RESOLVED to note the work plans and training programme for the relevant period.

34 DATES OF FUTURE MEETINGS

It was noted that the next meeting of the Committee was scheduled for 6 December 2019.

The meeting ended at 3.45 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 - AVON PENSION FUND**	
MEETING DATE:	**28 November 2019**	**AGENDA ITEM NUMBER**
TITLE:	**FUNDING STRATEGY STATEMENT 2019**	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report: Nil		

1 THE ISSUE

1.1 The Local Government Pension Scheme (LGPS) regulations require each administering authority to prepare and publish a Funding Strategy Statement (FSS). The FSS sets out the key assumptions which the actuary has used in preparing the actuarial valuation and, in those cases where the Administering Authority has some discretion, the policies adopted by the Administering Authority.

1.2 Following consultation with the scheme employers and Pension Board the Committee approved the FSS at its meeting on 27 September 2019.

2 RECOMMENDATION

The Board notes:

2.1 **The process undertaken to finalise the Funding Strategy Statement.**

3 FINANCIAL IMPLICATIONS

3.1 The actuarial costs for reviewing the FSS is included in the 2019 actuarial valuation fee and is provided for in the 2019/20 budget.

4 FSS CONSULTATION

4.1 The LGPS regulations require each administering authority to prepare and publish a FSS. The key points of the regulation for the FSS are as follows:-

- After consultation with all employing bodies, the administering authority must prepare and publish their funding strategy
- In preparing the FSS, the administering authority must have regard to:
  - (i) FSS guidance issued by CIPFA
  - (ii) The Investment Strategy Statement (ISS) under Regulation 12 of the LGPS (Management and Investment of Funds) Regulations 2016
- The FSS must be revised and published whenever there is a material change in either the policy on the matters set out in the FSS or the Statement of Investment Principles/ISS.
- The Fund's actuary must have regard to the FSS as part of the valuation process.

4.2 The FSS sets out all the key assumptions which the actuary has used in preparing the actuarial valuation, together with the Administering Authority's policies in the areas where the Administering Authority has discretion to manage the funding position of the Fund.

4.3 When preparing the FSS the Committee must consider it within the regulatory framework:

a) Ensure that the benefits paid out in the future will be reasonably met (the Solvency Objective)

b) That the amount paid in annually covers the current cost of the pension benefit accrued

c) That current pension debt is not deferred for future generations to fund (the Long Term Cost Efficiency Objective).

4.4 Comments were received from 16 employers (including UAs, academies, HFE bodies and Town & Parish Councils) and the Pension Board.

4.5 The Pension Board concluded that it complied with the regulations. In line with the Board's recommendation, a checklist of compliance was included in the report to the Committee.

4.6 The consultation asked specifically for comments about:

- The appropriateness of the assumptions and in particular those that relate to them e.g. short term pay increases
- In relation to the affordability of contributions and in particular whether there is any particular year over 2020/2023 which will be more challenging. This will help form a view on any further flexibility required.
- Whether the level of detail was sufficient and whether they need anything further in terms of information / meeting etc. to understand the content and implications

4.7 The responses focused in general on:

a) Affordability given the severe funding pressures in the public sector,

b) Whether the margin for prudence in the assumptions are too high in relation to:

(i) The long term salary Increase assumption set at CPI plus 1.5% is too high given recent pay awards have been in line with inflation at best.

(ii) The lower asset out performance target used in the discount rate.

(iii) Longevity improvements given that the rate of mortality had increased (i.e. more deaths than previously)

(iv) The GAD Section 13 assumption which uses a higher discount rate.

c) That the deficit recovery period (DRP) should not automatically reduce by 3 years. In addition, those employers with a DRP less than 12 years challenged whether it should reduce regardless of contribution levels versus the previous valuation.

d) Disagreement that deficit contributions should be maintained at the expected monetary amounts from the preceding valuation.

e) Employers in surplus should be allowed greater flexibility to accelerate the runoff over 12 years.

f) McCloud could significantly affect employer contribution rates and employers requested clarification on the how it will be allowed for.

g) A range of investment strategy related issues

4.8 The committee considered all the comments and the Actuary's response. As a result there were no substantive changes to the FSS; the Committee were satisfied that the FSS met the solvency and long term cost efficiency objectives and that there was sufficient flexibility to ensure affordability could be managed on an individual employer basis having taken the employer's covenant into account.

4.9 In light of the comments received, the changes to the FSS are as follows:

a) Greater clarity about achieving solvency and long term cost efficiency

b) Clarified the reduction in DRP by 3 years, medium term target of 12 years and how this delivers long term cost efficiency.

c) Made it explicit that if DRP is below 12 years it will be maintained. However, where an employer is expected to exit the Fund, then in normal circumstances, the deficit would be recovered over the remaining period to exit.

d) Clarified wording on how the McCloud liabilities will be calculated and that employers will have choice to either include in contribution rate from 01/04/20 or to make a provision and pay backdated contributions once the remedy is known

e) Included explanation of the margin of prudence in the investment return assumption used in the discount rate.

4.10 With specific reference to the Pension Board comments:

a) Solvency – the actuary advised that targeting 100% is adequate for the Fund given the current funding level and risk aware investment strategy. The investment strategy incorporates a number of risk management strategies which means the asset outperformance assumption is already prudent.

b) Deficit recovery – the deficit funding plans contain flexibility for affordability to be tailored to employers' specific pressures. As the deficit has reduced significantly since 2016, it is of less concern than the increase in the future service rate.

c) Future regulatory changes – all known potential changes have been included in the FSS in terms of how they *may* be implemented. The policy on McCloud has been made more specific.

d) Climate change – this is not specifically referred to in the FSS as the Investment Strategy Statement is the more appropriate strategic document. However the level of prudence included in the asset outperformance assumption is a contingency for all investment risk amongst which is the impact of climate change on investment returns. The impact of climate change on demographics and how this could be addressed will be explored with the Actuary ahead of the next valuation.

e) Efficacy – the impact on contributions from pooling assets will not be apparent until net savings start to accrue to the Fund. The Business Case for pooling had a breakeven (cumulative net savings after all transition costs and costs of Brunel) in FY 2024 – so it is too early to see the benefit and as set out in the business case, we are in a "net cost" period. It is also important to put the expected savings into context – we anticipate lower investments costs in the region of 10-15% p.a. i.e. £3-4m p.a.

   In addition we expect net returns to improve due to the way Brunel will manage our assets and if there is persistent evidence of this in the future it could be taken into account (but need a reasonable track record to demonstrate persistency). Each valuation reflects realised asset values after all costs so savings are reflected as they are achieved.

5 PRELIMINARY WHOLE FUND RESULT

5.1 The final actuarial outcome will be reported to Committee at March 2020 meeting, however preliminary whole Fund results (based on the proposed assumptions to assess solvency and future service plus updated demographic assumptions) are set out below:

	£m
Assets	4,820
Liabilities	5,078
Deficit	258
Average Funding Level	95%
Average Employer future service contribution rate	17.1% p.a.

These results will be subject to change as the valuation is completed for each employer – in particular any changes in the assumption for short term pay award (as advised by employers) and the impact of the employers moving into the lower risk investment strategy. The impact of McCloud on employer contributions over

2020/23 will be considered with individual employers as per the policy set out in the FSS.

6 RISK MANAGEMENT

6.1 No significant issues to report as this is an information report.

7 CLIMATE CHANGE

7.1 The Fund is implementing a digital strategy across all its operations and communications with stakeholders to reduce its internal carbon footprint. The Fund acknowledges the financial risk to its assets from climate change and is in the process of addressing this through its strategic asset allocation to Low Carbon Equities and renewable energy opportunities. The strategy is monitored and reviewed by the Committee.

8 OTHER OPTIONS CONSIDERED

8.1 N/a.

9 CONSULTATION

9.1 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	Liz Woodyard, Investments Manager 01225 395306
Background papers	CIPFA Pensions Panel (guidance on preparing FSS) Committee papers
Please contact the report author if you need to access this report in an alternative format	

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Bath & North East Somerset Council		
MEETING	**Local Pension Board**	
MEETING	**28 November 2019**	Agenda Item Number
TITLE:	**LGPS Regulatory Update**	
WARD:	**All**	
AN OPEN PUBLIC ITEM		

List of attachments to this report:

Appendix 1 – Current matters affecting LGPS administration November 2019

Appendix 2 – Copy of APF response to MHCLG consultation on 'Local Valuation Cycle & Management of Employer Risk'

Appendix 3 – Copy of APF response to HM Treasury consultation on 'Restricting Exit Payments in the Public Sector'

Appendix 4 – LGPS Community Document

1 THE ISSUES

1.1 The purpose of this report is to update the 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.

1.2 In addition, APF responses to the following consultations are included as Appendices:-

(1) Appendix 2 – MHCLG consultation on the 'Local Valuation Cycle and the Management of Employer Risk'.

(2) Appendix 3 – HM Treasury consultation on 'Restricting Exit Payments in the Public Sector'.

1.3 Also attached, Appendix 4 is the LGPS Community Document which has recently been developed by the LGA to explain the relationship between the different bodies that make up the LGPS community.

2 RECOMMENDATION

The Pension Board is asked to;

2.1 Note the current position regarding the developments that could affect the administration of the fund.

2.2 Note the responses sent to the MHCLG consultation on the 'Local Valuation Cycle and the Management of Employer Risk' and the HM Treasury consultation on 'Restricting Exit Payments in the Public Sector'.

3 THE REPORT

The below items have been selected from Appendix 1 as we believe them to be key items of interest for pension board members:-

3.1 McCloud and Sargeant Court Case

(1) This case concerns the transitional protections provided to older members of the judges and firefighter pension schemes following their reform in 2015 as part of the public sector pension scheme changes.

(2) In December 2018, the Court of Appeal found the transitional protections to be unlawful on the grounds of age discrimination

(3) In June 2019, the Supreme Court denied the Government's request for an appeal and as such the case has been returned to an Employment Tribunal for remedy.

(4) In July 2019, the Chief Secretary to the Treasury announced in a written statement that 'the government believed that the difference in treatment will need to be remedied across all public sector schemes, including the LGPS'.

(5) This is likely to have a significant impact on the administration team.

3.2 LGPS SAB Cost Management Process

(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

(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. However, the SAB has its own cost management which allowed any changes to benefits to be taken into account before the HM Treasury process begins.

(3) A proposed package of changes was put forward to SAB for approval with the intention that all scheme changes would be effective from 1 April 2019 and will apply until at least March 2023.

(4) However, in January, the Government announced a pause in the cost cap process due to uncertainty caused by the McCloud and Sargeant 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.

(5) Therefore, scheme changes were not put in place for 1 April 2019 and the LGPS SAB Cost Management Process continues to be paused until the effects of the outcome of the McCloud and Sargeant Judgement is clear.

(6) This is likely to have a significant impact on the administration team.

3.3 Equitable Life

(1) Equitable Life announced that they had entered into an agreement to transfer the Society and all its policies to Utmost Life and Pensions (formerly known as Reliance Life), with the transfer taking place during the latter part of 2019.

(2) As part of the transfer deal, the Equitable Life With-Profits Fund will close and will be disinvested, initially into a deposit fund, but then into unit linked funds.

(3) Equitable Life wrote to all administering authorities affected by the Proposal asking them to vote to approve the 'Scheme' and 'Change the Articles' to make Utmost Life and Pensions the sole Member of Equitable by 30 October 2019.

(4) Following a report carried out by Mercer, analysing the merit of the Equitable closure proposal for our members, which concluded that in their opinion it would be appropriate to vote in favour of the proposals, APF voted in favour of both the approval of the scheme and in favour of the change to the articles to make Utmost Life and Pensions the sole Member of Equitable Life.

(5) Equitable Life have reported on their website that the proposals on the Scheme and the Change to the Articles were both passed by an overwhelming majority.

(6) The Equitable will now ask the High Court to approve the Scheme and the Transfer at the Second Court Hearing starting on 22 November 2019.

(7) If the High Court gives that approval, then they expect the Proposal to be implemented with effect from 1 January 2020. The Uplift will be applied to any with-profits policies as soon as practicable after 1 January.

4 FINANCIAL IMPLICATIONS

4.1 The administrative and management costs incurred by Avon Pension Fund are recovered from the employing bodies through the employer's contribution rates.

4.2 Any other specific financial implications will be reported as appropriate.

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 CLIMATE CHANGE

6.1 The Fund is implementing a digital strategy across all its operations and communications with stakeholders to reduce its internal carbon footprint. The Fund acknowledges the financial risk to its assets from climate change and is in the process of addressing this through its strategic asset allocation to Low Carbon Equities and renewable energy opportunities. The strategy is monitored and reviewed by the Committee.

7 OTHER OPTIONS CONSIDERED

7.1 None

8 CONSULTATION

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

Contact person	*Kate Shore, Technical & Compliance Advisor; Tel 01225 395283*
Background papers	*LGA Bulletins* *MHCLG Consultation Document* *HM Treasury Consultation Document* *SAB Meeting Minutes* *Technical Group Meeting Minutes*
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 - Nov 2019

SCHEME ADVISORY BOARD [SAB]	
****New Item** Pensions Tax**	The Board was advised that HM Treasury is willing to hear representations from public service pension schemes concerned about the impact annual and lifetime allowances are having on the effectiveness of their workforces and service delivery. Particular reference was made to the situation in the health sector where it is claimed that waiting list targets are not being met because NHS staff are refusing to work overtime and additional shifts for fear of taking earnings and pension benefits over tax thresholds. It was suggested that some of these claims were being exaggerated. There was also a concern whether any remedy forthcoming from government may apply retrospectively to put right decisions taken in the past to avoid tax thresholds. The Board noted that the Secretariat will continue to attend the working group established by a number of public service pension schemes to lobby HM Treasury.
Local Pension Boards	**Latest Updates:-** **SAB Meeting 5 November 2019:-** The Local Pension Board survey is currently being prepared by an external provider and online publication is expected before Christmas. The survey will run for two months. **SAB Meeting 8 July 2019:-** The Board agreed that members should be given until the end of July to comment on the draft survey prepared by the Investment, Governance and Engagement committee. The Secretariat will then prepare the survey for publication in August with a deadline of completion by the end of November. This will allow provisional findings to be reported to the Board when it next meets on the 4th November. The Secretariat was also tasked to open discussions with stakeholders on the best way of distributing the survey to ensure a good response. **Previous Updates:-** **SAB Meeting 8 Apr 2019:-** 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. **SAB Meeting 16 Jan 2019:-** 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.

LGPS SAB Cost Management Process / McCloud Judgment	**Latest Updates:-** **SAB Meeting 5 November 2019:-** The Board Secretary updated members on the McCloud legal case. He explained that the Employment Tribunal has started to meet on the Judges and Firefighters' schemes but that government had yet to comment on how remedies will be applied to the other public service pension schemes. Discussions with GAD on potential costs will continue. Any resolution this financial year is unlikely. The Board agreed the committee's recommendation that a small working group should be established to work with MHCLG, GAD and other scheme stakeholders to develop proposals and costing for the scheme's remedy arrangement **On 17 October 2019** GAD issued a formal request for valuation data as at 31 March 2019 as part of the cost management process. APF data was submitted to GAD before the deadline of 18 November 2019. **On 2 October 2019** the LGA contacted administering authorities with a request for data from MHCLG and HM Treasury. They have requested the information to help with policy planning in relation to McCloud and wider pension tax issues affecting the public sector. APF supplied the necessary data before the deadline of 8 November 2019. **On 15 July 2019** the Chief Secretary to the Treasury announced in a written statement that 'the government believes that the difference in treatment will need to be remedied across all those schemes. This includes schemes for the NHS, civil service, local government, teachers, police, armed forces, judiciary and fire and rescue workers. **At the SAB Meeting 8 July 2019** the Board was advised that a meeting between MHCLG, external auditors and GAD would take place shortly to discuss the implications of the Supreme Court's decision to refuse the government's application to appeal the McCloud judgement and, in particular, the impact this is having for signing off local authority accounts. Although there is now certainly that the McCloud judgement stands and that the case will now go back to the Employment Tribunal for remedy, there was clear support for the Board to issue a message to scheme stakeholders clarifying the uncertainties that remain. The Board agreed that the Secretariat should prepare a draft statement for consideration and approval of the Chair. **On 27 June 2019** the Supreme Court denied the Government's request for an appeal in the McCloud and Sargeant case. The case concerns the transitional protections provided to older members of the judges and firefighter pension schemes when the schemes were reformed in 2015, as part of the public sector pension scheme changes. On 20 December 2018 the Court of Appeal found that these protections were unlawful on the grounds of age discrimination and could not be justified. The Supreme Court ruling of 27 June 2019 means that the Court of Appeal's decision will be upheld and the case will be returned to an employment tribunal for a detailed decision. The cost management page of the English and Welsh SAB website, link here, contains background information on the case, including a Q&A which has been updated to

	take into account the Supreme Court ruling. **On 14 May 2019** central guidance was issued from the SAB on how the McCloud/Cost Management should be taken account in the 2019 valuation, this can be found here. Also CIPFA provided a separate note on accounting for McCloud/Cost Management which can be found here. **Previous Update:-** **On 8 April 2019**, at the SAB meeting, 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. 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. **On 16 Jan 2019** at the SAB Meeting the Board was advised that since it had last met, there had been ongoing discussions with MHCLG and other interested parties regarding the package of scheme improvements formulated by the technical group commissioned by the Board and subsequently agreed by the Board itself to bring the scheme's costs of 19.0% back to the target cost of 19.5%. It was confirmed that a Q&A document to assist administering authorities in explaining the cost cap arrangement and its implications to scheme employers and others would be produced. 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 it's potential impact on cost cap for administering authorities, the link can be found here. **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 breeched but discount rate does not directly impact employer rates. LGPS, employer rates are set by local fund valuations (next in 2019) but the cost cap mechanism does potentially impact as will lead to improved member benefits. SAB has its own cost management which will allow any agreed changes to benefits to be taken into account before the HM Treasury process begins. As advised by the SAB's actuarial adviser, the total cost of the scheme (employer and employee) under the SAB's process is 19% against a target total scheme cost of 19.5%. SAB agreed to delegate to the Chair and a representative from both the employers and employees' sides, assisted by a small technical group, responsibility for agreeing a package of benefit changes to return the scheme to its total target cost of 19.5% while also looking at employee contributions at the lower end. The resultant package will be put to the full SAB for agreement as soon as possible to ensure that scheme changes are on the statute book by April 2019. SAB was also advised that discussions are underway to move local fund valuations to a quadrennial timeframe to ensure consistency with future scheme valuations. This will not, however, have any bearing on the 2019 valuation which will proceed as normal.

Improving member data to meet the Pensions Regulator requirements	**Latest Update:-** On 4 July 2019 Bob Holloway, secretary of the SAB, emailed pension managers and software suppliers with a draft conditional data report to be scored in the Pension Regulator's (tPR) annual scheme return. This was prepared in agreement with representatives from tPR, SAB, software suppliers, fund actuaries and pension practitioners. The group will continue to work on developing the table, adding guidance notes for administering authorities and software suppliers. The LGA have confirmed that TPR intend to issue the 2019 public service pension scheme return to scheme managers in the last week of September 2019. In the meantime, APF have begun the development of reports to test our data in line with the draft recommendations. **Previous Update:-** 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. 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
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.)	**Latest Update:-** **At the SAB Meeting in November** the Board were advised that two working groups had been established to develop proposals for new standards of governance and administration and how these can be measured and assessed independently. As a result, a draft Phase II report was made available in time for it to be considered by the Board. The Board considered the draft Phase II report into the findings of both working groups and agreed that it should be published with comments invited from scheme stakeholders, see link to report which was published 15 Nov 2019 here. The Board also considered and approved the recommendation that the Secretariat should proceed with Phase III of the project including working up a set of key performance indicators and drafting instructions for revised statutory guidance on governance compliance statements. Proposals will be considered by the Board when it next meets on the 3rd February 2020. **On 8 August 2019** The Scheme Advisory Board invited the Hymans Robertson project team to assist the Secretariat in taking forward the next stage of the good governance project. Two working groups will be established, one to focus on defining good governance outcomes and the guidance needed to clearly set them out and the other to focus on options

	for the independent assessment of outcomes and mechanisms to improve the delivery of those outcomes. Both groups will comprise a wide range of scheme stakeholders to ensure a full range of views and options are considered. **At the SAB Meeting in July** the project team at Hymans Robertson presented the final draft report to the Board and the final report was subsequently published on 31 July 2019, see link here. The Board agreed that the Secretariat should, in conjunction with the project team and scheme stakeholders, work to develop a detailed plan to present to the Board in November to implement the report's findings and conclusions. Scheme stakeholders will be given the opportunity to comment on the Board's recommended implementation plan before any formal approach is made to MHCLG Ministers for changes to the scheme's regulations or guidance. **Previous 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. **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. **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. 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. **<u>Discussed and agreed at SAB meeting 10 Oct 2018</u>** • 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
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 Clarifying the duties and responsibilities of stakeholders **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. 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. GAD issued its report: Academies LGPS pension arrangements on 14 Sept 2018 which can be found here. 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). 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. **Discussed/agreed at SAB meeting 10 Oct 2018** • 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 A link to full information on the review of academies is available on the SAB website here.
Tier 3 Employers	**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. **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. There are currently two concurrent phases of work involved – Collating data and identification of issues.

	SAB tier 3 employer project carried out by Aon Hewitt– extension of surveys deadline to 31 January 2018 APF have completed survey SAB will then assess the risks to Funds and consider next steps. **Discussed / agreed at SAB meeting 10 Oct 2018** • 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 A link to full information on Tier 3 Employers is available on the SAB website here.

MINISTRY FOR HOUSING COMMUNITIES & LOCAL GOVERNMENT [MHCLG]

****New Item **** **SF3 Data Published**	**On 16 October 2019** MHCLG published LGPS funds for England and Wales: 2018 to 2019 (SF3) statistics, see link here. Highlights include: • Total LGPS expenditure in 2018-19 was £12.7 billion. Removing the effect of mergers and large transfers in 2017-18 there was a like-for-like increase of £0.7 billion or 5.7% on 2017-18. • Total LGPS income in 2018-19 was £15.1 billion. Removing the effect of mergers and large transfers in 2017-18 and 2018-19, there was a like-for-like decrease of £2.3 billion or 13.2% on 2017-18. This is mainly due to an increase in employers' contributions in 2017-18. • Employers' contributions to LGPS in 2018-19 amounted to £7.1 billion, down 24.7% on 2017-18, and employees' contributions to the scheme were £2.2 billion. The decrease in employers' contributions is largely due to some large upfront pension contribution payments made in 2017-18 following the triennial valuation. • The market value of the LGPS funds at the end of March 2019 was £287.2 billion, an increase of £16.3 billion or 6.0%. • The LGPS encompassed 5.9 million people at the end of March 2019. Of this number, 2.0 million are employees who are still contributing to the scheme, 1.7 million are pensioners and 2.2 million are former employees who are entitled to a pension at some time in the future. • There were 83,508 retirements from the LGPS in 2018-19, an increase of 7,554 or 9.9% compared with 2017-18.

****New Item** Simplification Project**	MHCLG have identified a need to make the Scheme regulations more adaptable, flexible and easy to administer, whilst maintaining a degree of consistency of approach across administering authorities. This project is called the 'Simplification project'. The Simplification project is supported by a working group made up of representatives from trade unions, actuarial services, MHCLG, SAB, LGA and where necessary scheme employers, payroll software providers, administering authorities and software providers. The terms of reference were agreed at the first meeting held on 8 May 2019. Also at that meeting the group considered a couple of administrative areas that may be improved / simplified. Should these considerations proceed further, a wider consultation will occur. These were: (a) application of assumed pensionable pay, and (b) employee and employer contributions during the 1st 30 days of an authorised absence)
MHCLG Consultation on LGPS Local Valuation Cycle and the Management of Employer Risk	**Latest Update:-** **On 12 July 2019** APF submitted their response to this consultation, a copy of which is attached to this Item as Appendix 2. The LGA also submitted a response which can be found here. MHCLG received around 280 responses and expect to publish their response in the autumn of 2019. **An update from the Scheme Advisory Board following their meeting in July is as follows:-** On the proposal to move local fund valuations in the scheme to a four yearly valuation cycle in line with valuations undertaken by unfunded public service pension schemes and all scheme valuations. The next round of scheme valuations will be undertaken in 2020 and 2024 which means that there would be a potential 5 years between the current 2019 LGPS local valuations and the first of the four year period valuations. The Board agreed that five years without local valuations would not be the best way forward and that despite the administrative complexities of the alternative of an interim full set of valuations after 3 years, that is, in 2022 followed by another set in 2024, this was marginally the better of the two options. The Board also agreed that the response should record some concern about allowing administering authorities too much flexibility in exercising the proposed facility to hold an interim valuation. The Board took the view that the regulations and guidance must be clear that the circumstances in which the interim valuation power is to be used must be fully set out in an authority's Funding Strategy Statement. On exit payments, the Board was advised that the proposals included a new concept of "deferred employer" that would allow employers to continue to be recognised as such despite having no active members and having exited the scheme. The Board agreed the draft response on exit payments and noted that supplementary guidance would help to provide a robust framework to govern the exercise of the proposed power.

	On exit credits, the Board was advised that the draft response included representations to close an unintended loophole whereby administering authorities were liable to pay exit credits at the end of a contract even though steps had been taken by the employer to remove any risk from the contractor. The draft response agreed by the Board proposes that the amending regulations should include a provision requiring fund actuaries to take any side agreement into consideration when assessing exit credit payments. On the proposal in the consultation to change the status of HE/FE bodies from scheduled to designated bodies, although a view was expressed that the proposed response was too negative regarding the potential impact on the scheme; the substantive view taken was that that this part of the consultation should be deferred until the outcome of the Third Tier Employer's project is concluded and that such a delay was necessary to properly assess the impact of the proposed changes on scheme membership and cash flow positions. The Board agreed that the Board Secretary should re-draft the relevant section of the consultation response to reflect the different views expressed by Board members. **Previous Update:-** **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: 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 APF are current in the process of drafting a response to this consultation.
MHCLG Consultation on Late Retirement Factors	**Latest Update:-** A number of responses to this consultation raised concern with the proposed 1 May 2019 implementation date, therefore this was changed to 1 September 2019. The final GAD guidance was issued on the 28 June 2019, ahead of the implementation date, and our software provider are currently working to get the changes into the system. We are expecting the system to be able to calculate these with effect from 11th October and are manually amending any affected cases in the meantime. **Previous Update:-** **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. APF submitted a response to this consultation on 11 April 2019 a copy of which is attached to Item 9 as Appendix 4.
MHCLG Consultation on Fair Deal	**Latest Update:-** The Board was advised that discussions are continuing with MHCLG, in particular, on what the default position should be if negotiations between employer and contractor fail to reach agreement. The Board agreed that the “deemed employer” option should be the default position given that it would give employers, contractors and scheme members complete clarity about the position should no agreement be reached on whether the “deemed employer” or “admitted body” should apply. The Board agreed the draft response. **Previous Update:-** APF submitted their response to this consultation on 2 April 2019 a copy of which is attached to Item 9 as Appendix 3. 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. The LGPC also submitted a response which can be found here. MHCLG have since reported the following on the response to Fair Deal consultation:- - Total responses received was 79, 35 from LG funds & 9 from scheme employers (+ 7 from outsourced contractors) 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. **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.

	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. Avon Pension Fund will be responding to the consultation and circulating details of the consultation to employers for them to respond also.
HM TREASURY [HMT]	
Indexation and equalisation of GMP in public service pension schemes	**Update September 2019:-** The GMP Equalisation Working Group, launched by the Pensions Administration Standards Association (PASA), has published guidance outlining methods that schemes could use to equalise for the sex-based inequalities of GMPs. The guidance, which follows a "call to action" launched by the PASA in July, also suggests how schemes should deal with common issues that may arise when implementing an equalisation project. See link here. **Previous 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	**Latest Update:-** HMT still intend to bring forward regulations on the 95k Cap but there has been no confirmation when this will be. April 2020 is a possibility if the government publishes its response to the earlier consultation in the New Year. **On 28 June 2019** APF submitted their response to this consultation, a copy of which is attached to this item as Appendix 3, along with Annex 1 which contains analysis APF carried out on the profile of members that would have been affected by the cap based on cases processed over the last 3 years. A response was also submitted by the SAB, which can be found here, and by the LGA, which can be found here. HMT received approximately 600 responses, and it is likely they will publish their response in the autumn of 2019. We understand that HMT are to introduce the cap no sooner than 1 April 2020. **Previous 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. 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:- • 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 means 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.

	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. 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. 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. 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. **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. A link to the latest updates on this bill can be found here. **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 The third more broader proposals in the third consultation no immediate development on these has been reported, see link to consultation here. 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. Link to the Enterprise Act can be found here.

THE PENSION REGULATOR (TPR)

****New Item** 2019 Governance and Administration Survey**	**On 5 November 2019** APF published their response to the annual TPR Governance & Administration Survey, see link here.
****New Item** TPR Publishes Regulatory Intervention Report**	**On 25 October 2019** TPR published a regulatory intervention report outlining how it worked with the London Borough of Barnet Pension Fund's scheme manager to improve the fund's governance and administration standards, see link here.
****New Item** TPR Initiative to Improve Data Quality**	**On 2 October 2019** the Pensions Regulator announced a crackdown on poor record keeping, see link here. TPR is in the process of contacting 400 schemes that it believes have not reviewed their data in the past three years. TPR will ask those schemes to conduct a data review within six months. We understand that some LGPS administering authorities are included in that group and that TPR planned to contact those affected by 25 October. TPR will contact a further 1,200 schemes to remind them to carry out data reviews of common and scheme-specific data every year.
****New Item** TPR Governance and Administration Risks in PSPS Report**	On 19 September 2019 TPR published its report into the governance and administration risks in public service pensions, see link here. The report follows on from their engagement with 10 UK local government funds, between October 2018 and July 2019, to understand scheme managers' approaches to a number of key risks. The report summarises the key findings against the Regulator's Code of Practice 14 both in terms of exceeding and falling short of required standards and will be discussed in detail at the next SAB meeting on 6th November 2019.
****New Item** TPR Codes of Practice**	The Pensions Regulator (TPR) has announced changes to existing codes of practice. The content of the 15 current codes of practice will be combined to form a single shorter code. The changes will reflect the Occupational Pension Schemes (Governance) (Amendment) Regulations 2018. Codes most affected by these regulations will be addressed first, and this includes Code of Practice 14 (public sector schemes). Schemes will need to demonstrate that they have an effective governance system within 12 months of the date the updated codes are published.
****New Item** TPR Annual Report**	TPR published its Annual Report and Accounts in July 2019, link here. The Report includes details of the organisation's activities, finances and developments in the 2018/19 year and an assessment of their achievement of key aims set out in the corporate plan.

****New Item** TPR Corporate Plan**	TPR has published its corporate plan for 2019-22 a link to which is here. The plan outlines the Regulator's six priorities for the next three years, which include extending its regulatory reach with a wider range of proactive and targeted regulatory interventions, and enabling workplace pension schemes to deliver their benefits through significant change such as Brexit. The plan also states that TPR is receiving an extra £7.6m in levy funding from the DWP for this tax year, including £400k that will be used to support policy work relating to the pensions dashboard.
2018 Governance and Administration Survey	**Latest Update:-** **On 24 July 2019** the full research report, which details all the 2018 survey results, was published together with commentary intended to draw out the key points and areas of concern identified. A link to both of these can be found here under the 'Public Service Pension Schemes' section. Main points to note: • there have been improvements in Schemes' performance in four of the six key processes • the report highlights the importance of receiving accurate and timely data, and identifies employer performance as a common reason for missing or inaccurate data • the percentage of LGPS members who were sent an annual benefit statement before the statutory deadline was lower than the average across the sector • the top three barriers to improvements in administration and governance were identified as complexity, lack of resources and legislative change. Within the LGPS, staff retention and lack of knowledge was cited as a top three risk by 28% of funds • six LGPS funds reported that that they had fewer board members at the time they completed the survey than is required by regulation 107(2) of the LGPS Regulations 2013, but this was mainly due to vacant positions • LGPS administration was more likely to be delivered in-house, and administering authorities review their administration providers less frequently than the average across the public sector. **Previous Updates:-** The results of last year's survey will be published in May 2019. 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. APF completed the survey before the deadline.

ITEMS FROM OTHER SOURCES

****New Item** Equitable Life**	Equitable Life announced that they had entered into an agreement to transfer the Society and all its policies to Utmost Life and Pensions (formerly known as Reliance Life), with the transfer taking place during the latter part of 2019. As part of the transfer deal, the Equitable Life With-Profits Fund will close and will be disinvested, initially into a deposit fund, but then into unit linked funds. Details of the Proposal can be found on Equitable Life's website. Equitable Life has recently written to all administering authorities affected by the Proposal. Administering authorities as 'Scheme Policy Holders' and 'Eligible Members' are being asked to vote to: • approve the 'Scheme' • 'Change the Articles' to make Utmost Life and Pensions the sole Member of Equitable. The 'Scheme': • increases with-profits investments with an immediate one-off 'Uplift' • removes any investment guarantees, and • converts with-profits policies to unit-linked investments. Administering authorities are also able to object to the transfer of Equitable Life's business to Utmost Life and Pensions (which does not require a vote but does need the approval of the High Court). The deadline for the receipt of postal and online votes is 10am on 30 October 2019. Following a report carried out by Mercer analysing the merit of the Equitable closure proposal for our members which concluded that in their opinion it would be appropriate to vote in favour of Equitable's proposals, APF voted in favour of the approval of the scheme and in favour of the change to the articles to make Utmost Life and Pensions the sole Member of Equitable Life. Equitable Life have reported on their website that the proposals on the Scheme and the Change to the Articles were both passed by an overwhelming majority. The next steps are: • The Equitable will now ask the High Court to approve the Scheme and the Transfer at the Second Court Hearing starting on 22 November 2019. • If the High Court gives that approval, then they expect the Proposal to be implemented with effect from 1 January 2020. The Uplift will be applied to any with-profits policies as soon as practicable after 1 January.

****New Item** The Queen's Speech**	The Queen's Speech, delivered on **14 October 2019,** confirmed that a new Pension Schemes Bill will be introduced, see link here. According to the Pensions Schemes Bill and background briefing notes, the Bill will: • strengthen TPR's powers • provide a framework to support pensions dashboards and • introduce regulations covering the right to a pension transfer.
****New Item** Recommendation for Reforms to the Taxation System**	**On 10 October 2019** the Office of Tax Simplification published a report that includes recommendations to help tackle complex tax issues that affect UK tax payers. Their recommendations relating to pension taxation are to: • Review the annual and lifetime allowances and how they deliver policy objectives, taking account of the 'distortions' they sometimes produce. • Review the operation of the Money Purchase annual allowance and consider whether it is set at the correct level. • Improve the information about tax provided to a person when they first start to receive the State Pension.
****New Item** Public Sector Bodies (Website and Mobile Applications) (No 2) Accessibility Regulations 2018**	**On 23 September 2018,** The Public Sector Bodies (Website and Mobile Applications) (No 2) Accessibility Regulations 2018 came into force. The regulations state that public sector websites and mobile apps must meet the international WCAG 2.1 AA accessibility standard. A new public sector website set up on or after 23 September 2018 must meet the accessibility standards by 23 September 2019. An accessibility statement must be published by the same date. Existing websites that were published before 23 September 2018 must comply with the regulations by 23 September 2020. However, if new features are introduced to an existing website or if substantial changes are made, these new areas will need to be fully accessible from 23 September 2019. Mobile apps must meet the accessibility requirements by 23 June 2021. Further information about the accessibility requirements is available on the gov.uk website.
****New Item** September 2019 rate of CPI**	**On 16 October 2019** the Office for National Statistics announced that the Consumer Prices Index (CPI) rate of inflation for September 2019 was 1.7%. Government policy in recent years has been to base both pensions increase and revaluation of LGPS pension accounts on the rate of CPI for September of the previous year. We await confirmation from the Government that the revaluation of pension accounts and the pensions increase to apply to deferred LGPS pensions and LGPS pensions in payment in April 2019 will be 1.7%.

****New Item** Consultation on Changes in RPI Methodology**	Chancellor of the Exchequer Sajid Javid has announced that the Government intends to consult on whether to align the RPI with the housing cost-based version of the CPI, known as CPIH. The consultation on the proposed changes will open in January 2020, and will ask whether the change should be made before 2030. A change in RPI would affect the revaluation (while the member is active, deferred or the pension is in payment) of extra pension bought under an ARC contract that started between 1 April 2008 and 31 March 2012.
****New Item** TPO Corporate Plan**	**On 2 Oct 2019** The Pensions Ombudsman published its Corporate Plan for 2019-2022, see link here. The plan sets out TPO's strategic aims for the next three years and key priorities for 2019-20.
****New Item** RAF Survivors Pension Landmark Ruling**	In a landmark ruling, on 17 July 2019 the Court of Appeal awarded a survivor pension in the RAF pension scheme to Ms Langford following the death of her partner in 2011. Ms Langford had cohabited with the scheme member for 15 years, but was married to someone else at the time of her partner's death. The decision could have far-reaching consequences for other cohabiting couples in the public sector where a surviving partner is married to a third party. We await the government's response to this decision.
****New Item** TPO Annual Report**	The Pensions Ombudsman (TPO) published its Annual Report and Accounts on 18 July 2019, see link here. The Report contains information about TPO's performance in the 2018/19 year and summaries of completed investigations.
****New Item** PASA Guidance**	**On 8 July 2019** the Pensions Administration Standards Agency (PASA) launched DB Transfer Guidance. The guidance seeks to create the right balance between member protection and the statutory right to transfer and has three keys aims: • improve member experience through faster, safer transfers • improve efficiency for administrators • improve communications and transparency in the processing of transfers. Compliance with the guidance is voluntary, but it is anticipated that the Pensions Ombudsman will reference it when reviewing complaint cases as a source of what 'good practice' looks like. APF are currently in the process of reviewing their processes in line with the guidance. **On 6 June 2019** PASA announced the publication of its cyber security guidance for pension schemes, link here. The guidance provides practical support for trustees in formulating a robust and effective review of how they safeguard their scheme from cyber security issues. It covers five main sections - Risk Assessment, Governance, Risk Management, Controls and Incident Management.

****New Item** PSIG Code on Combatting Pension Scams**	On the 10 June 2019 the Pension Scams Industry Group (PSIG) published version 2.1 of Combating Pension Scams – A Code of Good Practice, link here. The updated code reflects recent regulatory and legislative changes, as well as the evolving nature of pension scams. A summary of the key changes to the Code is provided on page 6 of the document, these include: • the cold calling ban • TPR & FCA ScamSmart campaign and TPR Threat Assessment update • Money and Pensions Service (MAPS) reference • the rise of claims management firms • TPO determinations update and implications • revised Action Fraud reporting guidance • additional case studies • learnings from PSIG's Scams Survey Pilot 2018. APF are currently in the process of reviewing the updated code to ensure internal procedures are in line.
Discretionary Policies ➢ **Action**	**Latest Update:-** APF are currently in the process of reviewing their discretionary policies and will present a paper to Committee at it's March meeting for approval. 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. **Previous Update:-** 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. **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: • 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).
Requirement to Pay Refund Under 2013 Regulations	**Latest Update:-** As reported previously, the National Technical Group made a recommendation to the SAB to remove the requirement to pay a refund of contributions within five years under the 2013 regulations. The SAB have agreed to proceed with this change and are in the process of making recommendations to MHCLG. **Previous Updates:-** **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 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. **From National Technical Group Meeting – Dec 2018** 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. 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: 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 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. 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. 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.
DWP: Pension's Dashboard	**Latest Update:-** The Money and Pensions Advice Service (MAPS) will lead the delivery of the initial phase of the pensions dashboards and will bring together a delivery group made up of stakeholders from across the industry, consumer groups, regulators and government. The delivery group will be accountable to the MAPS board, and MAPS are in turn accountable to the Department for Work and Pensions (DWP). Chris Curry was appointed as Principal of the Pensions Dashboard Industry Delivery Group and Angela Pober as its implementation Director. Chris Curry published his first blog on 25 July which is available in the MAPS website. **Previous Updates:-** The LGPCs response to this consultation can be found here. On **4 April 2019** the government published its response to the consultation, which can be found here. Key details of the government's plans include: • 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). 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. 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

Avon Pension Fund
Local Government Pension Scheme

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Bath & North East Somerset Council

12 July 2019

LGPensions@communities.gov.uk

Re: Consultation on Changes to the Local Valuation Cycle and the Management of Employer Risk in the LGPS

I write on behalf of Bath and North East Somerset Council as the administering authority for the Avon Pension Fund in response to the above consultation, which was published on 8 May 2019.

In drafting our reply the Avon Pension Fund have drawn on our experience as a Local Government Pension Fund with 400 employers, and attempted to clearly set out the changes to the Regulations that we believe will be helpful to Funds, Employers and Members.

The timing of this Consultation, overlapping with the Fund valuation, has created resource pressure on the Fund to prepare a meaningful response. Following so closely after the Fair Deal Consultation it results in Funds facing great uncertainty while drafting and consulting on the Funding Strategy Statement and calculating the 2019 Valuation. In future could there please be better planning to bring forward consultations and regulation changes in the inter valuation years, rather than the valuation year.

Section 1 - Changes to the Local Government Pension Scheme (LGPS) valuation cycle

Question 1 – As the Government has brought the LGPS scheme valuation onto the same quadrennial cycle as the other public service schemes, do you agree that LGPS fund valuations should also move from a triennial to a quadrennial valuation cycle?

We strongly disagree that LGPS fund valuations should move from a triennial to a quadrennial valuation cycle. We disagree that this will 'deliver greater stability in employer contribution rates and reduce costs'.

The LGPS currently has mechanisms for delivering stability of employer contributions (Regulation 62 and CIPFA Guidance). We believe less frequent valuations will mean potentially larger adjustments will be needed, leading to less contribution stability.

In the face of more legislative change (McCloud and changes to the Regulations), economic change (Brexit), political change (Brexit) and technological change we believe this is not the right time to extend the valuation cycle.

Unitary Authority budget setting is increasingly short term and it is likely these employers would not favour contributions being set for longer, as it will not reflect changing profiles and circumstances. In Avon Pension Fund two of the four Local Authorities employers have seen their active membership halve since the last valuation due to the effect of academisation, outsourcing and restructurings. This scale of change needs to be reflected in their valuation sooner rather than later.

In Avon Pension Fund we also have over 100 smaller employers whose covenant is less strong and reviewing contributions four yearly, would increase the risk of an employer failing with insufficient funds to meet their pension liabilities.

Neither does Avon Pension Fund agree that costs for the Fund or scheme employers will reduce. This is because:

- It is highly likely interim valuations (possibly at an individual employer level) and more frequent individual employer valuations will increase costs.
- If, as a result, an employer were to fail with insufficient funds to meet pension liabilities it will increase costs.
- If, our Investment Strategy is refined less regularly opportunities may be missed increasing costs.
- The IAS 19 and FRS 102 accounting regulations may continue to require scheme employers to be revalued at least triennially as a longer roll forward would increase the approximations in the intervening period; this would increase costs.

The very fact that the concept of interim valuations has had to be introduced is tantamount to an admission that four years is too long a period between valuations. Add to that the complication of determining when an interim valuation is justified, combined with the safeguards that the government feels obliged to introduce, and the simple three year cycle has been converted into a bureaucratic nightmare.

To quote one of the Avon Pension Fund employers, ‘this proposal is nonsensical. When there is something that works well the Government’s response is to change it’. Our experience is that scheme employers require up-to-date and accurate information for decision making, and this is provided by the current triennial valuations.

The desire to bring all public sector schemes inline is not a good enough reason for proposing this change. The LGPS is the only funded public sector scheme and its needs must be considered.

Question 2 - Are there any other risks or matters you think need to be considered, in addition to those identified above, before moving funds to a quadrennial cycle?

There are at least two additional risks that should be addressed:

<u>Fund Governance:</u> The purpose of the triennial valuation is to assess whether Funds are on target to meet pension liabilities as they fall due. By lengthening the inter-valuation period there is a greater risk of divergence of funding for the Fund as a whole, and individual employers, and this reduces the financial health of Funds and employers. This would present a serious governance issue and to address this risk Avon Pension Fund will have to seriously consider moving to two yearly full valuations which would significantly increase costs. Some Funds might take the easier and less costly option of only undertaking valuations four yearly. This will lead to greater divergence between Funds, with the stronger and well governed Funds undertaking two yearly valuations, and other Funds (and consequently their scheme employers) being exposed to increased risks. We do not believe this is beneficial to the LGPS. There is also the risk that an employer may request a review of their contribution rate in response to external factors that they believe would have the effect of lowering their contribution rate without considering the long term impact of doing so.

Accounting disclosures: Avon Pension Fund's actuary prepares annual financial disclosure of pension assets and liabilities for most of our employer's for their financial statements. This disclosure is required under International Accounting Standard 19 (IAS 19) and Financial Reporting Standard 101/102 (FRS101/102). The actuarial methodology for this work is prescribed in the Standards and the basis involves a roll forward from the last valuation. With triennial valuations the roll forward is at most three years. The longer the roll forward the less accurate is the financial information. Would four-yearly valuations meet the requirements of the accounting standards? If not it would incur employers in substantial additional costs to comply with the accounting standards. The stance of the audit profession would be relevant here. *We therefore strongly recommend that the accountancy bodies are consulted on the impact of the proposed change on financial disclosure. If the result is that employers require triennial valuations as a basis for their accounting disclosure, it would result in Funds having to undertake both triennial **and** quadrennial valuations; this would be absurd and very expensive.*

Question 3 - Do you agree the local fund valuation should be carried out at the same date as the scheme valuation?

We do not believe it is necessary for the local fund valuation to be carried out at the same date as the scheme valuation.

Since the Local Government Pension Scheme is a funded scheme with its own actuaries and a variety of employing bodies, unlike the other public sector schemes, there is a legitimate question as to whether the review of the LGPS needs to be synchronised with the review of the other schemes.

We suggest the actuaries of LGPS Funds provide a rolled forward valuation every fourth year for the Government, to meet their requirement and to be in line with other public service schemes.

Question 4 - Do you agree with our preferred approach to transition to a new LGPS valuation cycle?

To be clear, it is not our preference to move to a quadrennial valuation, however, if this proposal goes ahead then our preferred approach is (b).

Section 2 - Dealing with changes in circumstances between valuations

Question 5 - Do you agree that funds should have the power to carry out an interim valuation in addition to the normal valuation cycle?

We support the proposal for interim valuations powers. If the LGPS Funds move to four-yearly valuations it will be essential to be able to carry out interim valuations to reflect the impact of asset volatility and changes in economic conditions. Without this flexibility there could be significant pressure on future contributions in some future scenarios.

Question 6 - Do you agree with the safeguards proposed?

We believe that interim valuations should only be permitted in the circumstances set out in the Funding Strategy Statement. There is no definition in the proposal of an 'interim valuation'; we believe it should be carried out across the whole fund to ensure assets are appropriately allocated to all employers. Logically, an interim valuation should only be undertaken at the midway point between statutory valuations, or, at the very least, not within one year of a statutory valuation.

Question 7 – Do you agree with the proposed changes to allow a more flexible review of employer contributions between valuations?

Irrespective of whether we move to a four-year valuation cycle, we agree with the proposal to allow more flexible review of employer contributions between valuations.

Avon Pension Fund recently had a parish council in surplus whose only employee moved to the 50:50 scheme. There was no basis to reassess the contributions and the parish council had to overpay contributions until the next valuation. The ability to request a reassessment of the contribution rate would address such problems.

In addition to the existing provision for contribution rates to be amended where an employer is about to leave the Fund, we would support a review of contributions being permitted where:

i. An employer closes to new members.
ii. There is a material transfer of staff in or out of an employer.
iii. There is a change in covenant of an employer.
iv. There is significant membership change.

The circumstances in which a contribution rate could be amended would need to be included in the Funding Strategy Statement both for reasons of transparency and to place a check on rates being revised for short term financial gain.

We do not support an employer being able to request a reassessment because they believe it will lead to a reduction in contribution rate, as this could negate the objective of the stability of contributions.

Question 8 – Do you agree that Scheme Advisory Board guidance would be helpful and appropriate to provide some consistency of treatment for scheme employers between funds in using these new tools?

Assuming interim valuations are permitted in the circumstances set out in the Funding Strategy Statement, logically the advice would be included in the guidance on Funding Strategy Statements. Regulation 58 refers CIPFA guidance and we do not believe that SAB guidance in addition to CIPFA guidance would be helpful.

Question 9 – Are there other or additional areas on which guidance would be needed? Who do you think is best placed to offer that guidance?

Funds already have access to professional actuarial advice and this should be sufficient to enable them to determine whether individual employers' rates should be amended between statutory valuations.

Section 3 - Flexibility on exit payments

Question 10 – Do you agree that funds should have the flexibility to spread repayments made on a full buy-out basis and do you consider that further protections are required?

The term "full buy out basis" is not applicable to the LGPS. Avon Pension Fund has an ongoing funding basis and a lower risk funding basis. The lower risk funding basis is used where an employer is exiting from the fund and has no guarantor; in this case the Fund have to meet any future deficit arising on "orphan" liabilities – where no individual employer has future funding responsibility.

In our experience Regulation 64(4) already achieves the effect of the Scottish Public Pensions Agency model, and we also use Regulation 64(3) to spread exit payments. These involve the actuary in issuing the appropriate certificate. We have no experience of legal side agreements and do not see the need for them.

We believe that the default position should remain that exit payments on the lower risk funding basis are settled in full and only where the employer makes an evidence based request to the Fund on affordability grounds should a payment plan over a suitable period, at the Fund's discretion, be agreed on the basis of achieving the optimum outcome for the Fund.

Exit payments on the ongoing basis should be settled immediately in full, if this is not affordable it is up to the guarantor to come to an arrangement with the contractor.

Question 11 – Do you agree with the introduction of deferred employer status into LGPS?

We agree with the introduction of deferred employer status as it will assist us to manage exits and administer and track a deferred debt. *It would be helpful to be consulted on the detailed amendments proposed to the Regulations in due course.*

Question 12 – Do you agree with the approach to deferred employer debt arrangements set out above? Are there ways in which it could be improved for the LGPS?

Our suggested improvements are:

1. Given the uncertainty of the timing of an exit we believe it would be useful to allow scheme employers who have closed to new members to participate in deferred status arrangements **prior** to the last member leaving, and thereby have a planned exit strategy, 'flight plan', with the possibility of an alternative funding strategy in place to reduce the impact of the final exit payment. In this case having active members would not be a "relevant event".
2. A deferred debt arrangement should have defined review dates, and an end date.
3. In addition to 3.3(iii) a termination event could be triggered by either the Fund or employer unilaterally. This would lead to an immediate exit valuation and repayment of the full exit debt. This would cover the eventuality of an improvement in fortunes where the employer can afford to repay all, or a significant deterioration in covenant **before** insolvency (at which point it's too late to recover the remaining debt).
4. The deferred employer facility should not apply to bodies admitted under paragraph 1 (d) of Part 3 of Schedule 2 which are guaranteed by another Scheme Employer.

Question 13 – Do you agree with the above approach to what matters are most appropriate for regulation, which for statutory guidance and which for fund discretion?

We agree that the key obligations and entitlements should be in the Regulations including the list of considerations which must be included; we envisage this being similar to Part 3 of Schedule 2 in respect of Admission Agreements. The use of this facility should be advisory not mandatory. This will ensure consistency and minimum standards.

The Regulations should make clear whether deferred employers have discretionary policies relating to their deferred pensioners and whether they should consider and process requests from deferred pensioners for early release of pension.

As these arrangements are a material shift in how exits are managed we believe guidance should be statutory. *As this could be a key aspect of managing exits, which present a financial risk to the Fund, we believe it is vital the detailed Regulatory proposals are consulted on so that they are effective and can be operated practically by Funds*.

Question 14 – Do you agree options 2 and 3 should be available as an alternative to current rules on exit payments?

We believe options 1 and 2 are currently available to our Fund. We support the introduction of option 3 provided that administering authorities can determine which exiting employers qualify and the conditions under which this facility is offered.

Question 15 – Do you consider that statutory or Scheme Advisory Board guidance will be needed and which type of guidance would be appropriate for which aspects of these proposals?

We believe that guidance should be available and have statutory force because it will apply in contentious situations (i.e. it should be referred to in the Regulations, to ensure consistency, whilst also retaining local discretion).

Section 4 - Exit credits under the LGPS Regulations 2013

Question 16 – Do you agree that we should amend the LGPS Regulations 2013 to provide that administering authorities must take into account a scheme employer's exposure to risk in calculating the value of an exit credit?

The Fund would be fully supportive of a change in the Regulations. In our view this is a high priority. We are very concerned that the Administering Authority might be drawn into a dispute between the contracting parties as to whether the exit credit is payable or not. This type of situation has manifested itself in the current dispute between Northamptonshire Council Pension Fund and a former environmental services provider. This is an issue on Avon Pension Fund's risk register. We ask for priority early resolution of this issue.

The Avon Pension Fund has addressed the problem highlighted in the Consultation Paper by requesting the letting employer to ask the contractor to forgo any exit credit, in those cases where it was not liable for any exit payment. This has involved the Fund and the outsourcing Scheme Employers in a considerable amount of additional work. This equitable approach is not currently supported by the Regulations which has made it a delicate issue. Through this process we have discovered:

- That the Fund has to rely on the outsourcing Scheme Employer to provide the relevant contractual information and the Fund has to have the resources to interpret often lengthy and complex contracts.
- We have been surprised by the number of occasions where the contracts are inadequate with regard to the allocation of pension's risk.
- In some cases there is no signed commercial agreement.
- Many commercial agreements are not clearly worded, and in some cases there is no mention of pensions in the agreement.
- There is inadequate consideration of pension in call off arrangements within Framework Agreements when maintained schools convert to academies.
- There are a number of different pension risk sharing arrangements in operation.

In context, as Local Authorities have outsourced more services and maintained schools have converted to Academies who then outsource services, the admissions of scheme employers related to short term contracts has proliferated and Avon Pension Fund now have about 100, and growing, admission bodies. Therefore you can appreciate that the workload involved in reviewing contracts to identify the pensions risk and hence treatment of an exit credit is huge and complex.

We are very concerned that in this environment the Administering Authority might be drawn into a dispute between the contracting parties as to whether the exit credit is payable or not. We do not believe it is the Funds role to adjudicate on the contractual arrangements of the scheme employer and contractor in this way.

Question 17 – Are there other factors that should be taken into account in considering a solution?

We believe the Regulations should state that:-

- no exit credits will be paid for "transferee admission agreements" (Paragraph 1 (d) of Part 3 of Schedule 2) *unless* all pensions risk is fully and clearly transferred to the contractor under the contract, and
- a signed copy of the contract is provided to the Fund.

The regulations should state that the commercial contract should specify clearly who is liable for any exit payment under Regulation 64(2) and, by the same token, who is entitled to any exit credit. If wording to this effect could be included under this Regulation it would carry much greater weight than individual administering authorities trying to persuade Scheme Employers of the need for this to be addressed in their contracts.

Without this, trying to determine how much pensions risk the contractor has taken will be contentious and the administering authority is not best placed to adjudicate having not been party to the contractual negotiations and not qualified in contract law.

In the case of admission bodies, other than contractors, and other types of employer, the exit credit should be payable to the exiting employer *unless* an admitted body is guaranteed by another scheme employer and there is an agreement in place which leaves the pensions risk with that scheme employer.

Retrospection is problematical. If there is any doubt about whether the action taken by Funds to with-hold payment of exit credits is legal, retrospection is arguably unavoidable but we remain concerned that it could be challenged in law. This supports a change in the Regulations on exit credits being a priority.

Section 5 - Employers required to offer LGPS membership

Question 18 – Do you agree with our proposed approach?

We do not agree with the proposal to remove the requirement for further education corporations, sixth form college corporations and higher education corporations to close.

In evaluating this proposal it is important to understand the equality issues, and impacts of closure on the Fund, Employer and Members.

Summary:

- <u>Equity</u>: The lack of any form of equity in these proposals and the implications of a legal challenge, if made, means that we do not support this proposal.
- <u>The Funds</u>: HE and FE employers in Avon Pension Fund represent c13% of the total Fund assets and liabilities and 18% of the Fund payroll. Therefore in terms of scale they are a material proportion of the Fund. In view of the materiality of this sector within LGPS we ask that analysis is undertaken by GAD of the impact on each Fund if HE and FE employers closed, and the impact on the LGPS as a whole before implementation is considered further.
- <u>The HE/FE employers</u>: In the short term the FE and HE employers will see a large increase in their ongoing costs and face exit liabilities (for the eight HE/FE's in Avon Pension Fund of c£226m). These costs cannot be ignored as they will reduce the money available to deliver education.
- <u>Employees:</u> There will be inequality between the 'have LGPS' and 'have not LGPS'.
- <u>*We strongly request a more thorough review of the impact of the proposal on the LGPS as a whole by GAD, and on HE FE finances, is undertaken. This will ensure that the consequences are fully understood and prevent further 'unintended consequences' or McCloud's debacles.*</u>

We start by asking;

<u>Are Higher and Further Education corporations really 'private sector bodies'?</u>
A fundamental objection to this proposal stems from the fact that HE and FE employers are classified as 'private sector bodies'. Whilst these bodies may have autonomy in management and budget setting they are unquestionably publicly funded with 16-18 education being Government funded, the Apprenticeship program is funded by taxes foregone, Higher Education fees being set by the Government and funded by the Student Loan Company with part of the loans appearing as Government expenditure, and the new Insolvency Regime which is dependent on whether or not the Department of Education continue to support an education provider. In summary we disagree with the notion set out in the consultation paper that Higher and Further education corporations ('HE and FE employers') are 'private sector bodies'.

<u>Equality Issues:</u>
Notwithstanding our fundamental view regarding the status of Higher and Further Education corporations, the question then becomes, is it reasonable to allow those employers to close the LGPS to new employees? The argument that non-teaching staff should have their entitlement to an LGPS pension withdrawn because the Government no longer takes any responsibility for the financial viability of those organisations is a specious one.

If these corporations were rescued previously when they were public sector bodies, the additional costs would have been funded by the taxpayer. If these corporations fail now they will leave liabilities with the Local Government Pension Scheme which will have to be funded by local taxpayers or other bodies such as academies and other HE and FE employers. Why non-teaching staff should be penalised if other public sector bodies have to meet the shortfall, whereas teaching staff continue to be supported from public funds if their organisation fails is difficult to fathom.

Within non-teaching staff there will be inequity between staff on the same grade, with the added complexity of different reward packages depending on their start date. Inequity will arise in the form of 'have LGPS' or 'have not LGPS'. There is also the potential for staff remaining in the LGPS to be considered differently in redundancy situations. Someone under 55 could be targeted for redundancy to save the contributions to the LGPS, but someone over 55 could be refused redundancy or flexible retirement due to strain costs.

We know from the recent cases of McCloud and Sargeant, and others, that equality is a real and increasingly challenged established legal principle, and therefore robust legal advice should be sought and evaluated before this change is seriously considered. It would be a nightmare to untangle and reinstate members who were previously denied access if HE/FE employers 'close' without legitimate grounds and a challenge were successful. It has the potential to be akin to PPI miss selling, with advisors assisting people to claim 'back' contributions and so forth.

The concern is that the proposal rests on specious arguments designed to support those who are content for a divide to emerge in further and higher education corporations in order to compensate for the shortfall in their finances. It would be easy for a local authority pension fund to support this proposal from a purely financial viewpoint but the lack of any form of equity and the adverse impact on working relationships within further and higher education means that our support is with-held in this case.

Although the consultation does not specifically ask for an assessment of the financial impact of the Government's proposal on the Fund and the existing HE/FE participants, we have asked the Fund's actuary to provide one. His findings are set out below:-

Financial impact on Avon Pension Fund.

The HE and FE employers in Avon Pension Fund represent c13% of the total Fund assets and liabilities (equivalent to estimated assets of c£625m and liabilities of c£675m, 31 March 2019). In addition these employers represent 18% of the Fund payroll. Therefore in terms of scale they are a material proportion of the Fund. *In view of the materiality of this sector within LGPS we ask that analysis is undertaken by GAD of the impact on each Fund if HE and FE employers closed, and the impact on the LGPS as a whole before implementation is considered further.*

Avon Pension Fund would experience material changes in cash flows which we would need to pay the actuary to analyse if this proposal is implemented. These changes would result in initially increased contributions as future service rates and deficit payments would increase. Then as remaining active members leave/retire over time total future service contributions would decrease. The Fund would then become more cash flow negative at a faster pace as benefit payments exceed the contributions. This would affect the Funds investment strategy as we would need to divest as the cash flows become negative. Further, as the employers move towards potential termination there would be a new lower risk investment strategy with higher contributions.

The Avon Pension Fund will therefore reach the point sooner where the investment strategy backing these employers' liabilities needs to be altered to reflect the increasing need for liquid assets in order to pay benefits. Therefore the Fund might bring forward an investment strategy which is more matched to the Funds benefit cash flows and or potential exit position. This in turn would affect the investment returns achieved and therefore the impact on long term costs could be significant, our estimates suggest an initial increase of c3% of pay for HE and FE employers.

This proposal will also create additional administrative burdens for Avon Pension Fund as closed schemes tend to be difficult to monitor in that only the correct members are entered into the scheme. As stated in the consultation those already in employment at the time of the change will continue to be eligible. Therefore someone who previously opted out could join the scheme and become an eligible starter whereas a new employee would not be allowed access. Payroll providers would have to ensure that a robust process was in place to make sure that only eligible members were put into the scheme plus the Fund would need a checking mechanism to ensure that non eligible employees are not put in the Scheme by mistake.

This is further complicated by the fact that all of Avon Pension Funds HE and FE employers submit monthly data via a data transfer platform called iConnect. This system has been implemented to improve the quality and accuracy of our data in line with TPR Code of Practice. With the use of iConnect it is not possible to mark the scheme as 'closed' within our pensions administration software (Altair) and therefore we would not have an automated way of ensuring that only eligible employees were put into the scheme. A separate schedule of eligible employees would have to be kept and checked manually each month. This would be an onerous task for such large numbers of members and at a time when we are trying to streamline and automate administration not make it more complex.

Then there is the time and cost wasted by Funds and HE FE corporations in evaluation and modelling the costs and benefits of 'closing' to new members. It would be preferable if this was done centrally and a decision made either to abandon this proposal or for all HE FE corporations to close to new members with added funding to achieve this outcome.

In summary the simple proposal to allow HE and FE employers to close to new members could have far reaching unintended consequences for LGPS Funds and a full analysis of the impacts and costs should be understood if these changes are essential.

<u>Financial impact on further and higher education corporations that close to new members:</u>

If a HE and FE employer closes access to new members the average future service rate in the Avon Pension Fund is estimated by our actuary to immediately increase by c3%. This is because when closed the average age of the cohort increases and contributions have less time to gain investment returns to meet the promised benefits.

In addition, recovery periods would need to be reviewed and the maximum period would be based on the average working life time of the membership. This average, in Avon Pension Fund, is currently 11 years for the FE HE employers, so those employers with longer recovery periods would see an increase in deficit contributions. The deficit recovery periods will have to reduce over time as the members' age, which may increase deficit contributions.

Therefore, in the short term the FE and HE employers will see a short term increase in their ongoing costs which cannot be ignored. Over time, as the active membership falls away, the monetary impact would be less significant, but, then the employer will have to start planning to pay for the exit payment.

The actuarial assumptions adopted in a termination assessment are more prudent and the lower risk funding basis is used where an employer is exiting from the Fund and has no guarantor, as is the case for HE FE employers. This is because the other fund employers have to meet any future deficit arising on the historic "orphan" liabilities, where an exited employer has no future funding responsibility.

An estimate of the exit liabilities payable is provided by the FRS valuations in employer's accounts and for the eight HE FE's in Avon Pension Fund this amounts to £226m (31 July 2018). It should be noted that other employers have wanted to leave the Fund and found it unaffordable.

In summary the cost of closing to new members and exiting from the Fund will be very costly in the short and medium term and will divert money, and possibly assets, away from providing education services.

In addition the recent release of the Augar Review may result in more change to the HE FE employers so implementation of the proposed approach may be premature.

Impact on members

The proposal will result in employees who are denied access to LGPS having inferior pensions in old age which is socially undesirable. Where the government is the principle funder and has significant influence it is our view that it should be exercised responsibly to maintain and improve pension provision and not to reduce the quality of pension provision with the result of more benefit payments in old age. It is better in society for it to be 'worth working' and good quality pension provision is part of the financial reward of a working life.

Government guarantee

The removal of the implicit government guarantee for further or higher education corporations in LGPS would seem to have created more problems that it has solved. As the consultation points out, when the government guarantee was in place if a HE FE corporation failed the government would have met any LGPS pension deficit. Now the guarantee is removed any LGPS pension deficit will be met by local authorities, academies, parish and town councils and other HE FE corporations in the Fund. So the burden has merely been passed to a different part of the public sector. In addition the banks have become very cautious about lending to the HE FE sector, particularly colleges, because of the substantial pension liabilities and the new insolvency regime. Perversely, the magnitude of pension liabilities on a winding up would result in a Pension Fund becoming one of the largest creditors and therefore with one of the largest claims, to the detriment of the banks resulting in their reluctance to unsecured lending. The answer to this problem would be for the government to guarantee the pension liabilities.

Section 6 - Public sector equality duty

Question 19 – Are you aware of any other equalities impacts or of any particular groups with protected characteristics who would be disadvantaged by the proposals contained in this consultation?

The fund would stress that there is insufficient justification put forward to discriminate against non-teaching staff in Section 5 and there is a risk of unintended inequalities if the workforce are mainly female staff. The proposals under section 5 could be deemed to undermine the importance of pension provision within the wider society. Lastly, we are concerned that proposals to exclude non-teaching staff in HE FE provision creates a precedent that can be used to deny the LGPS to other groups of workers that currently earn the benefit of the LGPS such as non-teaching staff in academies and so forth.

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

Kind Regards,

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Avon Pension Fund
Local Government Pension Scheme

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28 June 2019

ExitPaymentCap@hmtreasury.gov.uk

Re: Consultation on Exit Payment Cap

With reference to the recent consultation regarding the proposed exit payment cap, published on 10 April 2019, this is the response from Bath and North East Somerset Council as the administering authority for the Avon Pension Fund which represents 36,479 active members from 384 actively contributing employer bodies.

In addition to our response to the consultation questions, which follow below, we would like to start by bringing to your attention the following significant concerns and or recommendations we have in relation to this consultation that we feel must be strongly considered, and where necessary addressed, before any such cap is implemented:-

- **There must be a specified minimum level of earnings which triggers the cap and this should be set at a level high enough to ensure that lower earners with long service are not penalised.**
- **The cap should be index linked and subject to annual increases.**
- **A one size fits all approach is not appropriate when the make-up of the different public service pension schemes is so different.**
- **Introducing this cap will cause significant administrative burden for both employers and pension administrators inevitably leading to additional staffing costs.**
- **The LGPS regulations must be changed to allow a member to defer the payment of their pension in the event that they are made redundant over the age of 55 as is available in other Public Service Pension Schemes.**
- **There must be more guidance available to pension administrators in relation to the calculation of the partial reduction and also options available for members to make payment to buy out any such reduction.**

Section 2 – Proposed scope of draft regulations

Question 1 – Does draft schedule 1 to the regulations capture the bodies intended (described in section 2.1)? If not, please provide details.

We believe that draft schedule 1 does capture the bodies intended.

Question 2 - Do you agree with the current list of bodies in scope, for the first round of implementation? If not, please provide reasons.

No, if this cap is introduced then we feel that the restriction should apply to all public sector bodies, with no exceptions, from day one. Although, the government expects public sector authorities, who are not currently listed as being in scope, to apply commensurate arrangements voluntarily, there is no legally enforceable way of ensuring that this happens.

One key area that could be challenged is which employers are considered to be "public sector". Some employers from public sector schemes are included in the proposed legislation whereas others are excluded, for instance, Universities & Housing Associations are exempt therefore the Local Government Pension Scheme will have the majority of their employers within their Fund subject to the conditions but also some who are not.

An inequitable scenario also occurs where a local authority puts a service up for tender. If it is retained in-house then any scheme member subsequently made redundant will be subject to the exit payment restrictions, whereas if the contract is outsourced to a private contractor there could possibly be no restrictions imposed on any exit payments made even though the payments could be the same. Clearly there is the possibility that two employees in the same service within an organisation could be treated very differently on redundancy which would be difficult to explain and could result in a legal challenge.

Another concern is which employers have been exempted, as there does appear to be a very definite objective to put restrictions on the more basic public sector staff whereas other publically owned bodies such as banks and media companies appear to be excluded.

Many local government workers devote years of loyal service on low pay. The Government's own pay comparisons across sectors show that many working in the public sector could earn higher salaries for the same jobs in the private sector. On grounds of inequality, should the same cap also apply to all private sector schemes as well?

Question 3 - Do you agree with the exemptions outlined? If not, please provide evidence.

Please see comments to question 2 above.

Section 3 – Guidance and directions

Question 4 - Does the guidance adequately support employers and individuals to apply the draft regulations as they stand? If not, please provide information on how the guidance could be enhanced.

The guidance goes some way in supporting employers to apply the draft regulations, however, as the guidance states, it is the employer's responsibility to ensure that a payment is not made in excess of the cap and this will inevitably place an additional responsibility and administrative burden on already strained employers. Managing downsizing will be affected with the process of redundancies taking on a different slant in that employers will need to be satisfied that they fully understand the impact the proposed legislation will have on a scheme member's benefits and decisions that may be made which could result in costs materially higher than the level of the cap. It is more than likely that there will be fewer volunteers to take severance on redundancy as a result, leading to more compulsory redundancies and adding to already difficult downsizing challenges. Managers who have been downsizing their departments over the past few years may find themselves caught by these restrictions if they happen to be last out the door. It would appear that despite their efforts in the process they will have their benefits reduced just because they leave after these restrictions take effect.

Where there is flexibility, such as the priority between cash payments and pension strain costs, these will have to be clearly communicated to the employee to allow the required decisions to be taken.

Engagement between pension funds, their employers and the individual members who are involved will be required at a much earlier stage in the process to facilitate this and this will involve much more work for all involved with the numerous options available and especially with regards to partial buyouts.

Although it is the assumption that employers will, where possible, cap the redundancy lump sum and allow individuals to receive their pension top up in full, this is not a requirement under the regulations meaning that employers will be able to opt for the pension to be reduced instead, this should be for the employee to decide as their pension could be significantly reduced due to an employer decision. As the guidance suggests, it is the governments expectation that pension schemes will provide members with options to use their own monies to make up any shortfall or to take a partially reduced pension where the pension strain cost is to be capped, which places massive additional administrative burden on to administrators. In addition, it should not be assumed, as seems to be the case, that all members will be in a position to make up the shortfall in full.

There is also no indication of an intention to phase in the cap but merely come straight in with the proposed cliff edge approach. Any scheme member over the age 55 will find it difficult to make provision to compensate any potential reductions in benefits should redundancy occur.

Has there been any engagement with pension administration software providers? Significant work is likely to be required to implement any changes required to calculations and systems will need to be ready for such a significant change in calculation methodology such as partial reductions. Most pension administrators encourage members to self-service, for example, carrying out their own pension estimates to ease the administrative burden, how will this work with the additional options available to members in relation to their redundancy benefits and how will they even begin to understand this without significant support from pension administrators. Another exercise often carried out is the running of bulk redundancy calculations for employers who are carrying out mass redundancy exercises to provide them with strain costs and figures for their members, how will this be possible with the multitude of options that may be available with regards to the strain cost. A costing exercise should be carried out to determine whether the savings gained by the cap would significantly outweigh the cost of the extra administration involved.

Question 5 - Is the guidance sufficiently clear on how to apply the mandatory and discretionary relaxation of the regulations, especially in the case of whistleblowers?

Whilst we feel that the guidance on the application of the relaxation is sufficiently clear, there is no indication as to the expected timescales involved for cases where the consent of HM Treasury is required which we feel would be useful for employers.

Question 6 – Is there further information or explanation of how the regulations should be applied which you consider should be included in the guidance? If so, please provide details.

The guidance for pension scheme administrators is severely lacking, for us as administrators of the LGPS it provides no assurance that the proposed amendments to the regulations to allow for partial reduction of a member's pension benefits, where otherwise the exit payment cap would be breached, and the option for a scheme member to pay a charge to buy out some or all of that reduction will come into force at the same time as the cap.

There needs to be some clear understanding as to how the cap will be operated as the draft guidance/regulations do not give any indications on which to respond. Areas that need to be addressed are as follows:

1. The LGPS does not allow an individual to defer the payment of their benefits in the event of them being made redundant etc over the age of 55. The option to do so in other public service pension schemes already exists.

2. There is no detail as to how the payment that a member is able to make to cover any shortfall in pension is to be made or even calculated and whether this can be recovered from their lump sum retirement grant etc. If actuarial guidance is to be provided there may be no way to respond to the basis of this calculation until after the regulations are passed.

3. The LGPS regulations state that a pension strain cost is to be calculated by an actuary appointed by the administering authority. Due to the differences in demographic make-up across the country these factors can often differ from one administering authority to another meaning that the strain cost will also differ. We feel that a standard method of calculating pension strain across the LGPS should therefore be introduced to give consistency across the scheme.

4. By setting an exit cap of £95,000 this automatically introduces inequality as members of the LGPS will in some circumstances have higher strain on fund costs because of the way public sector schemes dealt with previous protections for early retirement. The LGPS uses actuarial reductions for the period from a member's retirement date to their State Pension Age, subject to a minimum of age 65.

Section 4 – Devolution summary and equalities impacts

Question 7 – Are there other impacts not covered above which you would highlight in relation to the proposals in this consultation document?

1. The original reason given for the change to introduce an exit cap was to curb exit payments for high profile retirements particularly those scheme members with high salaries, but what about the effects on benefits of long serving low salaried members who get drawn in as a consequence of the way our scheme is structured. We have carried out some analysis on exit payments that occurred following redundancy retirements from our scheme over the last 3 years which show that only 5% of the cases that would have been caught by the cap, had it been introduced, earned more than £80,000 with more than 41% of the cases earning less than £40,000. The lowest earner that would have been caught by the cap earned just £29,706 per annum on leaving after dedicating more than 37 years of service to Local Government. Therefore, the suggested cap of £95,000 seems to be flawed in that members who have been in the scheme for a substantial period could be on a salary of less than £30,000 and be affected by the intended exit cap provisions. We therefore feel that the cap should only apply when a person's salary on leaving exceeds a set amount so that it captures the higher earners that it was originally intended to.

2. Some public sector schemes have, over recent years, lost key legal battles in certain cases resulting in additional administration required to rectify matters. This could potentially happen with these proposed introductions if the inequalities are not addressed sufficiently. The cost of

the exit payment will have to be weighed against the potential other costs that may arise from a legal challenge including the legal costs themselves.

3. The proposals will add a further level of complexity, for scheme members, employers and administrators to go with many others whilst also dealing with austerity. Communication and the requirement to explain this in simple terms to all members to support them in making informed decisions when even independent financial advisors struggle to cope with the complexity of regularly changing Local Government Pension Scheme.

4. There is an inability for scheme members to plan for the future caused by constant changes to pension structures which seemingly counteract the government's aim of enabling individuals to manage their finances in retirement and instead is in danger of creating a climate of increased poverty in retirement.

5. It does appear that employers are also being restricted in how they manage their workforce, further destabilising it through increased uncertainty over pension payments. There can no longer be a recruitment package which can include the pension arrangements as a benefit that can be relied on in the future, if it is subject to constant future changes.

6. Not to mention that this is directly disadvantaging individuals who lose their jobs due to government austerity cuts.

Question 8 – Are you able to provide information and data in relation to the impacts set out above?

1. An example of the analysis of data carried out is attached as Annex 1.

2. An example of some of these key legal battles that have brought about retrospective change, including ongoing cases that are expected to cause retrospective change are:

    i) Milne v GAD case
    ii) Norman v Cheshire FRS
    iii) Brewster v NILGOS
    iv) Walker v Innospec Ltd
    v) Sargeant and others v London Fire and Emergency Planning Authority
    vi) McCloud and others v Ministry of Justice

Further Comments:-

When Lord Hutton set out to review public sector pensions there was a consensus that they should be regarded as a standard and that there should not be race to the bottom with regards pension provision. The review certainly set out the recommendation that the public sector schemes should be fair and transparent.

All the public sector pension schemes were each separately negotiated and agreed between Departments, Employers and Unions and then submitted for HM Treasury approval, and yet within just 5 years of the 2014 LGPS becoming operational, there have already been many changes implemented and yet more new restrictions are now to be imposed changing the scheme structure which is certainly at odds with the previous comments of the Chief Secretary to the Treasury that the schemes would be around for 25 years.

We hope our response is useful in taking the proposals forward and that full consideration is given to all points raised as to whether it is currently able to deliver the objectives required in a manner that is fair and transparent. We look forward to being updated in due course.

Kind Regards,

Kate Shore
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Avon Pension Fund

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The LGPS Community

The purpose of this document is to explain the relationship between the different bodies that make up the Local Government Pension Scheme (LGPS) community. It does not explain the governance structure of the LGPS, which is already well documented, and is not a comprehensive guide to the roles and responsibilities of the bodies that make up the community.

The Pensions Regulator's (TPR) website provides information on the governance structure for public sector pension schemes and the respective roles and responsibilities.

Readers should note that the LGPS in England and Wales, Scotland and Northern Ireland are three different pension schemes.

The diagram on the next page illustrates the formal relationship between the different bodies. In reality, many of the bodies work together informally on a collaborative basis and are in regular contact.

LGPS administering authorities

Each administering authority is responsible for managing and administering the LGPS in relation to its members. The administering authority is responsible for maintaining and investing its own fund for the LGPS.

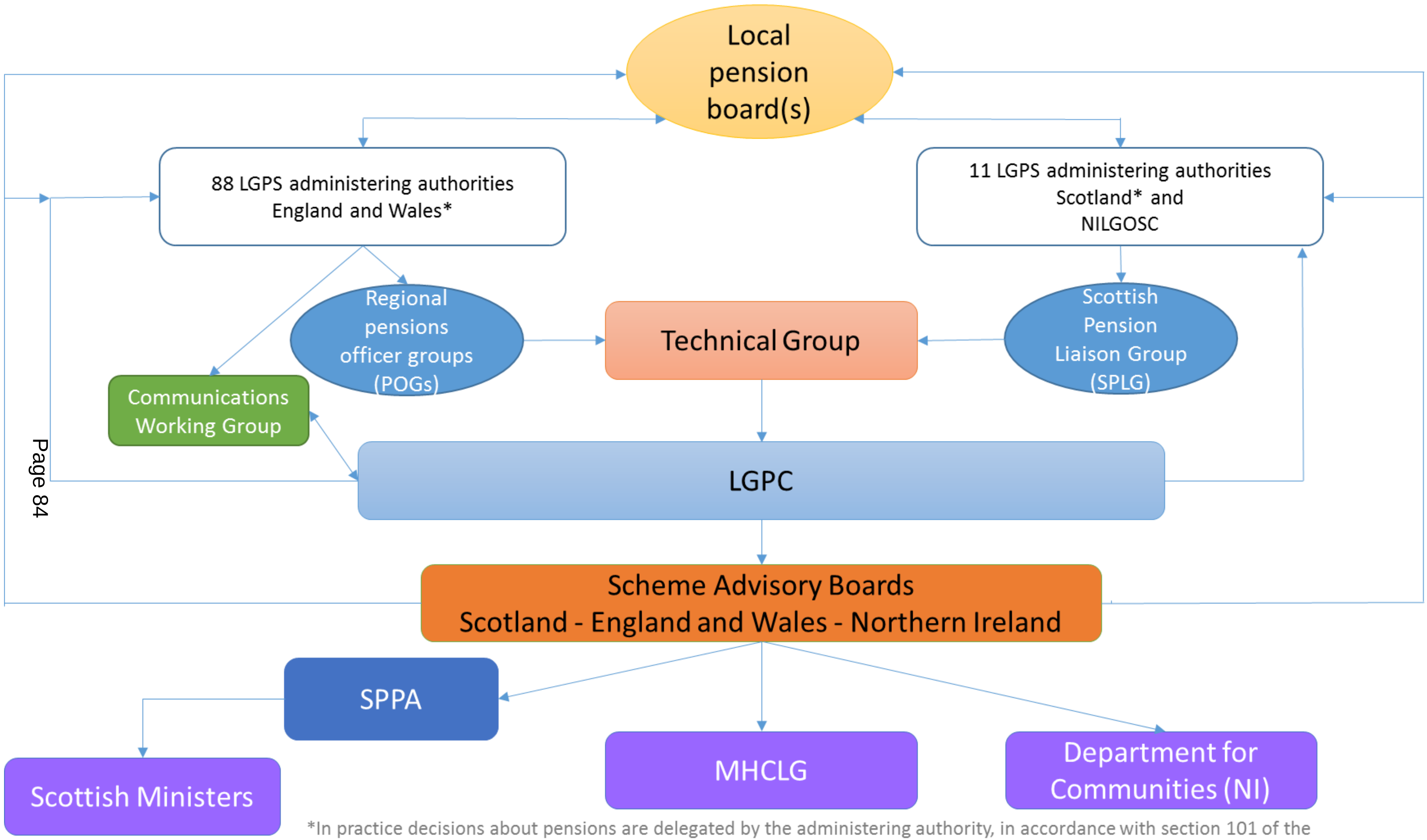
Where the administering authority is also the local authority (as is the case for the majority of administering authorities) it is not possible for certain decisions about pension allowances or the amount of pension to be paid to employees to be an executive decision. This means in practice that decisions about pensions are delegated in accordance with Section 101 of the Local Government Act 1972 Act to:

- pension committees or sub committees made up of the administering authorities' councillors (from all political groups). Some of the committees / sub committees will also have additional co-opted members such as employer and scheme member representatives, or
- administering authority officers.

Each administering authority must have in place a governance compliance statement setting out whether it delegates its functions, or part of its functions under the Regulations to a committee, a sub-committee or an officer of the authority.

Each administering authority will decide whether the day to day administration of the LGPS is performed in-house, by a third party or as part of a shared service agreement with another administering authority.

In Northern Ireland, the Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC) is responsible for managing and administering the LGPS in relation to members of the LGPS in Northern Ireland. It is also responsible for maintaining and investing the pension fund.



*In practice decisions about pensions are delegated by the administering authority, in accordance with section 101 of the Local Government Act 1972, to pension committees, sub-committees or officers

Pension officer groups (POGs)

POGs provide an opportunity for pension administrators (usually the pension manager and/or deputy manager) to meet on a regular basis to discuss current issues and share best practice. In Scotland the group is referred to as the Scottish Pensions Liaison Group (SPLG) and is also attended by representatives from NILGOSC.

In England and Wales there are eight regional POGs:

London	East Midlands
South East	Shrewsbury
Wales	Southern area
South West	North of England

Meetings usually take place quarterly.

Where an issue or query cannot be resolved within the POG itself, or a national view is required, it is referred to the Technical Group for consideration.

The LGPC Secretariat attends POGs to provide updates on the latest developments and provide technical support. Further information about POGs, including meeting dates and the contact details for POG chairs can be obtained by emailing the LGPC Secretariat – query.lgps@local.gov.uk.

Technical Group

The Technical Group is made up of nominees from the POGs and SPLG. Each POG is able to nominate up to two representatives for membership, whilst SPLG and NILGOSC are able nominate one member each.

The group is also attended by representatives of the following organisations:

- LGPC
- Ministry of Housing, Communities and Local Government (MHCLG)
- Scottish Public Pensions Agency (SPPA[1])
- Department for Communities (Northern Ireland)

The POG and SPLG nominees are able to raise any issues / areas for discussion identified at the regional POGs.

The purpose of the Technical Group is set out in its terms of reference – a summary is provided below:

- to provide advice and guidance to POGs and administering authorities, in particular in relation to the interpretation of legislation
- to assist with the development of consistent standards and improve the quality of information available to LGPS administering authorities

[1] SPPA provides policy advice to Scottish Ministers on public sector pension issues and is responsible for developing the regulations for Scotland's LGPS – and for determining any appeals made by its members

- to liaise with the responsible authority[2] for each LGPS scheme
- to represent the views of administering authorities in relation to the direction of pension policy and the desirability of making changes to Scheme regulations.

The group is facilitated by the LGPC Secretariat who publish the minutes on their website for LGPS administering authorities and employers.

Communications Working Group

The Communications Working Group (CWG) is a collaborative forum made up of representatives from 20 administering authorities in England and Wales. The group meets on a quarterly basis to develop items of communication for scheme members in the LGPS. The group was created and is run by the LGPC.

The CWG provides the opportunity for LGPS funds to share knowledge and experience in the field of communications and to assist the LGPC secretariat in the development and provision of centrally devised communications resources.

The CWG priorities include the identification of best practice within pension communications generally and the LGPS specifically, exploring the areas where centrally produced communications would save individual LGPS funds financial resources and staff time.

The documents produced by the LGPC in conjunction with the CWG for the LGPS can be found on LGPC's website for administering authorities and employers, along with the annual work plan and actions and agreements from each meeting.

Individuals can put themselves forward for membership of the group to the LGPC secretariat for consideration. To ensure effective debate and discussion can occur, the optimum number which the group aims to retain is approximately 20 members. Once at capacity the group will retain requests for membership from other interested parties and where members leave or are unable to attend meetings then consideration will be given by the Secretariat to incorporate these requests.

Local Government Pension Committee (LGPC)

The LGPC is a committee of councillors constituted by the:

- Local Government Association (LGA)
- Welsh Local Government Association (WLGA)
- Convention of Scottish Local Authorities (COSLA)

As such, it covers the LGPS administering authorities in England, Scotland and Wales. Councillors are nominated for membership of the LGPC by their respective political group at the LGA - each political group has its own appointment process.

Membership numbers mirror the political balance of the LGA. The chair is a committee member from the largest political group at the LGA and is nominated for the role by the Committee.

[2] Defined in the Public Service Pensions Act 2013 as the person who may make scheme regulations

The Committee meets four times a year. Meetings are facilitated by the LGPC Secretariat and are also attended by representatives from the following organisations:

- SAB England and Wales - the nominated practitioner representative
- the Technical Group
- Ministry of Housing, Communities and Local Government (MHCLG)
- Scottish Public Pensions Agency (SPPA)
- Department for Communities (Northern Ireland)

In addition any elected member of the Scheme Advisory Board (England and Wales) is able to attend LGPC meetings as an observer. Meeting minutes are published on the LGPC secretariat's website for LGPS administering authorities and employers.

The LGPC represents local authority interests in dealing with government and others on local government pension issues. It also provides an advice and information network for LGPS administering authorities. The LGA provides the secretariat service for the LGPC. The service includes:

- a library of technical guides on the LGPS and related compensation matters
- a library of guides and leaflets for employees and councillors of the LGPS for administering authorities and employers to download and personalise for their own use
- a monthly bulletin highlighting issues affecting the LGPS
- an online library of LGPS statutory guidance and other related legislation
- the upkeep of timeline regulations for the LGPS
- a national website for members of the LGPS in England and Wales
- attendance at regional pensioner officer group meetings to provide technical support
- representing the interests of LGPS administering authorities at a national level with government and other bodies, such as national employer groups, the Pensions Regulator and the Pensions Ombudsman.

The LGPC secretariat also provides a programme of pensions training for LGPS pension practitioners, LGPS employers, pension committee and local pension board members.

Local pension boards

The LGPS Regulations and the Public Service Pensions Act 2013 require that each 'scheme manager' establishes a local pension board. This requirement has been in place since 1 April 2015. For England, Wales and Scotland this means that each administering authority must establish a separate local pension board.

The local pension board has responsibility for assisting the scheme manager in the effective and efficient governance and administration of the Scheme, as well as ensuring compliance with:

- the Scheme regulations

- any other legislation relating to the governance and administration of the Scheme and any connected scheme
- any requirements imposed by the Pensions Regulator in relation to the Scheme and any connected scheme.

A local pension board must be made of up of equal numbers of employer and member representatives (with a minimum of four representatives) and may also include other members. Where an independent chair is appointed he/she will be classed as an 'other' member.

The method of appointing representatives and other members to a local pension board is determined by each administering authority. Information about how a particular administering authority's appointment process works can be obtained by contacting the relevant administering authority directly or by accessing their website.

Scheme Advisory Board (SAB)

Each LGPS scheme is required by law to establish a SAB – the role of which is to advise the authority responsible for making the regulations of the desirability of changes to the Scheme. SABs can also provide advice to administering authorities and local pension boards in relation to the effective and efficient administration and management of the Scheme.

England and Wales

The chair and vice-chair of the SAB are appointed by the Secretary of State.

The Board is made up of six employer and six member representatives. Members are nominated for membership by the appropriate representative body.

The chair is also able to appoint three non-voting advisory members to the Board. The appointments are made following nominations from one or more of the organisations representing scheme stakeholders, the wider pensions industry or LGPS administering authorities.

The SAB has two sub-committees:

- Cost management, benefit design and administration committee
- Investment, governance and engagement committee

The membership profile and terms of reference for each sub-committee is available to view on the Board website.

Scotland

Joint chairs are nominated respectively by local government scheme employers and the relevant trade unions from the SAB membership and formally appointed by Scottish Ministers.

The Board is made up of seven employer and seven member representatives. Members are nominated for membership by the appropriate representative body.

Northern Ireland
The Advisory Board is chaired by a senior departmental official at Grade 5 level.

The Board is made up of four employer and four member representatives. Members are nominated for membership by the appropriate representative body.

More information about each of the Boards including the terms of reference is available at:

England and Wales: http://www.lgpsboard.org/
Scotland: http://lgpsab.scot/
Northern Ireland: https://www.nilgosc.org.uk/

The responsible authority

The responsible authority is responsible for making the regulations that govern the scheme rules. For the LGPS schemes they are:

England and Wales: the Secretary of State for Housing, Communities and Local Government (MHCLG)
Scotland: the Scottish Ministers[3]
Northern Ireland: the Department for Communities

[3] SPPA provides policy advice to Scottish Ministers on public sector pension issues and is responsible for developing the regulations for Scotland's LGPS – and for determining any appeals made by its members

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Bath & North East Somerset Council	
MEETING:	**LOCAL PENSION BOARD**
MEETING DATE:	**28 NOVEMBER 2019**
TITLE:	**PENSION FUND ADMINISTRATION – COMPLIANCE REPORT** **(1) SUMMARY PERFORMANCE REPORT TO 30th September 2019** **(2) PERFORMANCE INDICATORS TO 30th September 2019** **(3) TPR COMPLIANCE**
WARD:	**ALL**
AN OPEN PUBLIC ITEM	

List of attachments to this report:

Appendix 1 – Membership data

Appendix 2 – Performance against SLA and Workloads

Appendix 2a – SLA Measurement Schedule

Appendix 2b – Performance Measurement against Statutory Legal Deadline

Appendix 2c – Statutory Legal Measurement Schedule

Appendix 3 – Employer Performance

Appendix 4 – TPR Data Improvement Plan

Appendix 5 – Late Payers

Annex 1 - GDPR Breach

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 30th September 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 30th September 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 30th September 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 Full details of APF performance against SLA targets, in tabular and graph format, are shown in *Appendix 2; Annex 1 to 4*. Appendix 2a provides further context around the measurement of APF performance against the SLA.

5.4 *Appendix 2b* sets out APF performance against legal statutory deadlines and *Appendix 2c* provides legal context.

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

5.6 Performance against legal statutory deadlines has generally improved against the previous quarter. Further work is being undertaken to target transfer cases which remain below target. Performance reporting now includes measurement against new starters and divorce cases as per new CIPFA guidance.

5.8 Admin Case Workload - The level of work outstanding from tasks set up is reported in *Appendix 2; Annex 5 & 6* by showing what percentage of the work is outstanding. As a snapshot, at 30th June there were 3,907 cases outstanding (a decrease of 787 cases from previous report) of which 38.8% represents actual workable cases, i.e. 1,512 cases.

6 RESOURCE UPDATE

6.1 **Member Services** – Following the appointment of the new Member Services Manager recruitment has also taken place to appoint 2 Pensions Officer (PO) posts and 1 Assistant PO post. A further APO post is currently being advertised. Furthermore, the Fund is currently recruiting a replacement Fire Liaison officer role.

6.2 **Employer Services –** A new Employer Relations Senior PO has been appointed wef 4th November 2019. This recruitment is being done in conjunction with temporary maternity cover for another Employer Relations Senior Pensions Officer who commenced maternity leave on 19th September.

6.3 Following the recent GDPR breach the Fund has reviewed the process and procedure for receiving I-Connect data submissions. A temporary structure has been agreed with the Head of Business Finance and Pensions to manage the monthly data input and mitigate further risk. The structure (I-Connect team) will consist of 1 technical lead supported by 3 Senior Officer grades. A brief consultation will take place ahead of recruitment and the structure will be reviewed following further analysis of data and output over the coming months. The Fund is developing a suit of reports to monitor monthly I-Connect and these will be reported quarterly to both pensions Committee and LPB on a quarterly basis. The first report is expected to be available for the next Committee in March 2020.

6.4 Training and mentoring of new staff is ongoing and as such continues to impact overall administration performance and output.

7 EMPLOYER PERFORMANCE

7.1 Employer Performance - *Appendix 3* highlights employer performance retirements covering the 3 months to 30th September 2019.

7.2 During the period from 1st July to 30th September 2019 a total of 1,139 leaver forms were received with an average accuracy rate of 79%.

7.3 All Unitary Authorities and larger employers are now submitting monthly I-Connect returns. Compared to the same period last year there has been an overall reduction in leaver forms of 80%.

7.4 The i-Connect onboarding project has been temporarily suspended pending recruitment of the I-Connect team. It is expected that this will recommence once the Fund has robust monitoring and reporting tools in place to manage the monthly process. Currently, there are a further 182 employers to be set up on I-Connect representing approximately 15% of scheme active membership.

8 TPR DATA IMPROVEMENT PLAN

8.1 A 'Data Score' has 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 30 September 2019 is calculated as 94.36.%.

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 will continue to be targeted for improvement. The amount of TPR queries has increased by approximately 100 which is to be expected following the year end data process.

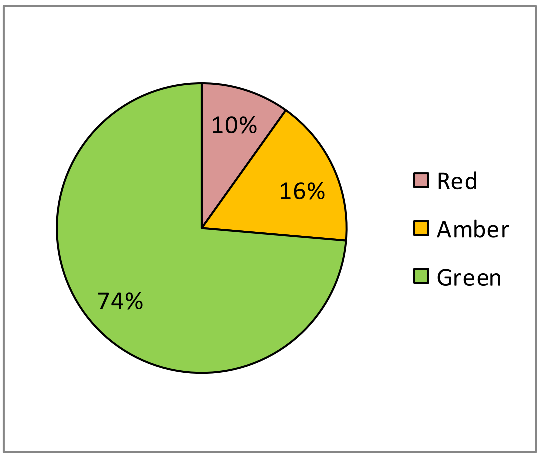
A summary of the RAG rating by employer is shown below. The RAG rating has been adjusted so that outstanding queries over 10% = Red, between 0.1% & 10% = Amber and 0% = Green.

No of employers Dec 2018	No of employers March 2019	No of employers June 2019	No of Employers Sept 2019	Queries	RAG rating
43	40	59	49	10% >	Red

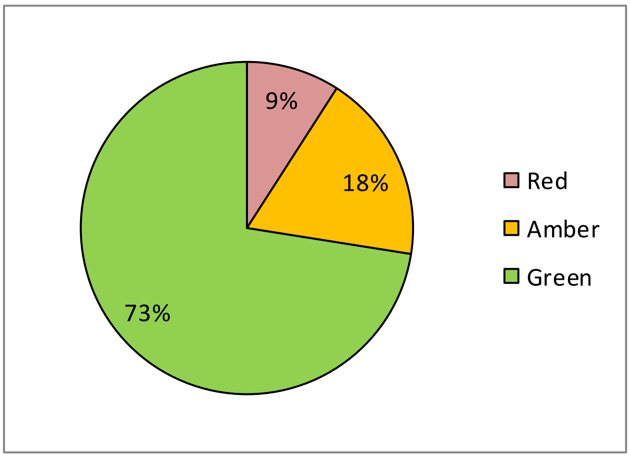
72	81	108	124	0.1 to 10%	Amber
321	319	281	276	0%	Green

Equivalent % rating of whole Fund

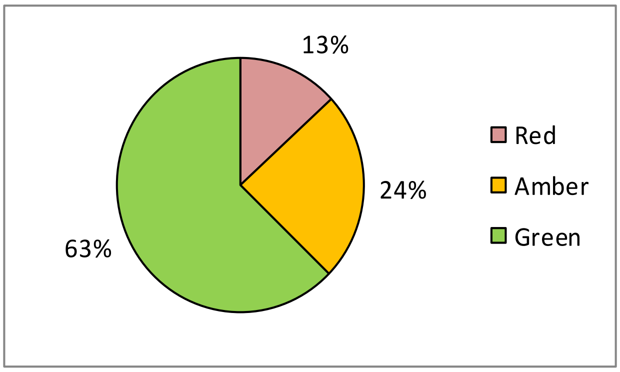
December 2018



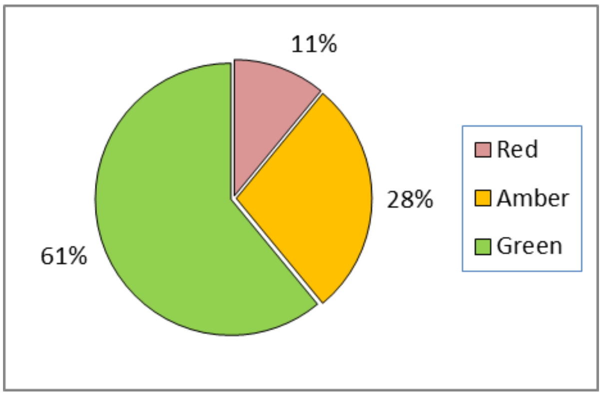
March 2019



June 2019



September 2019



Data for the Unitary Authorities is listed below.

Unitary authorities	Queries Dec 18	Queries Mar 19	Queries June 19	Queries Sept 19	Member ship	RAG	
BANES	136	125	99	72	2622	2.74%	Amber
Bristol City	198	188	292	228	8894	2.56%	Amber
North Somerset	49	50	50	40	1887	2.12%	Amber
South Gloucestershire	71	29	77	96	5631	1.7%	Amber

Address Rectification

8.3 The tracing project is ongoing the current positon is detailed in the table below:

	Original cases	%	Sept 19	Totals	%
New addresses updated	1,248	35.3	29	1,593	43.3
Letters returned - not at address or gone away	69	2.0	-6	154	4.2
Member confirmed as deceased	160	4.5	-	172	4.7
Letters issued awaiting response	2,055	58.2	-	1,751	47.6

8.6 Reminders are being sent to members who have not replied and we have also attempted to make contact via email or telephone.

8.7 The Fund is currently engaging with Mercer for assistance in completing the tracing exercise. Further information will be provided in the next report to LPB.

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 30th September 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

10.1A The Avon Pension Fund in conjunction with HMRC, have been carrying out a reconciliation of records held in respect of Contracting out of the Second State Pension.

10.2HMRC 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.

10.3The 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.

10.4The Fund is currently awaiting the final data cut from HMRC which is expected in November 2019.

10.5 Following receipt of the final data cut the Fund have engaged with Mercer to undertake a reconciliation exercise against the member data base to report all cases where a pension overpayment or underpayment have occurred.

11 YEAR END

11.1 The 2018/19 Year End has now been completed. 254 employers submitted their year-end data via i-Connect and 182 employers submitted their data by the old method of completing and sending an excel spreadsheet

11.2 Any outstanding queries as a result of the year end process have now been included in the TPR statistics.

11.3 A total of 15 employers will be fined, 1 for late submissions and 12 for data queries in excess of 10% and 2 for disproportionate work. All fined employers will be issued with a data improvement plan. Furthermore, 11 i-Connect payrolls and 6 On Line Return employers have been identified as having a high level of data queries, they will therefore be reviewed and given additional support and a issued a data improvement plan where necessary. Any employer who is not a repeat offender will be given the opportunity to attend training in lieu of a penalty fine.

11.4 The primary repeat offenders are EACT and Diocese of Bristol Academy trust with St Mary Redcliffe Primary school.

12 ANNUAL BENEFIT STATEMENTS

12.1 The Public Service Pensions Act 2013 requires Funds to produce Annual Benefit Statements by 31st August annually.

12.2 For the 2019 exercise the Fund contacted all employers in January, providing each with a current extract of their active membership held on the pension database. This early communication provides an opportunity for payroll data matching in advance of submission of year end returns in April.

12.3 Statements are produced in-house (and to the LGA-approved template guidelines) and sent externally for printing and postage. All statements for deferred members were issued on 10 June, with those for active members being dispatched in three tranches on 5, 12 and 19 August, ahead of the statutory deadline.

12.4For active members the Fund issued 97.41% of all statements due (see table below).

ABS Production Dashboard

Members @ 31st March 2019	Members with 2019 ABS	% with ABS	Members without 2019 ABS	% without ABS	ABS's to be Re-Run
35157	34245	97.41%	912	2.59%	0

12.5Work is currently underway to clear the outstanding cases identified and these will be picked up in a supplementary ABS run during w/c 11 November.

13 DATA BREACHES

13.1 Regulatory Breach

13.2 The 2013 LGPS regulations require schemes to pay a refund of contributions within 5 years. Failure to complete payment is classified as a regulatory breach and is required to be reported to the pensions committee and local pension board.

13.3 The Fund has identified and noted 29 breaches in the period 1st July to 30th September 2019. Of which 7 cases are reported as gone away/no longer at address held and 22 cases have been contacted but not responded.

13.4 The National Technical Group has previously made a recommendation to the Scheme Advisory Board to remove the requirements to pay a refund of contributions within five years under the 2013 regulations. The SAB have agreed to proceed with this regulatory change and are in the process of making recommendations to MHCLG.

13.5 DP Breach

13.6 The Fund had cause to report a member data breach internally to Information Governance for investigation and subsequently this was reported to the Information Commissioners Office (ICO) for consideration. The ICO have now reviewed the breach and based on the information provided by the Fund and B&NES IG have decided that no further action will be taken. Details of the breach and the ICO response can be found at Annex 1 to this report.

14 CLIMATE CHANGE

14.1 The Fund is implementing a digital strategy across all its operations and communications with stakeholders to reduce its internal carbon footprint. The Fund acknowledges the financial risk to its assets from climate change and is in the process of addressing this through its strategic asset allocation to Low Carbon Equities and renewable energy opportunities. The strategy is monitored and reviewed by the Committee.

15 CONSULTATION

15.1 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*
Background papers	*Various statistical documents.*
Please contact the report author if you need to access this report in an alternative format	

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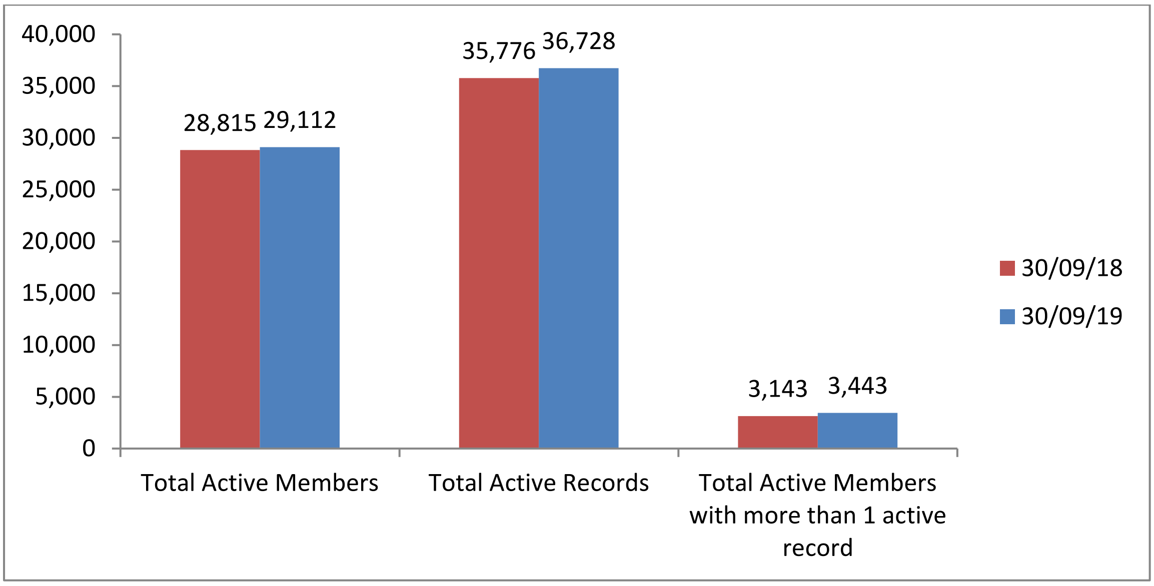
Membership data as at 30th September 2019 Appendix 1

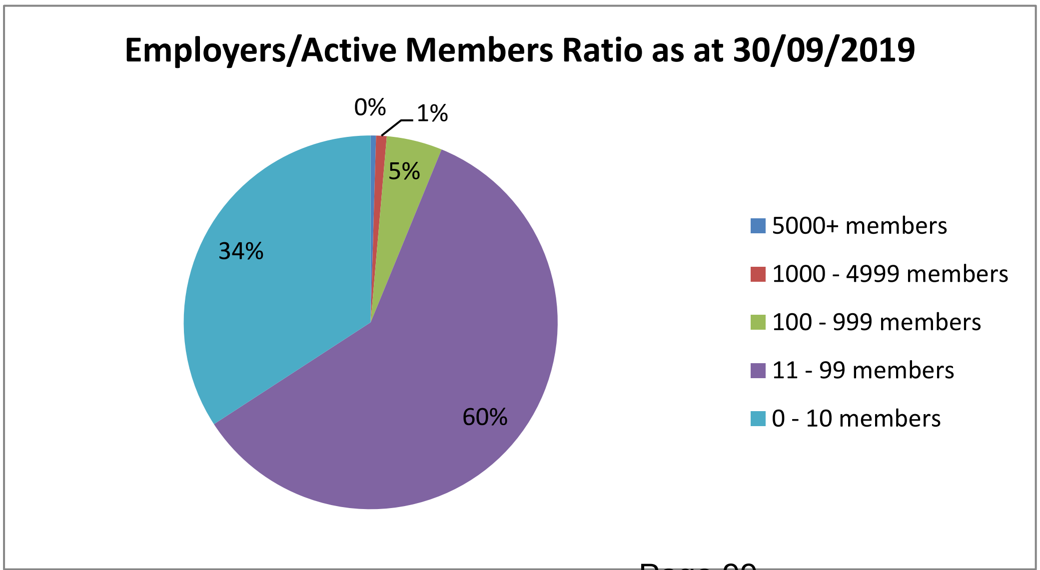
Annex 1

Active membership	30/09/2018	30/09/2019	+/-
Total Active Members	28,815	29,112	+297
Total Active Records	35,776	36,728	+952
Total Active Members with more than 1 active record	3,143	3,443	+300



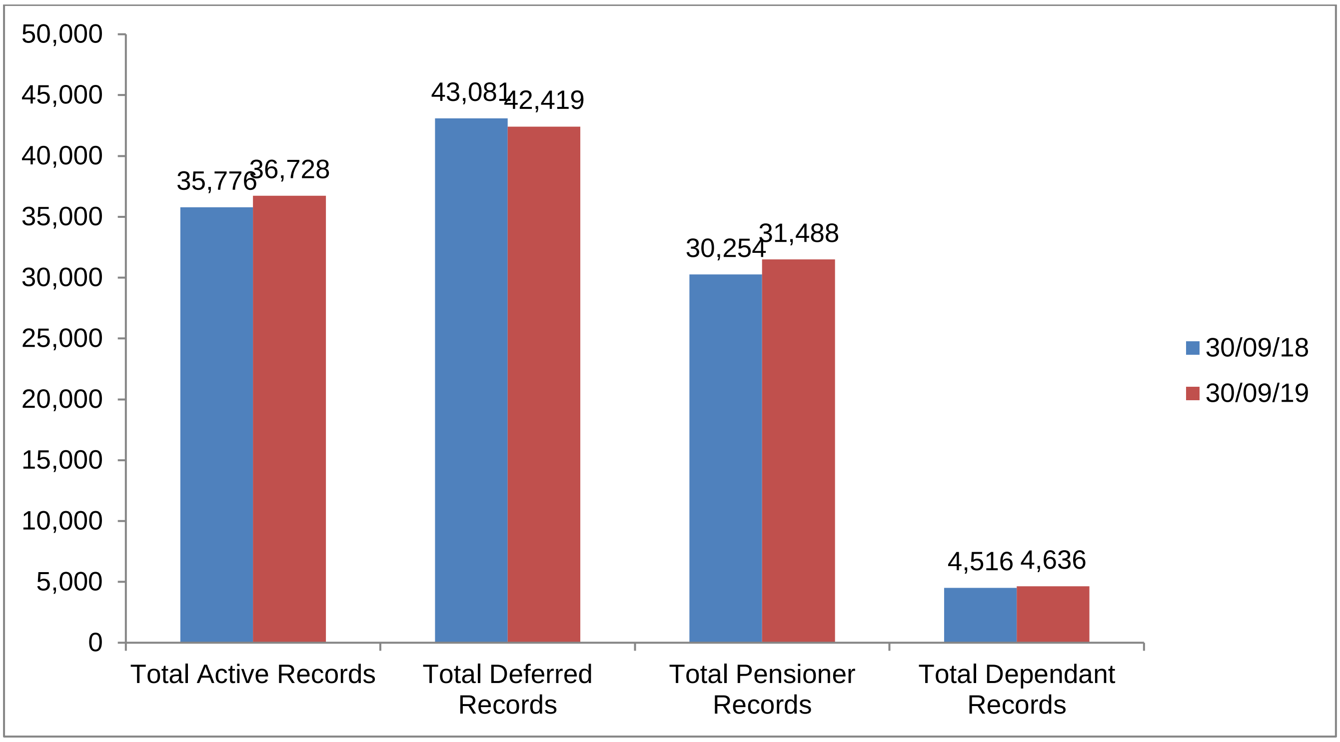
Annex 2

Employers/Active Members Ratio	30/09/2018	30/09/2019	+/-
Number of employers with 5000+ members	2	2	0
Number of employers with between 1000 and 4999 members	4	4	0
Number of employers with between 100 and 999 members	20	21	+1
Number of employers with between 11 and 99 members	223	260	+37
Number of employers with between 0 and 10 members	154	149	-5
Total	403	436	+33



Annex 3 – **Total number of member records by type**

	30/09/2018	30/09/2019	+/-
Total Active Records	35,776	36,728	+952
Total Deferred Records	43,081	42,419	-662
Total Pensioner Records	30,254	31,488	+1,234
Total Dependant Records	4,516	4,636	+120



Fund performance - Key Performance Indicators As at 30 September 2019 Appendix 2

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 - 15 days**	249	231	92.77%	7	95.58%
	Payment - 15 days	199	181	90.95%	3	92.46%
Retirement (from Deferred)	**Quote - 30 days**	120	77	64.17%	19	80.00%
	Payment - 15 days	396	376	94.95%	5	96.21%
Deaths	**Notification - 5 days**	98	95	96.94%	3	100.00%
	Payment - 10 days	92	85	92.39%	2	94.57%
Refund of contributions	**Quote - 10 days**	466	288	61.80%	104	84.12%
	Payment - 10 days	274	247	90.15%	11	94.16%
Deferreds (early leavers)	**30 days**	570	454	79.65%	116	100.00%
Transfers In	**Quote - 10 days**	180	69	38.33%	25	52.22%
	Payment - 10 days	91	57	62.64%	7	70.33%
Transfers Out	**Quote - 10 days**	289	75	25.95%	35	38.06%
	Payment - 10 days	17	4	23.53%	1	29.41%
Estimates	**Member - 15 days**	171	144	84.21%	11	90.64%
	Employer - 15 days	84	59	70.24%	6	77.38%
Divorce	**Quote - 45 days**	86	65	75.58%	0	75.58%
	Actual - 15 days	6	5	83.33%	1	100.00%
Starters	**40 days**	959	949	98.96%	0	98.96%
		4347	3461	79.62%	356	87.81%

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

		Tasks Last Quarter							
			Actual Days to Process						
		Average Days to Process	0 - 5	6 - 10	11 - 15	16 - 20	21 - 25	26 - 30	31+
Retirement (from Active)	**Quote - 15 days**	6	192	29	10	7	4	2	5
	Payment - 15 days	6	152	23	6	3	4	6	5
Retirement (from Deferred)	**Quote - 30 days**	6	96	7	6	2	4	1	4
	Payment - 15 days	4	320	38	18	5	4	2	9
Deaths	**Notification - 5 days**	1	95	3	0	0	0	0	0
	Payment - 10 days	5	73	12	2	2	0	3	0
Refund of contributions	**Quote - 10 days**	13	110	178	104	43	2	4	25
	Payment - 10 days	6	176	71	11	8	4	2	2
Deferreds (early leavers)	**30 days**	19	102	124	77	50	52	49	116
Transfers In	**Quote - 10 days**	33	36	33	25	10	6	0	70
	Payment - 10 days	22	47	10	7	3	4	0	20
Transfers Out	**Quote - 10 days**	27	30	45	35	36	11	29	103
	Payment - 10 days	40	4	0	1	1	0	0	11
Estimates	**Member - 15 days**	9	61	38	45	11	9	0	7
	Employer - 15 days	10	27	22	10	6	8	5	6
Divorce	**Quote - 45 days**	27	22	13	7	3	8	1	32
	Actual - 15 days	5	4	0	1	1	0	0	0
Starters	**40 days**	7	904	39	0	0	1	1	14

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

Annex 2

SLA Standards for Processing Admin Tasks						
Work Type	Target Processing SLA (Old/New)	Q4 (Old) Oct 18 - Dec 18	Q1 (Old) Jan 19 - Mar 19	Q2 (New) Apr 19 - Jun 19	Q3 (New) Jul 19 - Sept 19	Trend
Retirement (from Active)	Quote - 5 / 15 days	68.08%	69.43%	88.04%	92.77%	
	Payment - 5 / 15 days	77.25%	72.44%	92.27%	90.95%	
Retirement (from Deferred)	Quote - 30 days	71.83%	43.33%	64.90%	64.17%	
	Payment - 5 / 15 days	87.43%	70.44%	88.56%	94.95%	
Deaths	Notification - 5 days	86.60%	86.73%	100.00%	96.94%	
	Payment - 5 / 10 days	45.12%	61.76%	67.42%	92.39%	
Refund of contributions	Quote - 10 days	85.85%	82.22%	77.82%	61.80%	
	Payment - 10 days	90.69%	92.48%	82.60%	90.15%	
Deferreds (early leavers)	Notification - 20 / 30 days	47.04%	65.70%	88.81%	79.65%	
Transfers In	Quote - 10 days	67.16%	35.71%	22.73%	38.33%	
	Payment - 10 days	52.94%	24.24%	14.29%	62.64%	
Transfers Out	Quote - 10 days	46.77%	52.11%	71.79%	25.95%	
	Payment - 10 days	57.89%	15.79%	21.74%	23.53%	
Estimates	Member - 10/15 days	55.90%	64.23%	63.40%	84.21%	
	Employer - 15 days	N/A	N/A	71.30%	70.24%	
Divorce	Quote - 45 days	N/A	N/A	100.00%	75.58%	
	Actual - 15 days	N/A	N/A	50.00%	83.33%	
Starters	40 days	N/A	N/A	98.85%	98.96%	
	Total Cases Processed	2696	2776	4148	4347	

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

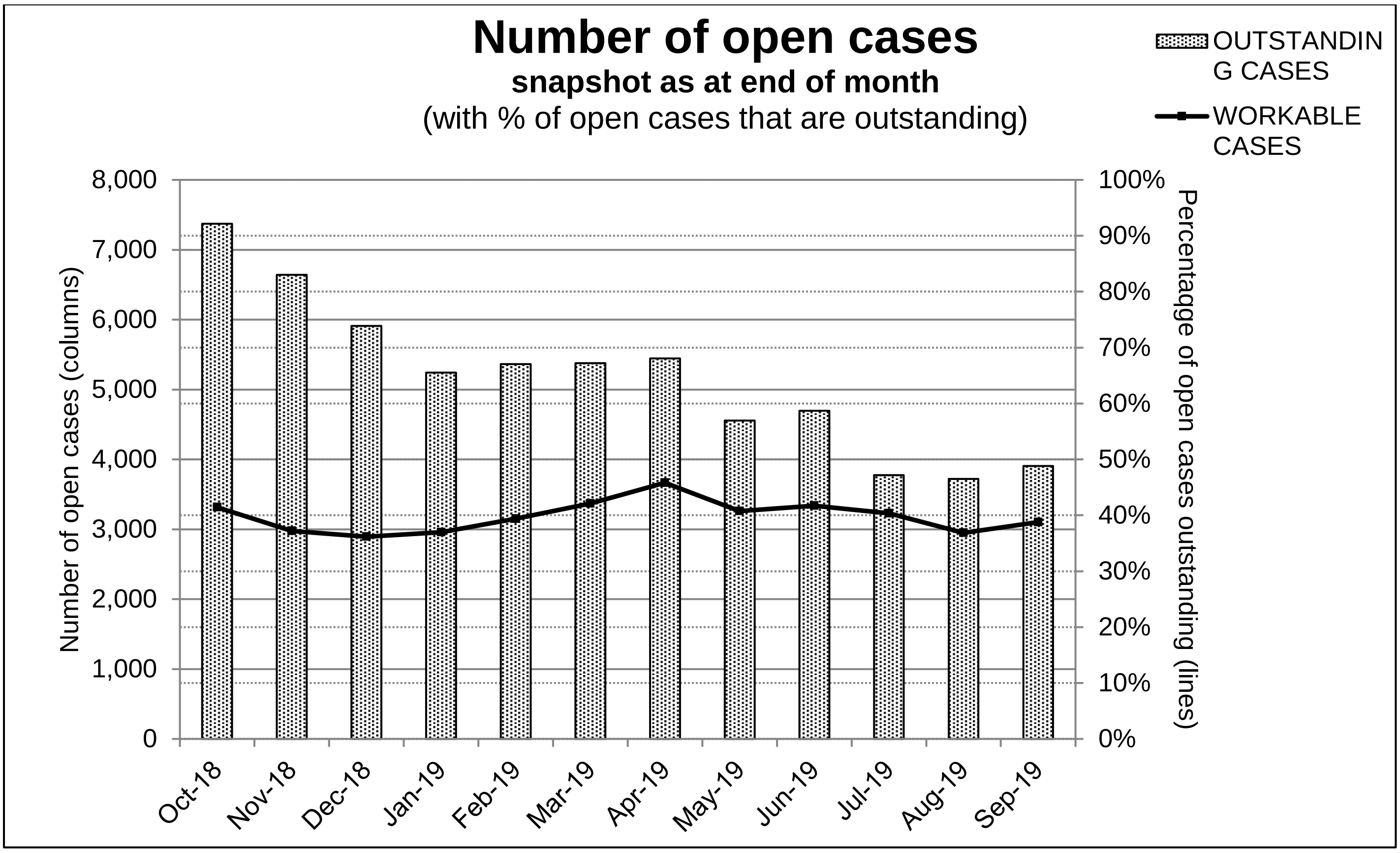
Annex 3

Statutory requirements	Timescale/deadline	3 months to 30/09/19	Notes
Year End data from employer	by 30 June	0	N/A this period
Issue ABS	by 31 August	YES	Active members = 97.4% *(Deferred members = 99.8%, sent previous period)*
Notify scheme changes	within 3 months	0	N/A this period
Issue Active member newsletter	2 issues per year	YES	Issued with ABS
Issue Deferred member newsletter	1 issue per year	0	N/A this period
Issue Pensioner member newsletter	1 issue per year	0	N/A this period

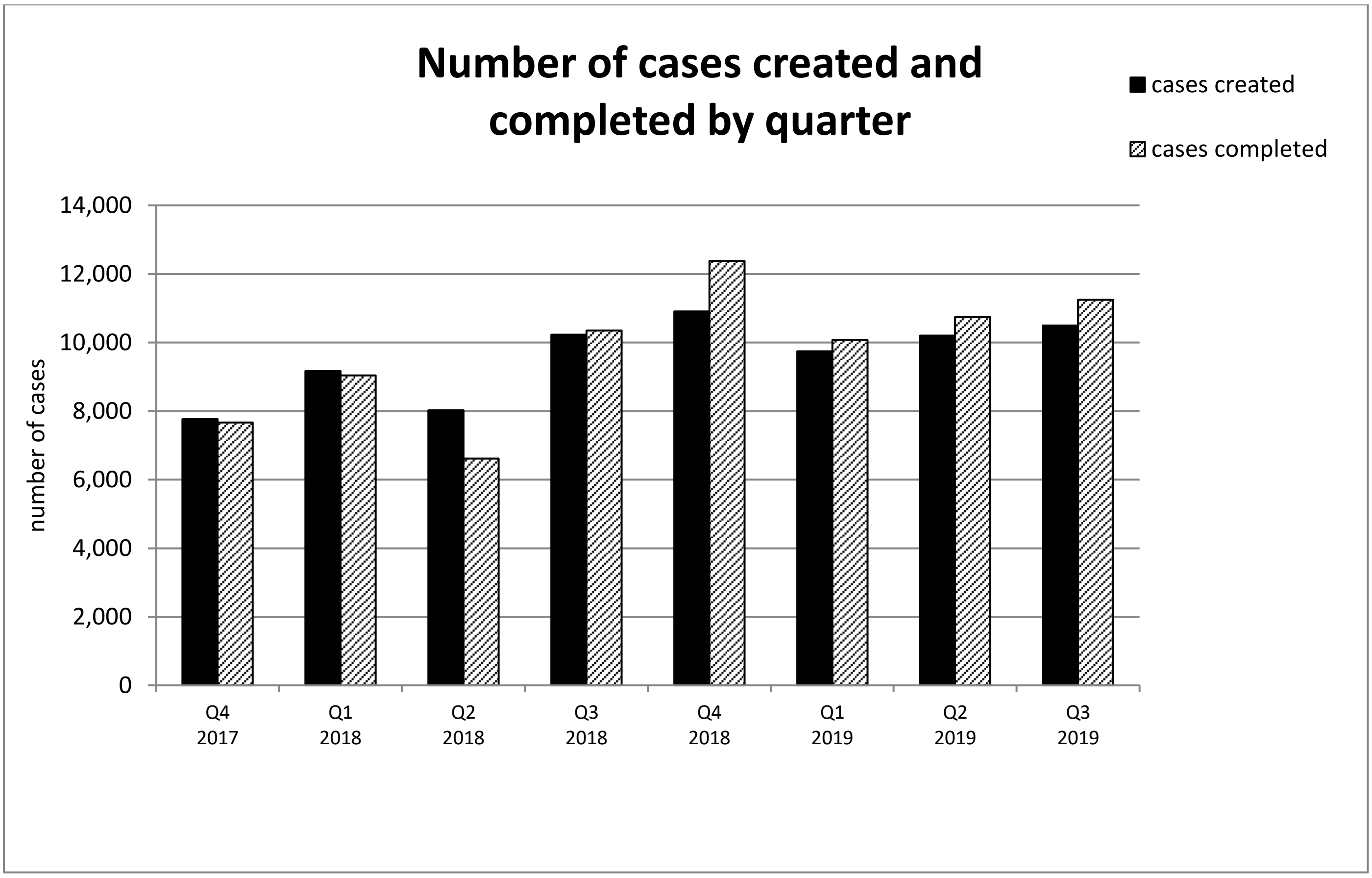
Annex 4

Other performance standards	3 months to 30/09/19	2018/19 target	Notes
Retirements survey - satisfaction %	79%	65%	
% of employers signed up to submit data electronically (ESS/iConnect)	66.1%	70%	
% of active membership covered by ESS/iConnect	96.2%	90%	
% of all members with electronic access (MSS)	24.1%	No target set	
% of active members with electronic access (MSS)	29.9%	No target set	

Annex 5



Annex 6



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SLA Requirement Reporting

	Requirement	Reporting Start Date	Reporting End Date	Other Information
Retirement (from Active)	15 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	10 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	30 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	15 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.
Divorce Quote	45 working days to provide a letter detailing the cash equivalent transfer value of benefits for divorce purposes	Date of Request from Member or Solicitor	Date Letter is Printed & Sent	
Divorce Actual	15 working days to implement a pension sharing order	Date received court order etc and payment of charges to implement	Date Letter is Printed & Sent	
Starters	40 working days to issue a welcome letter (statutory notice) to a new starter	Date starter notification recieved	Date Letter is Printed & Sent	

Appendix 2b

APF Completed Cases - Performance against Statutory Legal Deadline

		Cases Last Quarter - Jul 19 - Sept 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	105	88	83.81%
Retirement (from Deferred)	**Notification of Benefits**	23/46 days	119	117	98.32%
Deaths	**Notification of Benefits**	46 days	91	91	100.00%
Refund of contributions	**Notification of Entitlement**	46 days	466	466	100.00%
Deferreds (early leavers)	**Notification of Entitlement**	46 days	570	570	100.00%
Transfers In	**Provision of Quotation**	46 days	145	66	45.52%
Transfers Out	**Notification of Trf Value**	69 days	289	282	97.58%
	Payment of Trf Value	138 days	17	17	100.00%
Estimates	**Provision of Quotation**	46 days	177	163	92.09%
Divorce	**Provision of Quotation**	69 days	86	65	75.58%
	Application of Order	92 days	6	5	83.33%
Starters	**Statutory Notice Issued**	46 days	959	949	98.96%

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.

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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.

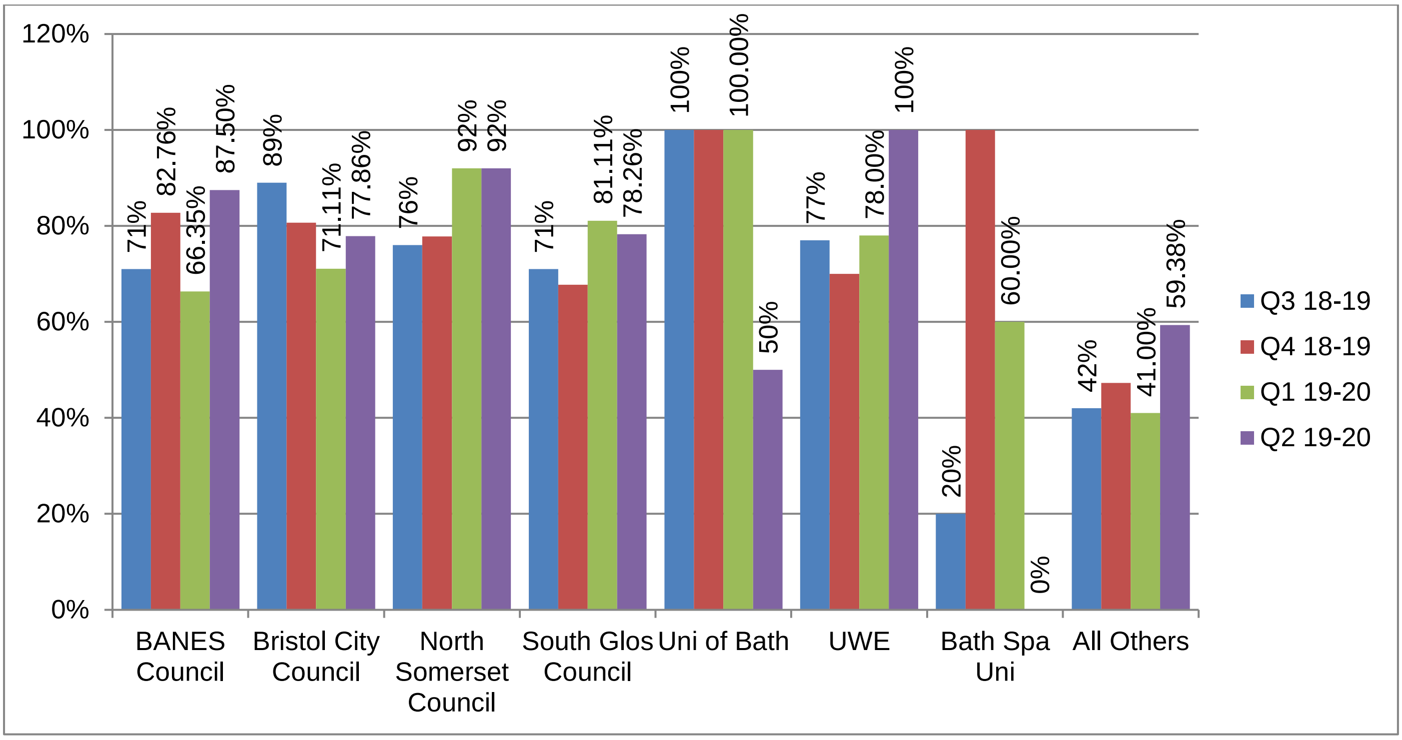
Transfers In	Obtain transfer details for transfer in, and calculate and provide quote to member within 2 months from the date of request.	Date of Request from Member	Date Transfer In Options are Printed & Sent	The clock is stopped on the Legal Requirement Reporting for the period that we are waiting 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 is 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
Divorce - Quotations	Provide a cash equivalent transfer value for divorce purposes within 3 months from the date of request.	Date of Request from Member/Solicitor	Date Letter is Printed & Sent	
Divorce - Actuals	Apply a pension sharing order within 4 months of receiving all of the necessary information required to implement	Date Documentation Received	Date Confirmation of Order being Implemented is Printed & Sent	The clock is stopped on the Legal Requirement Reporting for any period where we are waiting for payment of the fees to implement the order from the member.
Starters	Provide new starters with a membership certificate within 2 months from date of starter notification being received	Date of Starter Notification	Date Letter is Printed & Sent	

Employer Performance 3 months to 30th September 2019 Appendix 3

Completed leaver forms by employers for retirements within SLA targets.

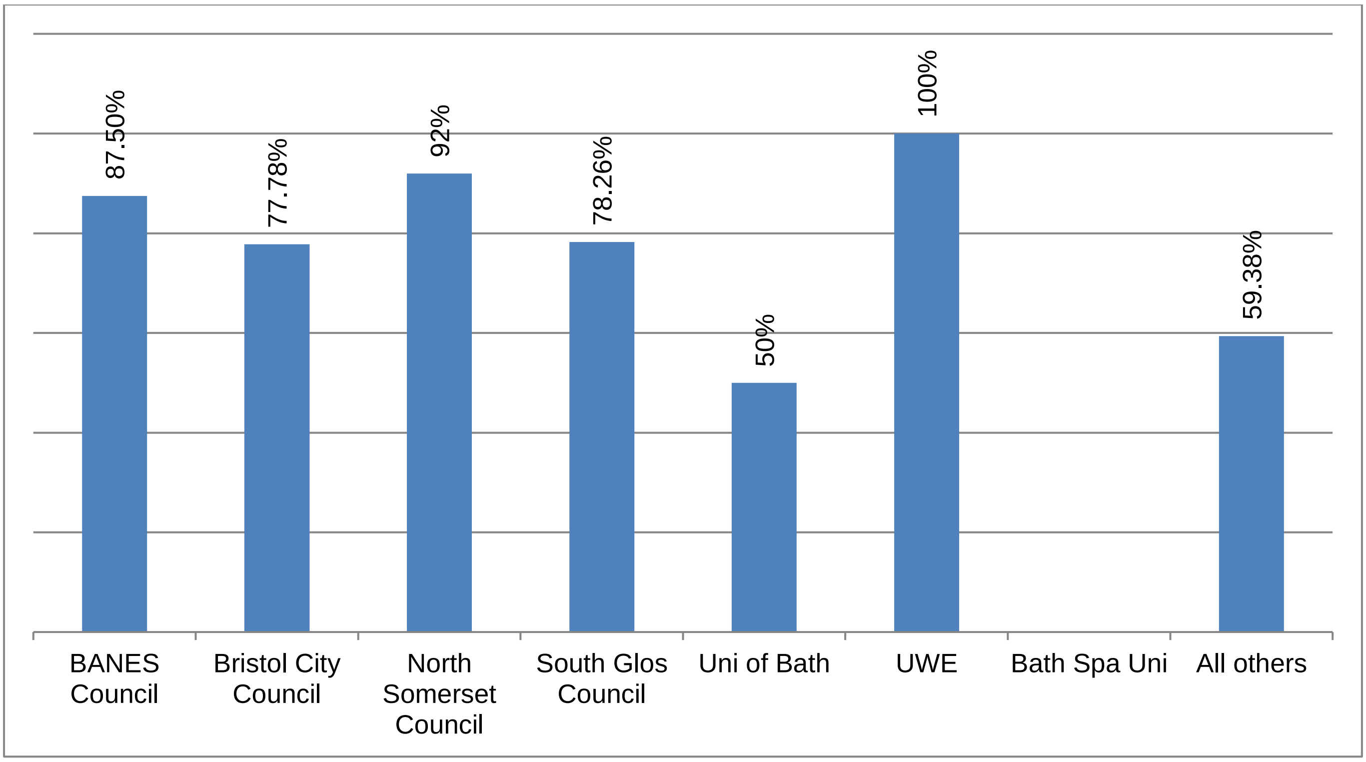
Annex 1 – **Total cases - Percentage and number of cases completed within target**

	Q3 18-19	Q4 18-19	Q1 19-20	Q2 19-20
BANES Council	71%	82.76%	66.35%	87.50%
Bristol City Council	89%	80.70%	71.11%	77.86%
North Somerset Council	76%	77.78%	92%	92%
South Glos Council	71%	67.74%	81.11%	78.26%
Uni of Bath	100%	100.00%	100.00%	50%
UWE	77%	70.00%	78.00%	100%
Bath Spa Uni	20%	100.00%	60.00%	0%
All others	42%	47.30%	41.00%	59.38%



Annex 2 – **Breakdown by case type within target**

Within target	Retirements		
	Cases	Within	%
BANES Council	8	7	87.5%
Bristol City Council	27	21	77.78%
North Somerset Council	12	11	92%
South Glos Council	23	18	78.26%
Uni of Bath	2	2	50%
UWE	4	4	100%
Bath Spa Uni	1	0	0%
All others	64	38	59.38%


87.50%
77.78%
92%
78.26%
50%
100%
59.38%
BANES Council
Bristol City Council
North Somerset Council
South Glos Council
Uni of Bath
UWE
Bath Spa Uni
All others

TPR Improvement Plan data As at 30th September 2019 Appendix 4

Annex 1 – TPR Errors by Member Numbers

	June 2019				September 2019				
	Member Records	**TPR Errors**	**% Errors**	**Data Score**	**Member Records**	**TPR Errors**	**% Errors**	**Data Score**	**Trend**
ACTIVE	36934	228	0.62	99.38	36732	714	1.94	98.06	▼
UNDECIDED	2933	385	13.13	86.87	3180	358	11.26	88.74	▲
DEFERRED	42331	4265	10.08	89.92	42414	4443	10.48	89.52	▼
PENSIONERS	31082	157	0.51	99.49	31486	153	0.49	99.51	▲
DEPENDANTS	4766	97	2.04	97.96	4819	88	1.83	98.17	▲
FROZEN	3958	1123	28.37	71.63	4092	1169	28.57	71.43	▼
TOTALS	122004	6255	5.13%	94.87%	122723	6925	5.64%	94.36%	▼

Annex 2 – Outstanding Queries by Type

	June 2019		September 2019		
	TPR Errors	**%**	**TPR Errors**	**%**	**Trend**
Age 75 exceeded LGPS eligibility issue	53	0.78%	57	0.7%	▲
CARE pay for 2014-2015 required	4	0.06%	38	0.5%	▲
CARE pay for 2015-2016 required	10	0.15%	49	0.64%	▲
CARE pay for 2016-2017 required	24	0.36%	112	1.4%	▲
CARE pay for 2017-2018 required	47	0.70%	185	2.42%	▲
CARE pay for 2018-2019 required	4	0.06%	383	4.95%	▲
Casual hours data required	9	0.13%	21	0.27%	▲
Historic refund case	699	10.35%	578	7.5%	▼
Leaver form required	289	4.28%	263	3.40%	▼
Missing data on leaver form - escalation	2	0.03%	0	0.00%	▼
Correct hours format required	2	0.03%	0	0.00%	▼
Correct Forenames required	12	0.18%	11	0.14%	▼
Correct gender required	4	0.06%	4	0.05%	▼
Correct NINO required	158	2.34%	156	2.04%	▼
Correct address required	5414	80.17%	5756	75.3%	▲
Correct title required ie Miss or Mr	6	0.09%	6	0.07%	▼
Pay Ref required	3	0.04%	8	0.1%	▲
Date joined fund	0	0.00%	1	0.01%	▲
Data required from a previous employer	13	0.19%	12	0.15%	▼
Grand total	**6753**	**100.00%**	**7640**	**100.00%**	▲

Common Data
Scheme Specific Data

Annex 3 – Outstanding TPR by status

	TPR Errors June 2019	%	TPR Errors Sept 2019	%
1 ACTIVE	**236**	**100.00%**	**936**	**100%**
CARE pay for 2014-2015 required	3	1.27%	37	3.95%
CARE pay for 2015-2016 required	6	2.54%	48	5.13%
CARE pay for 2016-2017 required	16	6.78%	104	11.11%
CARE pay for 2017-2018 required	38	16.1%	173	18.48%
CARE pay for 2018-2019 required	2	0.85%	371	39.64%
Casual hours data required	5	2.12%	13	1.39%
Correct Forenames required	2	0.85%	1	0.11%
Correct gender required	3	1.27%	3	0.32%
Correct hours format required	2	0.85%	0	0%
Correct address required	144	61.02%	159	16.99%
Correct NINO required	3	1.27%	7	0.75%
Pay Ref required	1	0.42%	7	0.75%
Leaver form required	5	2.12%	8	0.85%
Data Required from a previous employer	6	2.54%	5	0.53%
2 UNDECIDED	**397**	**100.00%**	**371**	**100.00%**
Age 75 exceeded LGPS eligibility issue	3	0.76%	5	1.34%
CARE pay for 2014-2015 required	1	0.25%	1	0.27%
CARE pay for 2015-2016 required	4	1.01%	1	0.27%
CARE pay for 2016-2017 required	8	2.02%	8	2.15%
CARE pay for 2017-2018 required	8	2.02%	10	2.69%
CARE pay for 2018-2019 required	2	0.5%	12	3.23%
Casual hours data required	3	0.76%	6	1.61%
Correct NINO required	1	0.25%	0	0%
Correct address required	68	17.13%	72	19.62%
Leaver form required	284	71.54%	247	66.40%
Pay Ref required	2	0.05%	1	0.27%
Missing data on leaver form - escalation	2	0.5%	0	0%
Correct gender required	1	0.25%	0	0%
Data Required from a previous employer	7	1.76%	7	1.88%
Historic refund case	3	0.76%	1	0.27%
Date joined fund required	0	0%	0	0%
4 DEFERRED	**4297**	**100.00%**	**4477**	**100.00%**
Age 75 exceeded LGPS eligibility issue	7	0.16%	7	0.16%
CARE pay for 2017-2018 required	1	0.02%	2	0.04%
Casual hours data required	1	0.02%	2	0.04%
Correct address required	4240	98.67%	4418	98.68%
Correct NINO required	48	1.12%	47	1.05%
Leaver Form Required	0	0%	1	0.02%

5 PENSIONERS	**157**	**100.00%**	**154**	**100.00%**
Correct address required	156	99.36%	153	99.35%
Correct NINO required	1	0.64%	1	0.65%
6 DEPENDANTS	**99**	**100.00%**	**91**	**100.00%**
Correct address required	39	39.39%	37	40.66%
Correct title required ie Miss or Mr	5	5.05%	5	5.49%
Correct NINO required	55	55.56%	49	53.85%
9 FROZEN	**1567**	**100.00%**	**1611**	**100.00%**
Age 75 exceeded LGPS eligibility issue	43	2.74%	45	2.79%
Correct Forenames required	10	0.64%	10	0.62%
Correct title required ie Miss or Mr	1	0.06%	1	0.06%
Correct address required	767	48.95%	825	51.21%
Correct NINO required	50	3.19%	51	3.17%
Historic refund case	696	44.42%	677	42.02
Date joined fund required	0	0%	1	0.06%
Leaver form required	0	0%	1	0.06%
Grand Total	**6753**	**100.00%**	**7640**	**100.00%**

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APPENDIX 5

Late Payers to 30th September 2019

Employer	Payroll Month	Days late	Cumulative occasions	Amount £	Significance	Reason / Action
July to September						
Aspens	July	15	2	17,535.47	Significant value and days late	The Aspens finance department have held up payment to ensure accuracy of payments (they have previously paid on exited employers). September contributions were paid on time.
Bristol Disability Equality Forum	July	8	5	348.51	Significant days late	Chased several times with employer. Administrator had only recently been replaced and, in any event, only works 2 hours a week. Co-Chair and Treasurer paid outstanding contributions and August contributions in advance on 30th August. They have now set up a standing order and as a result no further late payments have been made.
Learning Partnership West	July	27	3	140.83	Significant days late	Employer did not have access to the website and was not submitting LGPS50 returns. Employer has now been trained and so should make payments on time going forward.
Aspens	August	11	3	17,150.60	Significant value and days late	As above.
South West Grid for Learning	September	3	1	4,900.37	Significant value	Miscommunication between departments at SWGL. Once they were aware of the issue they paid on the day the payment was chased.
Learning Partnership West	September	14	4	470.68	Significant days late	As above.
				40,546.46	**Over The 3 Months**	

Total Contributions in Period (excluding deficit payments)	35,148,309	Late payments value as a % of total = 0.12%. Late Payments received from 4 out of 397 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.		

Admin Report - Annex

Breach Report - North Somerset data breach 20/9/2019

<u>Over view of what happened:</u>

- 71 annual benefit statements (ABS's) containing Name, Address, Employer, email address, partnership status, Pensionable pay and Final Salary Pay information with projected Pension calculations were posted out containing a partially incorrect address.
- The postcode and the main body of the address is correct, but first line and postcode will not match.
- 15 ABS's have been returned via Royal Mail to APF. A total of 56 are unaccounted for although no pension members or members of the public have contacted APF about receiving an incorrectly addressed letter.

How did the breach occur?

North Somerset Council's (NSC) i-Connect data extract for the period April 2019 was uploaded by APF on 7/6/19. Employers normally load their own data directly in to Altair using i-Connect, however APF were still loading NSC's data files as part of the implementation process of on-boarding a new employer to i-Connect (they went live in February 2019). The address error occurred in the April file provided to the fund by NSC. NSC had applied a manual filter to the data extract to populate address line 2. This was a mandatory field in the IC extract (but not in NSC's payroll system i-trent). The filter was not used correctly and caused a data error and incorrectly updated the 1st line of the address for 71 members. The data for North Somerset's Annual Benefit Statements was extracted on 22/07/19 while the addresses were still incorrect. The addresses were subsequently corrected on the May data extract that was loaded on 23/7/19.

The breach was discovered following the return of a higher than normal amount of ABS's which lead to an internal investigation. On 20th September 2019 APF reported this as a GDPR breach to Information Governance and after further investigation it was reported to the ICO on 27 September 2019.

Action by APF following the breach

As a result of the beach APF have carried out a review of the way data is loaded on to the Altair database by employers and the checks and controls the fund has in place to monitor data. These checks and process have now been deemed inadequate and allowing employers to load data directly on to Altair without a high level of checks and fund approval is too high risk. Therefore, wef 4th October 2019 APF have decided to take the loading of all employer i-Connect data in-house and have changed the way the data is internally controlled, checked and monitored. New data tools have been created to compare the data and review it for possible errors. A new sign off process is in place that requires the employer to declare the data is accurate plus an internal sign off process within APF before the data is loaded to confirm all checks have been carried out.

Other actions now in place:

- Review meeting with North Somerset and Liberata (payroll) to discuss the data error and how they create their data file
- Meeting with Financial Systems to review current controls and monitoring
- GDPR training for APF Administration on 27 November 2019
- All staff to re take APF online training and evaluation before 27 November 2019

Response from ICO

On 13 November 2019 the ICO responded to the data breach to confirm not further action is required based on the action we have already implemented. Other recommendations were made as follows:

- Communicate amongst staff the importance of data security and reiterate the significance of being robust regarding their use, dissemination and storage of personal data;
- Review the content of your data protection training and also the frequency of your refresher training to ensure that sufficient practical guidance is given to staff in how to comply with the GDPR and the DPA 2018. Also consider your methods of control, delivery and monitoring of such training and of ensuring staff who deal with personal data complete this. This training should also be tailored to specific roles. The ICO recommends, as good practice, that refresher training is carried out annually. However, the ICO also recognises that some organisations may be restricted by available resources but would recommend that, in such cases, refresher training does not exceed two years;

All recommendations from the ICO have been implemented.

Claire Newbery 18/11/19

Bath & North East Somerset Council		
MEETING:	**LOCAL PENSION BOARD - AVON PENSION FUND**	
MEETING DATE:	**28 November 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 Several new entries have been added to the register this quarter and include:

- Climate Emergency – there is a risk that the Fund does not meet the Council's commitments to this policy. Actions taken to mitigate the risk include a digital strategy to reduce the Fund's carbon footprint and implementation of a low carbon global equity portfolio.

- Cyber Risk – systems could be compromised by hacking or weak controls resulting in loss or misuse of member data. The Fund operates under BANES corporate policy for cyber security.

- IConnect – the aim is that all employers will transfer data monthly by March 2020. Data is uploaded direct from an employer's payroll direct to the pension database. The risk is that members' records are incorrect as well as the resulting employer liabilities. A control framework is in place to mitigate risk and a data protection impact assessment has been carried out with Information Governance.

- McCloud age discrimination court case - There is a risk that liabilities will increase as a result of extended protections and additional workload will be required to implement any prescribed amendments. The 2019 valuation will estimate the cost and the FSS will state how extra cost will be implemented. A project will be set up to deal with additional workload once known.

- Exit credits – there is a risk of dispute between the exiting employer and the original outsourcing body about who should receive any exit credit payment. A policy has been put in place to clarify how any exit credit will be paid.

4.5 The process for managing the risk register is due to be reviewed and will be presented to the Pensions Committee in due course for approval.

5 CLIMATE CHANGE

5.1 The Fund is implementing a digital strategy across all its operations and communications with stakeholders to reduce its internal carbon footprint. The Fund acknowledges the financial risk to its assets from climate change and is in the process of addressing this through its strategic asset allocation to Low

Carbon Equities and renewable energy opportunities. The strategy is monitored and reviewed by the Committee.

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	

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Owner(s): Liz Woodyard / Geoff Cleak **Date updated: 05/09/2019**

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

	#	DESCRIPTION	DATE ENTERED	RISK OWNER	CATEGORY	RISK SCORE: Likelihood					RISK SCORE: Impact					OVERALL TOTAL	CURRENT OVERALL STATUS	PERIODS AGO			CURRENT STATUS OF ACTIONS	ACTIONS TO MANAGE RISK	KEY UPDATES/CHANGES TO ACTIONS DURING PERIOD
						1	2	3	4	5	1	2	3	4	5			1	2	3			
	R28	Risk - The Fund is unable to recruit appropriately skilled staff exacerbated by the creation of Brunel based in Bristol which will manage the fund's assets Implication - This could restrict the Fund's ability to develop and implement the service plan and administer the Fund.	01-Jul-08	All Team Managers	Governance					5					5	25	HIGH	H	H	H	On target	• Complete performance review process with all staff to identify training and professional qualification needs based on service requirements. • Succession planning to build resilience, minimise risk of losing skilled/specialist staff & improve ability to implement temporary cover. • Rebuilding Investment team after losing staff to Brunel and strengthened Governance and Risk Management within the fund. • Strategic priorities are continually risk reviewed. • The 2019/22 Service Plan provides for extra resource to support delivery of strategic training plan.	
	R42	Risk - Increased 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 defines the investment principles and the strategy. • The Fund participates in Brunel 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.	
11	R25	Risk - some members face re-election simultaneously leading to lack of knowledge and continuity within the Committee Implications - Until members are fully trained there may be a delay in decision making.	01-Jul-08	Pensions Investments Manager	Governance				4				3			12	MEDIUM	M	M	M	On target	• There is a training plan in place linked to the 3 year Service Plan, which is periodically reviewed. • The Committee includes 3 independent members that are not subject to the electoral cycle. • An induction programme is provided for all new members, tailored for the Committee agenda for the next 12 months. • Periodically a self-assessment of training needs is undertaken to ensure knowledge gaps are identified and addressed in the training plan. This is now more important in order for the Fund to retain Professional Investor status under MIFID II.	

1	R26	Risk - The Fund fails to achieve investment returns sufficient to meet its liabilities as set out in the valuation. This may be due to strategy failure or investment managers appointed for each investment mandate failing to achieve their benchmark. Implications - this could negatively impact employer contribution rates.	01-Jul-08	Pensions Investments Manager	Investment Strategy			3						4		12	MEDIUM	M	M	M	On target	• A strategic review of the investment strategy is undertaken at least every 3 years. Climate change has been indentified as a risk to the performance and value of the assets. The strategic policy includes the development of solutions to address this risk. • The Fund adopts a diverse strategy across assets and managers which limit the impact of any one asset class or manager on the performance of the fund. • The strategy is monitored quarterly and annually by Committee (between strategic reviews). • The Fund implements risk management strategies as appropriate to increase probability that funding plan will be achieved • The managers are monitored against their mandate guidelines quarterly by the Investments Panel. • Recommendations for action are made to Committee or actioned under delegated powers of the Panel. • Specialist advice is commissioned • As assets have started to transition to Brunel, the responsibility for monitoring and selecting investment managers will transfer to Brunel and The Fund will monitor Brunel's portfolios and capability as the manager.	
4	R05	Risk - Failure to secure and manage personal data held by the Pension Fund in line with Data Protection Regulations (GDPR) Implications – fines and reputational damage if systems and processes are not in place and are complied with.	01-Jul-08	Pensions Manager	Admin Strategy			3						4		12	MEDIUM	M	M	M	On target	• All staff undertake GDPR online training programme. • Personal data is shared with 3rd parties through secure portals, compliant with B&NES DP policies. • GDPR privacy notices provided to all members. • Memorandum of understanding agreement in place with employers • Project in place to ensure GDPR compliance & identify processes that need to be put in place.	
2	R51	Risk – The Fund will retain incorrect pension liability after the GMP Reconciliation Exercise when it will no longer be possible to transfer liability. Implications – additional costs due to paying pensions based on incorrect liability	10-Aug-15	Technical & Compliance Advisor	Admin Strategy			3						4		12	MEDIUM	M	M	M	On target	• GMP reconciliation project in place. • Additional resource of 1.5 FTE to carry out reconciliation. • Exceptions reported to HMRC • rectification of overpayment cases • progress/action reports provided to Pensions Committee & LPB.	
3	R56	Risk - Significant increase in employers especially if all schools convert to academy status. Implications – the Fund will need additional resources to cope with the extra workload and ensure employers comply with responsibilities under the scheme		Pensions Manager	Admin Strategy				4				3			12	MEDIUM	M	M	M	On target	• Resources have been increased to support employer services within both actuarial and administration teams. • Significant focus on developing more efficient automated processes eg Iconnect & ERM	
6	R59	Iconnect relies on employers uploading data from their payroll system directly to the pension database. Risk is member data on records could be incorrect and potential incorrect valuation of employer liabilities	11-Sep-19	Pensions Manager				3					3			9	Medium				On target	Control framework is in place covering user access and password control, data validation & reconciliation, identificaton of employer training needs. The Fund is currently undergoing a digital programme to onboard all employers to Iconnect. DPIA has been carried out with Information Governance	

28	R54	Risk – a delay in the transition of local fund assets to the Brunel portfolios Implications – any delay could seriously impact the Fund's and pool's ability to deliver savings according to financial case.	01-Jul-16	Pensions Investments Manager	Governance		2							4		8	MEDIUM	M	M	M	On target	• The Brunel governance structure is in place to 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's transition plan in place and monitored by Client Group. Issues are escalated to Brunel Oversight Board. • Fund specific plan to ensure any decisions / governance required are identified and dealt with accordingly. • Quarterly Committee agenda includes Brunel update report.	
	R60	Banes has declared a climate emergency. The risk is that The Fund does not meet the Council's commitments under this policy. In addition climate change poses a risk to the Investment strategy	11-Sep-19	Head of Business, Finance and Pensions			2						3			6	LOW				On taget	The Fund is investing in and implementing its digital strategy to reduce its carbon footprint especially in relation to administration and communication. In 2016 The Fund identified the risk of climate change to its asset portfolio and since then has been developing solutions to manage this risk. To date it has implemented a low carbon global equity portfolio, a sustainable equities portfolio and made investments in renewable infrastructure assets	

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Bath & North East Somerset Council		
MEETING:	**LOCAL PENSION BOARD - AVON PENSION FUND**	
MEETING DATE:	**28th November 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 **<u>Work Plan</u>**

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	

<u>Avon Pension Fund – Local Pension Board – High Level Training Requirements/Plan</u> **Appendix 1**

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	**Ongoin**

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Appendix 2 – LPB Work Plan

AGENDA ITEM	13/06/19	28/11/19	20/02/20	TBC June 20	TBC Sept 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		
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)					
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	X	
ABS process annual review					X
GMP reconciliation (one off exercise)					
Discretions policies review					X
Admin performance benchmarking			X		
Comms policy statement and website review				X	
Complaints policy, IDRPs, PO cases review					X

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