

Pension Board

Date: Friday, 13th November, 2020

Time: 2.00 pm

**Venue: Virtual Meeting - Zoom - Public Access via
YouTube**

<https://www.youtube.com/bathnescouncil>

Board Members: Nick Weaver (Chair), Pete Sloman (Employer Representative), Helen Ball (Member Representative), 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>

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.

3. Broadcasting of Meetings

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The Council may also use the images/sound recordings on its social media site or share with other organisations, such as broadcasters.

4. Public Speaking at Meetings

The Council has a scheme to encourage the public to make their views known at meetings. They may make a statement relevant to what the meeting has power to do. They may also present a petition or a deputation on behalf of a group.

Advance notice is required not less than two working days before the meeting.

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<https://democracy.bathnes.gov.uk/ecCatDisplay.aspx?sch=doc&cat=12942>

5. Supplementary information for meetings

Additional information and Protocols and procedures relating to meetings

<https://democracy.bathnes.gov.uk/ecCatDisplay.aspx?sch=doc&cat=13505>

Pension Board - Friday, 13th November, 2020

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A G E N D A

1. WELCOME & INTRODUCTIONS
2. APOLOGIES FOR ABSENCE
3. DECLARATIONS OF INTEREST

At this point in the meeting declarations of interest are received from Members in any of the agenda items under consideration at the meeting. Members are asked to indicate:

- (a) The agenda item number in which they have an interest to declare.
- (b) The nature of their interest.
- (c) Whether their interest is a **disclosable pecuniary interest** or **an other interest**, (as defined in Part 2, A and B of the Code of Conduct and Rules for Registration of Interests)

Any Member who needs to clarify any matters relating to the declaration of interests is recommended to seek advice from the Council's Monitoring Officer or a member of his staff before the meeting to expedite dealing with the item during the meeting.

4. TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR
5. ITEMS FROM THE PUBLIC
At the time of publication no notifications had been received.
6. ITEMS FROM MEMBERS
At the time of publication no notifications had been received.
7. MINUTES OF PREVIOUS MEETING - 28TH NOVEMBER 2019 (Pages 7 - 16)
8. LGPS REGULATORY UPDATE (Pages 17 - 50)

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.

9. FUND & EMPLOYER PERFORMANCE (Pages 51 - 72)

The purpose of this report is to inform the Pension Board of the performance for Fund Administration for the period up to 30th September 2020 and actions undertaken following the Coronavirus outbreak and UK lockdown on 23rd March 2020.

10. STATUTORY ANNUAL REQUIREMENTS (Pages 73 - 76)

The purpose of this report is to inform the Pension Board of the actions undertaken by the Fund Administration in completion of the 2019/2020 employer year end data exercise and statutory annual benefit statement exercise.

11. BREACHES LOG (Pages 77 - 90)

The purpose of this report is to update the Pension Board on the Fund's Breaches Policy, procedure for recording & reporting breaches, training carried out for Teams and breaches recorded in the last year.

12. RISK MANAGEMENT (Pages 91 - 98)

The purpose of this report is to update the Pension Board with the new risk management process introduced in March 2020 and new risk register.

13. PENSION BOARD - WORKPLAN & TRAINING PLAN (Pages 99 - 116)

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.

The Committee Administrator for this meeting is Mark Durnford who can be contacted on 01225 394458.

BATH AND NORTH EAST SOMERSET

PENSION BOARD

Thursday, 28th November, 2019

Present:- Nick Weaver (Chair), 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), Tony Bartlett (Head of Business, Finance and Pensions), Geoff Cleak (Pensions Manager) and Carolyn Morgan (Governance and Risk Advisor)

20 EMERGENCY EVACUATION PROCEDURE

The Democratic Services Officer advised the meeting of the procedure.

21 APPOINTMENT OF CHAIR

The Service Director – One West informed Members that Nick Weaver been selected as the preferred candidate as Chairman of the Board following a competitive recruitment process. The previous Chairman, Howard Pearce, had not wished to be considered for a second term. Advertisements to invite applications for the two vacancies for Board Members would be placed shortly.

The Board was invited to approve the appointment of Nick Weaver as Chairman for a four-year period.

RESOLVED to approve the appointment of Nick Weaver as independent Chairman of the Avon Local Pension Board.

Nick Weaver joined the meeting and took the chair for the remainder of the meeting.

22 APOLOGIES FOR ABSENCE

There were none.

23 DECLARATIONS OF INTEREST

There were none.

24 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

There was none.

25 ITEMS FROM THE PUBLIC

There were none.

26 ITEMS FROM MEMBERS

There were none.

27 CHAIRMAN'S OVERVIEW AND INTRODUCTION

The Chair said that he would like to complete today's agenda relatively quickly, to that Members would have time to discuss the Board's future workplan and activities. His aim was to ensure that the Board was adding value to the work of the Avon Pension Fund. He would always welcome advice and suggestions from Members about how the Board operated.

28 MINUTES OF PREVIOUS MEETING: 13 JUNE 2019

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

A Member asked whether copies of Brunel's Climate Position Statement (second paragraph, item 10, agenda page 8) would be provided to Members. The Investment Manager said she believed it was available on the Brunel website; she would forward it to Members if they wished. The Brunel statement would be fed into the Pension Fund Committee's Strategic Investment Review; there would be a Committee workshop shortly, and a special meeting to agree the new policy would take place in February 2020. The Service Director – One West assured the Board that it would be kept updated about the progress of the Review.

29 AVON PENSION FUND INVESTMENT PANEL MINUTES 2 SEPTEMBER 2019

RESOLVED to note the Minutes of the meeting of the Avon Pension Fund Committee Investment Panel of 2 September 2019.

In response to questions from a Member the Investment Manager confirmed that the Strategic Review workshop referred to in the September minutes had taken place on 7 November. A further meeting of the Panel took place on 20th November, at which it been agreed that a further static Equity Protection Strategy (EPS) should be put in place for 12-18 months. The Investment Strategy Review would not be completed until February 2020, but decisions had to be taken on the EPS before then, as the current strategy would shortly begin to roll off.

30 AVON PENSION FUND COMMITTEE MINUTES 27TH SEPTEMBER 2019

RESOLVED to note the Minutes of the meeting of the Avon Pension Fund Committee of 27th September 2019.

31 FUNDING STRATEGY STATEMENT

The Investment Manager presented the report.

At the invitation of the Chair the Investment Manager commented on the issues raised by the Board in its response to the Funding Strategy Statement (FSS) consultation as detailed in section 4.10 of the report.

(a) Solvency

The Board had suggested that it might be prudent for the Fund to target greater than 100% solvency to smooth out the risk arising from market fluctuations. The actuary advised that that the Fund did not need to do that, as there was enough freedom in its discount rates and assumptions not to require higher solvency ratios, except in the case of some smaller employers who might be exiting the Fund.

(b) Deficit recovery

The Board had suggested that a reduction in the debt recovery period from 16 to 13 years could impact on employer contributions and trigger a negative reaction from the Fund's key stakeholders. However, the deficit recovery period could be tailored to employers' specific needs. As part of the valuation process every employer's results were reviewed. In general, the aim was to reduce the deficit recovery period for employers to at least 12 years. With some employers, such as Academies, it was more difficult, because they were facing very large increases in future service rates because of the McCloud decision and because of their employee profile and a reduction in the discount rate.

(c) Future regulatory changes

All known potential regulatory changes had been included in the FSS. The policy on McCloud had been made more specific, and all employers had been notified of their estimated McCloud-related additional costs. Because It is not known when the changes arising from the McCloud decision will be applied and because they will be backdated, employers will be asked to pay these costs from 1st April 2020.

(d) Climate change

The Board had recommended that the FSS should refer to climate change. However, it was felt that climate change was more appropriately addressed in the Investment Strategy Statement. The level of prudence included in the asset outperformance assumption is a contingency for all investment risk including climate change. There is a great deal of discussion in the actuarial profession about the impact of climate change on demographics and insurance, but nothing really meaningful has emerged at this stage. A Member noted that climate change was now frequently referred to in Pension Committee documents and was to be discussed at a Pensions Committee workshop in December, so it was a subject that naturally attracted the attention of the Board, which wanted to understand how it impacted on the Fund and the work of the Pensions Committee. The Head of Business, Finance and Pensions suggested that this had to be seen in perspective. The main task of the Pension Fund Committee was to ensure that sufficient returns were made on investments to pay pensions. Therefore, the Investment Strategy had to address risk, including climate risk. The Pensions Committee was currently reviewing its investment strategy and the workshop was part of that review. The draft of the new Investment Strategy would be considered by the Pensions Committee in March 2020. The Fund's officers had done a great deal of work on assessing climate change risk, though this work had not been widely publicised. There is in certain quarters a hope and an expectation that the Fund will do something dramatic in relation to climate change in its Investment Strategy, but what it can do is always subject to its primary duty of being able to pay pensions.

(e) Efficacy

The Board had recommended that the FSS should include policy statements on how the financial savings from APF asset pooling into BPP would affect future employers' contributions from 2019 onwards. The Investments Manager said that this was not felt to be appropriate. The FSS was about the wider picture of costs, the expected rate of return, the deficit and the level of contributions. Savings would be taken into account at the next valuation. It was expected that higher returns would be achieved through pooling, which would have a direct impact on the funding position.

The Chair asked whether there had been any recent cases of employers being unable to pay their contributions. The Investments Manager replied that this had not happened recently, though it had in the past. When an employer was felt to be particularly vulnerable, they were helped to leave the Fund so that their liabilities and costs could be capped. Employers usually became vulnerable because they had had a big fall in the number of employees while still having significant liabilities to the Fund. The Fund tries to move some employers facing difficulties onto the lower risk strategy, to try to reduce their investment risk and match their cash flow with their liabilities, but this is not easy at a time when bond yields are so low. The Chair asked whether the monitoring of at-risk employers is reported to the Pensions Committee. The Investment Manager replied that this was done annually. A report will be made in March 2020 after the completion of the valuation. There were a lot of meetings with individual employers taking place at present. Covenant assessment was an ongoing process, and there was a particular focus on further and higher education bodies, because they are not guaranteed, and on any community admission bodies that are not guaranteed.

The Chair noted that there are about four actuarial firms that dominate the LGPS market. One of those firms seems to offer to deliver the result that the client wants. The Government Actuary's Departments has an exercise to standardise the results of valuations. He used to work for a fund that was ranked 50 out of 89 in the GAD table on the ground that it had been too ambitious in its assumptions. He asked whether the GAD table was shared with the Avon Pensions Committee. The Investment Manager said that it was, and that Avon was generally ranked somewhere in the middle of the table. In her view GAD's assumptions were not relevant to any fund's investment strategy, and that their approach was purely a mechanism for standardisation. It does not help a fund to decide what to do, but just shows a fund's level of prudence. The Chair said it might be considered a reasonably good measure of prudence.

RESOLVED to note the process undertaken to finalise the Funding Strategy Statement.

32 REGULATORY UPDATE

The Pensions Manager presented the report.

Members discussed the impact of regulatory changes on the efficiency and effectiveness of the Fund.

The Chair recalled that in 2006 the Government had introduced 'pension tax simplification'. However, in the intervening years laws and regulations impacting on the LGPS had become more and more complicated. In the FT the previous Saturday a Government minister had been quoted as saying that the health pension scheme should not worry about breaking the tax laws. The Chair's concern was that over the past few years the LGPS had been subjected to unceasing change. How could the Board understand the impact of these changes on the service that the scheme's administrators were able to provide to members and, while forming its own opinion on how well the Fund was performing, work constructively with it? The Pensions Manager said he believed that the Fund's officers should demonstrate that robust processes were in place to respond to regulatory changes, that workloads were being regularly reviewed and that there was appropriate prioritisation.

The Head of Business, Finance and Pensions said that the Chair's question was a difficult one. The Fund was resourced for a 'normal' level of activity, but the legal and regulatory environment was constantly changing. He felt that the LGPS was being used as a means by which the Government pursues objectives that go beyond just the payment of pensions. He felt the most constructive thing that could be done through the work of the Board would be to try through engagement to ensure change happened in a more sensible way, and to try to get HMRC, the Scheme Advisory Board and other bodies to understand the impact of their directives etc on the LGPS. Part of the problem is that local government pensions practitioners are poorly represented on all the national bodies which dictate to the funds what they have to do, and that the Local Government Association (LGA), which might be expected to be the champions of local authority funds, is very under-resourced. The Chair commented that at a conference he had attended pensions managers had said that a subscription to the LGA of a couple of thousand pounds a year was excellent value for money in terms of the support received, and that they would be prepared to pay double the subscription to provide LGA with double the resources.

The Chair said that it was important for the Board to understand how the regulatory challenges were being managed by the Fund. The Head of Business, Finance and Pensions replied that the Fund tried to address them in its Annual Service Plan and Budget in March each year. There was, of course, always the possibility of a totally unforeseen issue arising during the year. The McCloud decision is a case in point: the legislative process is unlikely to resolve the issue for the next couple of years, but it is known that the impact will be as great as the mis-selling scandals of the 1990s. The Fund has to start addressing this now. So the next Service Plan will include provision for a specialist team to deal with McCloud, which will work on case identification and obtaining required information from employers where this was lacking. The Pensions Manager added that all retirement cases back to 2014 would have to be inspected, and potentially it might be necessary go back further than 2014, if there were appeals. A Member commented that this could put pressure on employers, who might find it difficult to put extra resources into pensions administration. There was also the possibility that the employer owing backdated payments did not exist anymore. The Head of Business, Finance and Pensions pointed out that in addition some members may have passed away adding further complexity. Another Member suggested that in a fair world the additional costs imposed by McCloud would not fall on the LGPS. The Chair agreed, and said that it now seemed that LGPS administrators were expected to be tax experts as well,

when big accountancy firms struggle with the interpretation of rules relating to lifetime allowances, annual allowances and protections.

A Member suggested that a summary sheet listing ongoing issues, such as McCloud, with actions taken, state of play, expected date of resolution and outcomes, would assist the Board in understanding how the Fund was responding to them. The Chair agreed, and noted that one of the first workshops proposed for the Board was on administration and delivery. He suggested this could include the Fund's response to regulatory challenges. The Board needed to understand how the Fund responded, how it developed and monitored plans to address the challenges, how it prevented important issues being overlooked and how it managed any unexpected challenges that arose.

After the discussion was concluded the Board **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'.

33 COMPLIANCE REPORT

The Pensions Manager presented the report.

The Chair referred to the report on the data breach (Annex 1) and suggested that this should be reviewed in the Board's digital strategy workshop with a view to learning how similar breaches might be prevented in future as digitization is rolled out. This might be achieved by reducing the amount of paper communications mailed to members and increasing online access. The Head of Business, Finance and Pensions said the digitization strategy emphasized self-service for employers and employees. This required a digital system with robust inbuilt controls, which the Fund's system did not have at present, though such systems were available in the marketplace. The digitization strategy would focus on specifying such a system and identifying a suitable supplier, which might not be the current supplier. He pointed out that the Pensions Regulator regulates funds, while there is no regulation for employers, so a security failure by an employer is the responsibility of the Fund. That needs to be addressed in the regulatory framework. The Pensions Regulator should introduce standards for employers, payroll providers and data control.

The Chair noted that the Fund had fined 15 employers for late submission of data, and asked how they could be helped to avoid this in the future. The Pensions Manager replied that late payers were at first offered training. If they were late submitting data two years in a row they were required to sign a document committing themselves to improve their performance and attend training. The penalty charges are set out in the Pensions Administration Strategy. The Chair asked whether information about how the escalation process was being applied was shared with the Committee and the Board. The Pensions Manager said that it would be included in a report to the next meeting of the Board and the affected employers would be named.

The Service Director – One West asked whether the data breach had been escalated within North Somerset Council. The Pensions Manager informed the Board that he had a conversation about it with the head of HR in North Somerset and with their payroll provider.

A Member said that he was aware that schools often did not take pensions into account when selecting their payroll provider. The Pensions Manager said that all employers in the Fund had been notified of their obligations in relation to data provision; consideration was being given to sending them regular reminders about it. The Head of Business, Finance and Pensions said that when Bath and North East Somerset ceased to provide payroll services to schools, it had sent them a document setting out all the issues they should take account of when procuring new payroll services and what conditions they should include in payroll contracts. However, he thought the failure of the Regulator to issue standards for employers was the most fundamental problem. He said that the Fund had no legal power to expel poorly performing employers. The most it could do was to report them to the Regulator, but the Regulator had little power over them because they were usually not breaching any regulation. A Member said that Bristol City Council took the decision not to offer payroll services to schools, so that the 100+ schools in Bristol have very many different payroll providers. In reply to a question from a Member the Pensions Manager confirmed that officers of the Fund had regular meetings with the finance officers of employers.

After the discussion the Board **RESOLVED** to note

1. membership data, Fund and Employer performance for the 3 months to 30th September 2019;
2. progress and reviews of the TPR Data Improvement Plan.

34 RISK UPDATE

The Pensions Manager and the Governance and Risk Advisor presented the report.

The Chair asked whether, in the light of the earlier discussion, McCloud should be registered as a separate risk. The Governance and Risk Advisor confirmed that it had been entered separately on the main risk register.

A Member asked whether there was any prospect of the top risk (ability to recruit appropriately skilled staff) being reduced. Officers replied that there was not. The Head of Business, Finance and Pensions said that recruitment and retention remained difficult; this was a problem throughout the LGPS. The Service Director – One West asked whether Brunel was fully staffed, as Brunel had intensified the level of risk by attracting staff from the Fund. The Head of Business, Finance and Pensions said that Brunel was now fully staffed and had taken on staff on temporary contracts in order to complete the transition process. It had taken investment staff from the Fund, but not administrative staff. It took 2-2½ years to fully train a pensions administrator, and it could be difficult to retain people because the salary the Council was able to pay was uncompetitive. There were currently two posts for Head of LGPS funds being advertised as well as Investment Manager and Investment Officer

posts at other funds The Fund had put in some protections to improve, staff retention and a fundamental review of the grading structure was due to take place. The Service Director – One West asked whether any consideration was being given to sharing services with other authorities. He understood that Devon and Somerset co-operated on pensions administration. The Head of Business, Finance and Pensions said that was a special arrangement; no further co-operation arrangements were being explored at present and it was unlikely that they would be while pooling was absorbing so much management time. At the end of transition in 20/21 or 21/22 and pooling is a success, thought might be given to pooling arrangements for administration, particularly since the SAB wanted to increase the independence of the funds from local authorities.

After discussion the Board **RESOLVED** to note the report.

35 TRAINING AND WORKPLAN UPDATE

The Chair asked for Members' views on the note he had circulated the previous day.

One Member said he found the formal meetings useful, because he was able to ask questions about the contents of reports. He suggested that an hour at a meeting could be dedicated to a particular topic. He also thought it would be worthwhile to revisit the relationship between the Board and the Committee. It would be also worthwhile to consider what other Local Pension Boards were doing.

The Service – Director said that although he had put four formal meetings in next year's workplan, that could be changed. He noted that all but one of the items on today's agenda were recurring standard items. Should these items be reported at Committee or shared with Members in some other way?

A Member said that it was sometimes difficult to follow the minutes of meetings at which he had not been present, but he thought it was part of the role of Board Members to see them.

The Head of Business, Finance and Pensions suggested that the work of the Board centred on testing the compliance of Fund with various requirements and judging whether that was improving.

A Member said that he felt there was sometimes information overload, and that it was not always easy to see the wood for the trees. He suggested that the Board should, with the help of officers, review the information that it needed and the areas it should focus on.

The Chair said that the quality of the service provided to members of the Fund, which was the prime concern, depended on many different factors. The Board needed to understand these factors and, where they were under the control of the Fund, judge if the Fund was performing efficiently and cost-effectively. He asked whether formal meetings should be preceded by workshops, from say 10.30-12.00. A Member recalled that previous workshops had only been 15 or 20 minutes long. The Service Director – One West asked Members whether for the February meeting the agenda should be pared back to allow the formal meeting to be completed in an

hour so that it could be preceded by a two-hour workshop on the administration strategy? Members indicated that they would find this useful.

The Chair asked how the valuation and other emerging issues would be factored into the Board's workplan. The Head of Business, Finance and Pensions said that they would go into the Pension Committee's workplan and as a product of that it can be decided when they should come to the Board. Online access to information, currently being rolled out to the Committee, could be made selectively available to Board Members.

A Member suggested that governance and the Administration Strategy should be the topics for early workshops. The Head of Business, Finance and Pensions proposed that there should also be an early workshop on Brunel, as being the biggest single change in the administration of the Fund. The Member suggested that Brunel could be looked as part of governance and the Administration Strategy, rather than be treated as an entirely separate topic. The Chair, however, suggested that Brunel impacted most on investment, whereas the Administration Strategy impacted most directly on Fund members. As far as governance was concerned, the Hymans Robertson report had only been published a couple of weeks ago and the LGPS managers' conference had taken place a couple of days later. He thought these to be digested, before governance was looked in detail. He suggested that an introduction on governance, however, would enable the Board to clarify its role.

The Service Director – One West said that he understood that the Board wished to proceed as follows:

1. that the formal agendas should be pared back;
2. greater provision of the right tools and information online;
3. workshops on priorities specified by the Board.

Members agreed with this. The Service Director – One West said he would email draft dates for workshops to Members.

Officers confirmed that recruitment for the two vacancies on the Board was ongoing.

After the discussion the Board **RESOLVED** to note the report.

The Head of Business, Finance and Pensions gave an update of the appointment of the new CEO of Brunel and progress on the review of governance arrangements. Members agreed that when Brunel was created it was natural that the governance arrangements were designed to give the individual funds assurance that their interests could not be overridden, but now that Brunel is operational it is important to ensure that Brunel is able to operate efficiently within the arrangements.

The meeting ended at 2.59 pm

Chair(person)

Date Confirmed and Signed

Prepared by Democratic Services

Bath & North East Somerset Council		
MEETING	Local Pension Board	
MEETING	13 November 2020	Agenda Item Number
TITLE:	LGPS Regulatory Update	
WARD:	All	
AN OPEN PUBLIC ITEM		
<p>List of attachments to this report:</p> <p>Appendix 1 – Current matters affecting LGPS administration February 2020</p> <p>Appendix 2 – Copy of final response to MHCLG consultation on ‘Removing Age Discrimination’</p>		

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 have also responded to a consultation that was issued by MHCLG on ‘Removing Age Discrimination’ which is included as Appendix 2.

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 response sent to the MHCLG consultation on ‘Removing Age Discrimination’.

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 HMT Public Sector Exit Payments Cap / MHCLG Consultation on Further Reform to Exit Payments

- (1) The government first consulted on plans to cap exit payments in the public sector in 2015 and subsequently launched a further consultation in April 2019 the key points of which were:-
 - a) A maximum exit payment of £95,000 which was to apply to a wide range of public sector employers, however, excluding some LGPS employers such as Universities and Colleges.
 - b) The cap was to include the value of any early retirement strain costs payable as a result of the exit.
 - c) There would be a provision for the cap to be waived in some exceptional circumstances.
- (2) In July 2020, the Government published its response to this consultation, confirming their intention to proceed with the implementation of the cap which remained set at £95,000 with no intention for this amount to be index linked going forward.
- (3) On 7 September 2020, MHCLG launch their own consultation on the changes required to the LGPS regulations to accommodate the cap, but also proposals for further reforms to exit payments for the LGPS only, which are:-
 - a) The actual pay used in severance calculations will be limited to £80,000;
 - b) The maximum severance (including statutory redundancy pay) will be limited to 3 weeks' pay per year of service or 15 months' pay, whichever is the lower
 - c) The amount available for any strain cost will be reduced by the statutory redundancy payment in all cases
- (4) On 15 October 2020, the regulations to implement the £95k cap, across the whole of the public sector, were signed and come into force on 4 November 2020. However, the LGPS amendment regulations required to implement the £95k cap are not likely to be implemented before 2021.
- (5) This leaves us in a position of legal uncertainty from the 4 November 2020 until such time as the LGPS amendment regulations come into force. APF are currently awaiting further guidance from the LGA and MHCLG on how to proceed with any cases that are caught by the cap and are also in the process of obtaining their own legal advice.

3.2 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.
- (6) The SAB agreed to establish two working groups, one to assist MHCLG in considering any areas of policy not centrally determined and the second to consider the challenge of implementing and communicating any changes.
- (7) In July 2020, MHCLG launched a consultation on amendments to the statutory underpin which are designed to remove age discrimination from the LGPS. The consultation closed on 8 October 2020 and we await their response which is expected in early 2021.
- (8) In the meantime, APF will be looking to carry out a data collection exercise with their employers to ensure any additional hour change and service break data is available for members that will be covered by the changes, as this data will be required to apply the remedy once it has been decided.

3.3 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) When this process resumes, if changes are still required, this will have a significant impact on the administration team.
- (7) On 16 July 2020, the Government announced that the cost control mechanism pause would now be lifted, for the unfunded public sector schemes, and the process restarted taking into account the costs of the McCloud remedy. We await further confirmation from SAB as to the position in relation to the LGPS process which is likely to be clarified in 2021 following the outcome of the McCloud consultation.

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 Reports and its contents have been discussed with the Head of Business Finance & Pensions representing the Avon Pension Fund and Service Director – One West representing the administering authority.

Contact person	<i>Kate Shore, Technical & Compliance Advisor; Tel 01225 395283</i>
Background papers	<i>LGA Bulletins SAB Meeting Minutes National Technical Group Meeting Minutes MHCLG Consultation Document</i>
Please contact the report author if you need to access this report in an alternative format	

List of current developments affecting or expected to affect Scheme Administration - November 2020

Organisation	Item	Details	Status
HMT / MHCLG	Public Sector Exit Payments Cap / Consultation on Further Reform to Exit Payments	<p>Risk Register Item – R53</p> <p>Latest Updates:-</p> <p>As you can see from the latest updates below, this is fast moving situation which is changing on a weekly, sometimes daily, basis. As such, any further changes will be updated verbally at the meeting.</p> <p>On 30 Oct 2020, SAB published its legal advice together with a commentary for LGPS administering authorities and scheme employers, which can be found as follows:-</p> <p>https://www.lgpsboard.org/index.php/structure-reform/public-sector-exit-payments</p> <p>On 28 Oct 2020, a letter was sent from Luke Hall, the Local Government minister, to all LGPS administering authorities in respect of the implementation of the £95k cap from 4th November recommending a course of action to take in the interim period which is that LGPS members caught by the 95k cap, who would normally be forced to take a fully unreduced pension under regulation 30(7), should be able to elect to receive an immediate but fully reduced pension or, if they do not so elect, a deferred pension plus a lump sum equal to the capped strain cost.</p> <p>On 15 October 2020, the legislation implementing the £95k cap on exit payments was signed and therefore will come into force on 4 November 2020. This means that the £95k cap will come into force in advance of the changes to LGPS regulations proposed by MHCLG in the further reform consultation, which will amend the LGPS regulations to provide for the payment of reduced pensions in whole (as is the current provision) and in part. As such, from 4 November 2020 up to the enactment of the MHCLG further reform proposals, which is expected in early 2021, there is a position of legal uncertainty. This is due to the apparent discrepancy between the obligations on scheme employers under the Cap Regulations to limit strain cost payments, and the requirement for administering authorities to pay unreduced pensions to qualifying scheme members under existing LGPS regulations. The SAB has requested the views of Counsel on the risks of challenge to administering authorities and the obligations of scheme employers during this period of legal uncertainty.</p>	Updated

Organisation	Item	Details	Status
		<p>On 7 September 2020, MHCLG launched a consultation on changes to the Local Government Pension Scheme (LGPS) and Discretionary Compensation Regulations. The consultation covers the required changes to compensation and pension regulations to implement both the £95K exit payment cap as well as public sector exit payments further reform proposals issued by HMT in 2016. The latter proposals were left to individual departments to implement rather than being via central HMT Directions, currently no other part of the public sector has any 'live' proposals to enact the further reform proposals. The MHCLG consultation closes on the 9 November and APF are in the process of formulating a response. At this stage there have been no proposals to implement an exit payment recovery process that was also consulted on in 2015.</p> <p>Previous Updates:-</p> <p>On 21 July 2020, HM Treasury published the Governments response to the consultation on restricting exit payments in the public sector. This was followed by the publication of draft regulations which include a list of employers who will be covered by the cap, which is set at a total of £95,000. Exit payments include redundancy payments, severance payments, pension strain costs and other payments made as a consequence of termination of employment. The Regulations will need to be approved by both houses of parliament and will come into force 21 days after that process is complete. We understand it is the intention that the cap will be in force for the end of the 2020 calendar year. This will affect LGPS members in England and Wales who currently qualify for an unreduced pension because of redundancy or efficiency retirement. It will also apply to members whose employer agrees to the early release of their benefits without actuarial reduction, apart from ill health retirement which is excluded. If the cap is breached, then the member may have to take a reduced pension. MHCLG is looking at options to introduce choice to allow members in this position to opt for a deferred pension instead. We also expect the introduction of a standard strain cost calculation so that the cap will apply equally to members across the country. We are expecting a consultation on changes required to the LGPS regulations imminently.</p> <p>Background:-</p> <p>The government first consulted on plans to cap exit payments in the public sector in 2015.</p> <p>On 10 April 2019, HMT launched a consultation called 'Restricting exit payments in the public sector:</p>	

Organisation	Item	Details	Status
		<p>consultation on implementation of the regulations’. The key points in this latest consultation were as follows:-</p> <ul style="list-style-type: none"> • No change from the earlier proposal that the maximum exit payment will be £95,000. • The cap will apply to a wide range of public sector employers, including employees of councils in England and Wales, fire authorities, police forces, academies and maintained schools. • The £95,000 cap will include the value of any early retirement strain payments, and it is envisaged that the ability to take an unreduced early retirement pension will therefore be severely restricted in some cases. • Certain employers in the LGPS e.g. Universities and Colleges appear not to be covered which will 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. <p>It was expected that MHCLG will run a separate consultation, which will cover amongst other things the agreement and implementation of a common costing methodology and factors for strain payments.</p> <p>HMT received approximately 600 responses, one of which was from APF, and it was expected that they would publish their response in the autumn of 2019 and look to introduce the cap no sooner than 1 April 2020.</p>	

Organisation	Item	Details	Status
Government	McCloud Judgment	<p>Risk Register Item – R63</p> <p>Latest Update:-</p> <p>On 8 October 2020 APF issued their response to the consultation which is attached to Item 1 as Appendix 2.</p> <p>The SAB response to MHCLG's consultation is available to view in the following location:-</p> <p>http://lgpsboard.org/images/PDF/letters/SAB_FINAL_MCLOUD_RESPONSE.pdf</p> <p>The notes from the SAB meeting in August advised that their response would include representations to allow the LGPS regulations to be on the statute book ahead of those of the unfunded public service pension schemes, where the coming into force date is expected to be Spring 2022. LGPS remedy regulations will not have to wait for changes in primary legislation so different timescales should be possible. Getting LGPS McCloud regulations in place sooner will give all parties more opportunity to put processes in place before they come into effect in 2022. The Board also agreed that work should commence on central guidance on how the regulations are to be applied and how individual cases of poor or missing member data should be handled.</p> <p>Previous Updates:-</p> <p>On 16 July 2020, MHCLG published a consultation on amendments to the statutory underpin which are designed to remove age discrimination from the LGPS, see link here. In summary, the consultation proposes that qualifying members, all who were active in 2008 scheme on 31st March 2012 and accrued benefits in the 2014 scheme without a disqualifying break, would be protected by the application of a revised underpin which will be applied retrospectively for those who have already left the scheme. The consultation runs until 8th October 2020 and we are currently in the process of formulating a response.</p> <p>At the SAB meeting in February, the Board agreed to create two working groups to help implement the outcome of the McCloud judgment for the LGPS. These will be a small policy group to help MHCLG consider areas of policy not determined by HMT and a larger implementation group made up of practitioners, member representatives, actuaries, software providers and employers. They will</p>	Updated

Organisation	Item	Details	Status
		<p>consider the challenges of implementing and communicating the scheme changes. Due to differences in LGPS transitional protection, MHCLG are planning to undertake an LGPS specific consultation on the regulatory changes required to address McCloud. We are expecting the consultation to begin late June / early July 2020.</p> <p>Background:-</p> <p>The McCloud/Sargeant cases concern 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. In December 2018, the Court of Appeal found the transitional protections to be unlawful on the grounds of age discrimination. In June 2019, the Supreme Court denied the Government’s request for an appeal and as such the case was returned to an Employment Tribunal for remedy.</p> <p>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’. As such, the SAB agreed to establish two working groups, one to assist MHCLG in considering any areas of policy not centrally determined and the second to consider the challenge of implementing and communicating any changes. A consultation, including draft legislation, is expected in the Spring, although there is likely to be a need for changes in primary legislation that may take some time.</p> <p>You can find a dedicated ‘Cost Management’ page on the SAB website as follows:-</p> <p>http://lgpsboard.org/index.php/structure-reform/mccloud-page</p>	

Organisation	Item	Details	Status
SAB	LGPS Cost Management Process	<p>Risk Register Item – R47</p> <p>Latest Update:-</p> <p>The notes from the SAB meeting in August advise that, unlike the HMT arrangement, there is no compulsion on SAB to include McCloud costs in their cost management arrangement. However, it was agreed that no decision should be taken until the HMT Direction, on how McCloud costs are to be considered, is published early next year. In principle, the Board agreed that the LGPS cost cap arrangement should be un-paused in the same way as the HMT arrangement, but no action should be taken until more details are known.</p> <p>At the National Technical Group in October, MHCLG further updated that once the McCloud remedy is agreed, the value of scheme member benefit is likely to increase for many members. The cost control mechanism was designed to include the cost of these and they will be included in the completion of the cost control process. How best to do this in the LGPS will be decided once the remedy details are decided.</p> <p>Previous Updates:-</p> <p>On 16 July 2020 the Government made an announcement confirming that the cost control mechanism pause will be lifted, and the cost control element of the 2016 valuations process will be completed for all public service pension schemes. The objective would be to complete the process by next year, taking into account the cost of the proposals to remedy age discrimination as set out in the McCloud consultations which were published that same day. The SAB are currently considering its position on the SAB employer cost cap process now that the proposals to rectify age discrimination for the LGPS are available.</p> <p>In April 2020 four unions including the FBU and the GMB filed court proceedings against the Government claiming that the pause in the cost control mechanism is unlawful. The unions are arguing for an improvement in member benefits as a result of the valuation results.</p> <p>On 17 October 2019 GAD issued a formal request for valuation data as at 31 March 2019 as part of the cost management process that is due to be carried out in 2020. APF data was submitted to GAD</p>	Updated

Organisation	Item	Details	Status
		<p>ahead of the deadline of 18 November 2019.</p> <p>On 14 May 2019 SAB published an advice note covering the implications of McCloud/Cost Cap in relation to the 2019 fund valuations.</p> <p>Background:-</p> <p>One of the Board’s statutory duties, under the regulations, is to introduce and maintain a process to manage costs in the scheme alongside the process introduced by HM Treasury for all public service schemes. You can find a dedicated ‘Cost Management’ page on the SAB website as follows:-</p> <p>http://lgpsboard.org/index.php/structure-reform/cost-management</p> <p>In September 2018, SAB members were provided with a summary of the statement regarding the scheme valuations for all of the public service pension schemes, including the LGPS, which showed that the cost cap floor had been breached and as a result member benefits would need to be improved. SAB therefore put together a working group responsible for agreeing a package of benefit changes to return the scheme to its total target cost, while also looking at employee contributions at the lower end. It was intended that the resultant package would be put to the full SAB for agreement to ensure that scheme changes could be on the statute book by April 2019.</p> <p>However, in January 2019 the Government announced a pause in the cost management process for unfunded public sector schemes due to uncertainty caused by the McCloud court ruling on elements of the 2015 scheme reforms. In February, SAB learned that this applied equally to the LGPS and as such it had no option but to pause its own cost management process pending the outcome of McCloud. As a result there were no changes to benefits planned in respect of the cost cap and instead this situation would be reviewed once McCloud was resolved.</p>	

Organisation	Item	Details	Status
SAB	Good Governance in the LGPS	<p>Latest Update:-</p> <p>At the SAB meeting in August 2020, Hymans updated the Board that draft papers on how the recommendations set out in the Phase II report are to be implemented, will be completed by the end of September 2020. The Board will consider these drafts when it meets in November 2020. If approved, the Board will then consider the process and timing of implementation.</p> <p>Previous Updates:-</p> <p>In April 2020, a virtual meeting of the chairs of the SAB and its two committees was held and it was agreed that Hymans work on Phase III of the Good Governance project should proceed on a limited basis due to COVID-19. They should continue to prepare papers for the SAB's consideration based on discussions already undertaken with the implementation group. However, they should avoid engaging with members of the implementation group, or local government in general at this time.</p> <p>In February 2020, the Board agreed that an implementation group, comprising the two former working groups, should be established immediately to prepare a detailed implementation plan for consideration at their next meeting.</p> <p>In November 2019, a draft Phase II report into the findings of both working groups was made available to the Board who considered it and agreed that it should be published with comments invited from scheme stakeholders. The report made recommendations for new standards of governance and administration and proposed how they could be measured and assessed independently. The recommendations covered the areas below:</p> <ul style="list-style-type: none"> • general governance • conflicts of interest • representation • skills and training • service delivery for the LGPS function • compliance and improvement <p>You can find the report as follows:-</p>	Updated

Organisation	Item	Details	Status
		<p>http://lgpsboard.org/images/PDF/HymansRobertson_GoodgovernanceintheLGPS_Phase-II_November2019.pdf</p> <p>Comments on the phase II report were invited to be sent and APF issued a response to this in January 2020 concluding that overall, we were still unsure of the specific problems attempting to be addressed through some of the proposals. It seemed that another layer of governance was being added because there are some local issues around the effectiveness of Local Pension Boards or Fund Administrations. Maybe the Pension Regulator could intervene and deal with these issues as demonstrated in its own recent engagement report. Within the recommendations there were still a lot of ‘shoulds’ or ‘coulds’ whereas regulation and a definitive set of standards monitored by the Pension Regulator would be more effective.</p> <p>In April 2019, Hymans launched the Good Governance Project Survey to capture as many views as possible from those working within the LGPS with the findings forming the basis for a report which was presented to the SAB in July 2019, you can find the report as follows:-</p> <p>http://lgpsboard.org/images/PDF/GGreport.pdf</p> <p>Work to develop a detailed plan then began and two working groups were 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.</p> <p>Background:-</p> <p>Previously known as the separation project which was developed to identify the potential benefits of further increasing the level of separation between the host authority and scheme manager role. In November 2018, the project was awarded to Hymans Robertson and was also re-named to “Good Governance in the LGPS” which better reflected the aims and ambitions of the project to enhance the delivery of the function within local authority structures.</p>	

Organisation	Item	Details	Status
SAB	Review of Academies	<p>Latest Update:-</p> <p>At the SAB Meeting in May 2020, members were advised that the various recommendations from the project's working groups on administration are to be included in ongoing work on monthly data submission and Pension Administration Strategies when possible.</p> <p>Previous Updates:-</p> <p>At the SAB Meeting in Jan 2019, the Board was advised that the work of the academies administration working group had been put on hold due to competing priorities.</p> <p>At the SAB Meeting in 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.</p> <p>In September 2018, GAD issued its report: Academies LGPS pension arrangements. It contained 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.</p> <p>In May 2017, PWC's report was published and can be found as follows:-</p> <p>http://lgpsboard.org/images/PDF/LGPS_Advisory_Board_Options_for_academies_20170525_v1_1.pdf</p> <p>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 were set up for Administration and Funding.</p> <p>The administration group were to focus on more consistency in pensions administration, more effective communication, improved training at local, regional and national level, and clarifying the duties and responsibilities of stakeholders.</p> <p>The funding working group were to explore proposals to standardise conversion methodologies, move to single future service rates within each LGPS fund and to better enable MATS to consolidate their</p>	Updated

Organisation	Item	Details	Status
		<p data-bbox="629 209 994 236">schools in one LGPS fund.</p> <p data-bbox="629 277 831 304">Background:-</p> <p data-bbox="629 347 2007 448">As part of its work plan for 2016/17, SAB intended to investigate the issues, and develop options to address those issues, with regard to the policy objective to convert all schools to academies and what this would mean for LGPS pension funds and their host authorities.</p> <p data-bbox="629 491 1984 624">Phase 1 - This work was awarded to PwC and they commenced work to identify the issues of the current academy/LGPS relationship with the intention of finding a possible general direction of travel required to address them (better arrangements within the current scheme, changes to the current scheme and changes outside of the scheme).</p> <p data-bbox="629 667 2018 863">Phase 2 - If a general direction of travel can be agreed a further period of more detailed work would be undertaken including working up detailed options for guidance, regulation and/or primary legislation together with full consideration of the potential benefits and obstacles of each. It should be noted that no matter what the outcome of this work no decisions regarding changes to the LGPS with regard to academies can be made by the Board who can only recommend such changes to the Secretary of State.</p> <p data-bbox="629 874 1794 901">You can find a dedicated 'Review of Academies' page on the SAB website as follows:-</p> <p data-bbox="629 944 1547 975">http://lgpsboard.org/index.php/structure-reform/review-of-academies</p>	

Organisation	Item	Details	Status
SAB	Tier 3 Employers	<p>Latest Update:-</p> <p>At the SAB Meeting in May 2020, members were advised that the working group set up to take this work forward has not been able to meet but discussions with MHCLG are being progressed.</p> <p>Previous Updates:-</p> <p>At the SAB Meeting in 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.</p> <p>In Sept 2018, a final version of the Aon report was published and can be found as follows:-</p> <p>http://lgpsboard.org/images/PDF/Tier_3_employers_in_the_LGPS_FINAL.pdf</p> <p>At the SAB meeting in Jun 2018, Aon presented members with a summary of the final draft report. The Board was anxious to point out that the report makes no attempt to make any recommendations, instead, it outlines a range of issues raised by stakeholders and how they envisage these concerns being resolved.</p> <p>The Board agreed that the report should be published and that a small working group of Board members will be established to review the concerns expressed by third tier employers in the report and the ways in which they could be resolved. The working group will be tasked to report back to the Board later in the year with a set of recommendations for further consideration. Once approved, scheme stakeholders will be given the opportunity to comment on the Board's recommendations before any formal approach is made to MHCLG Ministers for changes to the scheme's regulations or guidance.</p> <p>Background:-</p> <p>As part of its work plan for 2016/17, SAB wanted to identify the potential funding, legal and administrative issues and liabilities relating to admitted and scheduled bodies that do not benefit from local or national tax-payer backing (Tier 3 employers).</p> <p>The work was split into two concurrent phases:</p>	Updated

Organisation	Item	Details	Status
		<p>1) The Board was to work with LGPS administering authorities to gather data regarding the number, membership, liabilities and covenants of these employers.</p> <p>2) Separately the Board appointed Aon to assist it in further analysis in this area.</p> <p>You can find a dedicated 'Tier 3 Employers' page on the SAB website as follows:-</p> <p>http://lgpsboard.org/index.php/structure-reform/tier-3-employers</p>	
MHCLG	Simplification Project	<p>Previous Update:-</p> <p>At it's first meeting held in May 2019, the terms of reference were agreed and 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:</p> <p>(a) application of assumed pensionable pay, and</p> <p>(b) employee and employer contributions during the 1st 30 days of an authorised absence)</p> <p>Background:-</p> <p>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.</p>	No Further Update

Organisation	Item	Details	Status
MHCLG	Consultation on LGPS Local Valuation Cycle and the Management of Employer Risk	<p>Risk Register Item – R62 (In respect of Exit Credits)</p> <p>Previous Updates:-</p> <p>On 26 Aug 2020, MHCLG published a second partial response to this consultation covering greater flexibility on employer exit payments and the ability to review employer contributions between valuations. The LGPS (Amendment) (No.2) Regulations 2020 provided for the changes and came into effect from 23 September 2020. A working group has been established by MHCLG to prepare statutory guidance, to accompany the regulations, to assist with the necessary revisions required to Funding Strategy Statements</p> <p>A further response will be made by MHCLG in relation to the other proposals in the consultation (changes to the local fund valuation cycle, interim valuations and the status of further education, sixth form college and higher education corporations in England and Wales) in due course.</p> <p>On 27 Feb 2020, MHCLG published a partial response to this consultation covering the proposals on exit credits only. MHCLG will submit a further response to the other proposals covered by this consultation in due course.</p> <p>The response confirms that the majority of respondents supported the proposal to allow administering authorities to take account of an employer’s exposure to risk when calculating an exit credit. The Local Government Pension Scheme (Amendment) Regulations 2020 giving effect to these proposals were laid in Parliament and came into force on 20 March 2020.</p> <p>Background:-</p> <p>In 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. It covered the following areas:</p> <ol style="list-style-type: none"> 1. Amendments to the local fund valuations from the current three year (triennial) to a four-year (quadrennial) cycle 2. A number of measures aimed at mitigating the risks of moving from triennial to quadrennial cycles 3. Proposals for flexibility on exit payments (Update - Resolved following second partial response to consultation in Aug 2020 and Amendment Regulations in Sept 2020). 	No Further Update

Organisation	Item	Details	Status
		<p>4. Proposals for further policy changes to exit credits (Update - Resolved following partial response to consultation in Feb 2020 and Amendment Regulations in Mar 2020).</p> <p>5. Proposals for policy changes to employers required to offer LGPS membership</p> <p>MHCLG received around 280 responses, one of which was from APF.</p>	
MHCLG	Consultation on Fair Deal	<p>On 10 December 2019, a representative from MHCLG provided the following update to the LGPS National Technical Group “The analysis of consultation response has been completed. Officials have started to draft the government response but the content of that is still conditional on some further ministerial decisions that will need to be taken once the new government is formed”.</p> <p>Background:-</p> <p>In Jan 2019, MHCLG launched a policy consultation and draft regulations on ‘Fair Deal – strengthening pension protection’ in the LGPS. The consultation contained 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.</p> <p>MHCLG received around 79 responses, one of which was from APF.</p>	No Further Update
HMT	Written Ministerial Statement on Survivors Benefits	<p>Previous Update:-</p> <p>On 20 Jul 2020, the Chief Secretary to the Treasury made a written statement on public service pensions, survivor benefits for opposite-sex widowers and surviving male civil partners. The statement was in relation to a Teachers Pension Scheme Employment Tribunal case where male survivors of female scheme members remain entitled to a lower survivor benefit than a comparable same-sex survivor and confirmed that government believes that this difference in treatment will also need to be remedied in those other public service pension schemes, where the husband or male civil partner of a female scheme member is in similar circumstances. We await guidance from MHCLG on what action administering authorities in England and Wales should take.</p>	No Further Update

Organisation	Item	Details	Status
HMT	Indexation and equalisation of GMP in public service pension schemes	<p>Latest Update:-</p> <p>On 7 October 2020, the government published a written ministerial statement and consultation on how it proposes to ensure it continues to meet these past commitments to public service employees regarding the full indexation of public service pensions, including for any related GMP element for members of public service pension schemes. The consultation, which closes on 30 December 2020, considers the policy options available to the government and proposes to extend the interim solution until at least April 2024 or to make it a permanent solution. A link to the consultation can be found as follows:-</p> <p>https://www.gov.uk/government/consultations/public-service-pensions-guaranteed-minimum-pension-indexation-consultation</p> <p>Previous Update:-</p> <p>In Feb 2020, HMRC published a newsletter on GMP equalisation. HMT are working with MHCLG to assess if GMP equalisation must apply to LGPS members' benefits and will notify administrators of the outcome in due course.</p> <p>Background:-</p> <p>On 6 April 2016, the government introduced the new State Pension (nSP). The reformed system simplified pension provision but removed the mechanism that enabled those public servants in 'contracted-out' employment between 1978 – 1997 to have their Guaranteed Minimum Pension (GMP) fully price protected.</p> <p>On 1 March 2016, the government announced that public service pensioners reaching SPa after 5 April 2016 and before 6 December 2018, would have the GMPs earned in public service fully indexed by the public service pension scheme.</p> <p>The government then launched a consultation to consider whether public service pension schemes should pay full indexation on GMP earned while a member of a public service pension scheme, for someone who reaches SPa after 5 December 2018.</p>	Updated

Organisation	Item	Details	Status
		<p>In Jan 2018, HMT published its response to the consultation directing that the “interim solution” between 6 April 2016 and 5 December 2018 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”.</p>	
<p>TPR</p>	<p>Codes of Practice</p>	<p>Latest Update:-</p> <p>On 1 September 2020, TPR confirmed that it intends to launch the formal consultation on a single Code of Practice in late 2020 or early 2021.</p> <p>Previous Update:-</p> <p>The Pensions Regulator 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.</p>	<p>Updated</p>

Organisation	Item	Details	Status
Other	LGPS National Knowledge Assessment (NKA)	<p>Latest Update:-</p> <p>In August 2020, the National Knowledge Assessment report was published with around 225 members across 20 administering authorities having participated in the survey. You can download the results from Hymans website as follows:-</p> <p>https://www.hymans.co.uk/insights/research-and-publications/publication/lgps-national-knowledge-assessment-report/</p> <p>The first set of results shows the average participant score across all eight sections as set out below:-</p> <ul style="list-style-type: none"> • financial markets and product knowledge (83%) • committee role and pensions legislation (71%) • pensions governance (69%) • investment performance and risk management (68%) • pensions accounting and audit standards (68%) • procurement and relationship management (67%) • pensions administration (59%) • actuarial methods, standards and practices (53%) <p>The report also includes a helpful list of training topics identified by participants, top of the list is training on the McCloud remedy.</p> <p>Previous Update:-</p> <p>In Feb 2020, Hymans Robertson launched their NKA which will look at the knowledge levels of key decision makers (Pension Committee (PC) and Pension Board (PB) members). By participating in the assessment, each administering authority will receive:</p> <ul style="list-style-type: none"> • their own results report • Hymans Robertson analysis and suggested next steps • their benchmarked position against other LGPS administering authorities • a recommended training plan tailored for their PC and PB. 	Updated

Organisation	Item	Details	Status
		<p>Following the assessment, Hymans Robertson will publish a National Report. This will contain commentary and analysis on the current LGPS PC and PB landscape. Hymans Robertson will send an invitation to all administering authorities in March 2020.</p>	
<p>Government</p>	<p>Pension Schemes Bill</p>	<p>Latest Update:-</p> <p>On 7 Oct 2020, the Pension Schemes Bill, which started in the House of Lords and was introduced into the House of Commons on 16 July 2020, had its Second Reading and is due have two days in Public Bill Committee on 3 and 5 November.</p> <p>Previous Updates:-</p> <p>On 19 Dec 2019, the Queen announced, in her speech, that the Government will reintroduce the Pension Schemes Bill which has been introduced in the House of Lords with the second reading on 28 January 2020. The Bill will now move to committee stage.</p> <p>On 14 Oct 2019, the Queen confirmed, in her speech, that a new Pension Schemes Bill will be introduced and will:-</p> <ul style="list-style-type: none"> • strengthen TPR’s powers • provide a framework to support pensions dashboards and • introduce regulations covering the right to a pension transfer. 	<p>Updated</p>

Organisation	Item	Details	Status
DWP	Pensions Dashboard	<p>Latest Update:-</p> <p>In April 2020, MaPs published two papers:-</p> <ul style="list-style-type: none"> • Pensions Dashboards Data Definitions – Working Paper (which lists the set of data items that could be included in the dashboards data standards. • Pensions Dashboards Data Scope: Working Paper (which looks at options for achieving early breadth of coverage and confirms that initial dashboards will only include information that is already available on annual statements to enable the maximum number of pension schemes to onboard at an early stage. <p>MaPS requested formal feedback on these papers throughout July and August and are currently reviewing the responses received and will give a summary in the autumn.</p> <p>Background:-</p> <p>The Pensions Dashboard is an online service which would allow people to see information from multiple pensions all in one place. Following a feasibility study, conducted by DWP, to explore the options for delivering the Pensions Dashboard, the Government launch a consultation in Dec 2018 setting out the findings of the study and their recommendations for dashboards. In April 2019, the government published its response to the consultation outlining the key details of their plan including:-</p> <ul style="list-style-type: none"> • Legislation to compel pension providers to make consumers’ data available on the dashboard • Staged onboarding of schemes with the majority of schemes participating within 3 to 4 years • The inclusion of state pension data • A commitment to multiple dashboards, with a non-commercial dashboard being overseen by the Money and Pensions Service (MAPS). <p>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.</p> <p>The DWP advises the pensions industry to get ready, in the next three to four years, to submit data. Compulsion will require primary legislation and the Pensions Minister, Guy Opperman, has indicated</p>	Updated

Organisation	Item	Details	Status
		his Department's intention to include a Pensions Bill in the next Queen's Speech for this.	
Government	Divorce, Dissolution and Separation Act 2020	On 25 June 2020 , the Divorce, Dissolution and Separation Act 2020 received royal assent and will, in the main, come into force on a date to be appointed by Government. The Act will revise the legal process in England and Wales for married couples to obtain divorces and for civil partners to dissolve their civil partnership. It will also update terminology: terms such as “decree nisi”, “decree absolute” and “petitioner” will be replaced with “conditional order”, “final order” and “applicant”.	New Item
MHCLG / GAD	Revised GAD Guidance	<p>On 21 September 2020, the LGA emailed administering authorities and software suppliers alerting them to revised versions of the following GAD guidance, alongside a covering letter from MHCLG:-</p> <ul style="list-style-type: none"> • Application of a pension debit for divorced members – Transfer date from 1 April 2014 • Application of a pension debit for divorced members – Transfer date before 1 April 2014 • Pension sharing following divorce • Individual incoming & outgoing transfers • Trivial commutation <p>The covering letter from MHCLG summarises the main changes and confirms that the revised guidance and spreadsheet come into force on 1 November 2020 and also sets out the transitional arrangements. We are expecting an update to our Pensions Administration System, to reflect changes to calculation methodology in certain areas, in November and as such may need to stockpile some cases until these changes are delivered.</p>	New Item

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Avon Pension Fund

Local Government Pension Scheme

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Bath & North East
Somerset Council

lgps



08 October 2020

LGPensions@communities.gov.uk

Re: Consultation on Amendments to the Statutory Underpin

With reference to the recent consultation regarding the proposed amendments to the statutory underpin, published on 16 July 2020, this is the response from Bath and North East Somerset Council as the administering authority for the Avon Pension Fund which represents 38,064 active members from 443 actively contributing employer bodies.

We would like to start by bringing to your attention the following recommendations we have in relation to the proposals that we feel must be strongly considered, and where necessary addressed, before any such changes are implemented:-

Recommendation 1:- Consider removing the requirement to calculate the underpin at a member's 2008 Scheme NPA where they continue in active membership after that date.

Recommendation 2:- We must have the final amendment regulations to implement the remedy published at the earliest possible opportunity and way ahead of their implementation date. We understand that this is possible as the LGPS does not require changes to primary legislation, as the other PSPS do. By publishing these early this would give both administrators and software providers the best opportunity to make the necessary changes in preparation for their implementation in April 2022.

Recommendation 3:- There is nothing in the proposals setting out the likely timescales in which the retrospective review of benefits for those protected members who have already left the scheme must be completed by administrators. It is essential that administrators are given sufficient time to properly address such cases.

In addition to our recommendations above, our responses to the consultation questions are as follows:-

Question 1 – Do you agree with our proposal to remove the discrimination found in the McCloud and Sargeant cases by extending the underpin to younger scheme members?

Yes, we agree that by extending the underpin to younger scheme members and removing the requirement to be entitled to the immediate payment of benefits, this would remove the discrimination found in the McCloud and Sargeant cases.

Question 2 - Do you agree that the underpin period should end in March 2022?

Yes.

Question 3 - Do you agree that the revised regulations should apply retrospectively to 1st April 2014?

Yes.

Question 4 - Do the draft regulations implement the revised underpin which we describe in this paper?

We believe so.

Question 5 - Do the draft regulations provide for a framework of protection which would work effectively for members, employers and administrators?

Whilst they do provide a framework of protection that would be of the benefit to members, the complexity of the proposed protections will be confusing and difficult to understand for members and will be extremely difficult to make work effectively for employers and administrators.

Question 6 – Do you have other comments on technical matters related to the draft regulations?

- Amendments suggested to Regulation 4 of the 2014 Regulations includes the addition of (1D) under (1)(c) which advises:-

“(1D) Where this paragraph applies, an active or deferred member has a twelve month period commencing from [XXXXXXXX] to elect to aggregate the previous Scheme membership that would give the member relevant Scheme membership”

We feel that this should also provide discretion for the administering authorities to allow for elections made after the 12 month period to be considered where there are exceptional circumstances.

- The regulations do not address changes for members who opted out of the Scheme in an employment (other than a concurrent employment) on or after 11 April 2015 with an entitlement to a deferred benefit. These members do not have the right to aggregate benefits on re-joining because of the amendment made to regulation 22(8) by SI 2015/755. These members do not appear to be getting an opportunity to reconsider their decision to opt out as those members who have chosen not to aggregate benefits will do. This could lead to further grounds for appeal if not addressed.

Question 7 – Do you agree that members should not need to have an immediate entitlement to a pension at the date they leave the scheme for underpin protection to apply?

Yes.

Question 8 – Are there any other comments regarding the proposed underpin qualifying criteria you would like to make?

The qualifying criteria does leave the category of members who joined the scheme on or after 1 April 2012 and before 1 April 2014, and so have accrued membership under the final salary scheme, unprotected by the revised underpin which could lead to future claims.

Question 9 – Do you agree that members should meet the underpin qualifying criteria in a single scheme membership for underpin protection to apply?

Yes, we would insist that this must be the case.

Question 10 – Do you agree with our proposal that certain active and deferred members should have an additional 12 month period to decide to aggregate previous LGPS benefits as a consequence of the proposed changes?

We agree with the proposals, however, the regulations do not appear to allow any flexibility on the 12 month period, which the regulations seem to suggest starts from the date they come into force. We feel that the regulations should also allow discretion where a member makes an election after 12 months and there are exceptional circumstances that should be taken into consideration.

Question 11 – Do you consider that the proposals outlined in paragraphs 50 to 52 would have ‘significant adverse effects’ in relation to the pension payable to or in respect of affected members, as described in section 23 of the Public Service Pensions Act 2013?

We do not feel that these proposals would have an adverse effect on members as they continue to have a choice on whether or not to aggregate their benefits. What then might subsequently happen in the future to the member, their pay or the benefits they or their dependants are eventually awarded, which causes significant adverse effects on their benefits, is something the member must consider when making that choice, as they have had to do up to now.

Question 12 – Do you have any comments on the proposed amendments described in paragraphs 56 to 59?

Paragraph 58 – We agree that the underpin should apply to a qualifying member who dies in active service.

Paragraph 59 – Again, we agree that survivors pensions should include a proportion of any underpin enhancement awarded to a qualifying member.

Question 13 – Do you agree with the two-stage underpin process proposed?

Whilst we feel that this will be extremely complex to administer for many decades to come and will also cause significant confusion to members, we understand that this is necessary to prevent any future claims which could then lead to further rectification exercises. One concern we do have with the two-stage process is that we could be promising the member a ‘provisional underpin amount’ which may then be reduced or removed completely when the second stage of the calculation is performed decades down the line.

Question 14 – Do you have any comments regarding the proposed approaches outlined above?

Paragraph 66 - To include an estimate of how the underpin would apply to active members, year on year, carries an amount of risk is over complex and will in some cases be misleading, which could lead to complaints in the future.

Paragraph 67 – We feel that by imposing that the underpin calculation must be performed at a member’s 2008 Scheme NPA, where they continue in active membership, this could be seen as further age discrimination for older members who wish to continue in employment passed their NPA and as such restricting their pensionable pay by any increases they may gain after their NPA. We therefore feel that this rule should be removed completely as per our recommendation above (Recommendation 1).

Paragraph 71 - To include an estimate of the ‘provisional underpin amount’ on an annual benefit statement for a deferred member is again over complex and will in some cases be misleading, which could lead to complaints in the future.

Question 15 – Do you consider there to be any notable omissions in our proposals on the changes to the underpin?

The proposals have failed to consider members who opted out of the Scheme in an employment (other than a concurrent employment) on or after 11 April 2015 with an entitlement to a deferred benefit. These members do not have the right to aggregate benefits on re-joining because of the amendment made to regulation 22(8) by SI 2015/755. These members do not appear to be getting an opportunity to reconsider their decision to opt out as those members who have chosen not to aggregate benefits will do and so will be at a disadvantage. This could lead to further grounds for appeal if not addressed.

Question 16 – Do you agree that annual benefit statements should include information about a qualifying member's underpin protection?

No, we feel that annual benefit statements are already complicated enough, both to produce and also for members to understand. To add even more confusion by providing a provisional benefit that may or may not become payable would be a mistake. As any underpin enhancement is not likely to be of a singularly sufficient amount that will contribute to any decision the member is making on the basis of that statement, then why include it. Also, this is surely in direct contrast with the Government's consultation of November 2019 to provide simpler annual benefit statements for workplace pensions.

Question 17 – Do you have any comments regarding how the underpin should be presented on annual benefit statements?

No, other than we do not feel that the underpin should be presented on annual benefit statements.

Question 18 – Do you have any comments on the potential issue identified in paragraph 110?

As the additions are likely to be extremely negligible in most cases we feel that a member is not likely to exceed the annual allowance in that PIP based on the underpin enhancement alone.

Question 19 – Do the proposals contained in this consultation adequately address the discrimination found in the 'McCloud' and 'Sargeant' cases?

We feel that by extending the underpin, so that those members who were in service on 31 March 2012 but not within 10 years of their NPA will qualify, and further removing the requirement that a member must leave active service with the immediate entitlement to a pension for any protection to apply, adequately addresses the discrimination found in the McCloud and Sargeant cases. All further proposals contained in this consultation go much further than the requirement on the scheme to address this discrimination, however, we understand that they are necessary to remove the risk of any future claims being brought against the scheme.

Question 20 – Do you agree with our equalities impact assessment?

Yes.

Question 21 - Are you aware of additional data sets that would help assess the potential impacts of the proposed changes on the LGPS membership, in particular for the protected characteristics not covered by the GAD analysis (age and sex)?

No.

Question 22 – Are there other comments or observations on equalities impacts you would wish to make?

No.

Question 23 – What principles should be adopted to help members and employers understand the implications of the proposals outlined in this paper?

Clear, consistent and timely communications will be essential to help members and employers understand the implications of the proposals outlined in this paper. To ensure there is a consistent approach, we feel that communications for all administering authorities should be developed centrally so that a member is getting the same consistent information regardless of geographical location.

What I will say is that, to date, we have not had one query from a member in relation to this and that is a common theme in other administering authorities too and it is important not to over communicate to members giving a promise of improved benefits when most of them will see little or no improvement from the underpin protections.

Question 24 – Do you have any comments to make on the administrative impacts of the proposals outlined in this paper?

The implementation of the proposed changes going forward, as well as the retrospective application, will lead to significant administrative complexity. If the proposals outlined in the consultation are taken forward as is, this will cause decades of additional data collection, member confusion and over complex calculations requiring good knowledge of the scheme both pre and post 2014, which, as the years go by, will become less common place amongst administrators.

The data collection exercise, which we will need to carry out with employers to gather any missing hour change and service break data going back to 1 April 2014, will place a massive strain on our internal resources as well as on the resources of the employers.

This will cost administering authorities so much time and money, which will not only have a negative impact on the service they are able to provide to all members of the scheme, not just those who are protected, but also will result in significant costs. Most administering authorities will need to find a large amount of additional budget to carry out this exercise as they will either need to recruit additional resource to deal with cases or pay third-party consultants to carry this out on their behalf. There is already a lack of candidates with the necessary LGPS knowledge and skills available nationwide to recruit into such posts.

Significant changes will be required to pensions administration systems which, depending on the timing and degree of success of these software changes, could make a big difference to the level of resource required for this exercise, and will most certainly add to the overall costs involved.

Along the way, there will need to be a whole programme of communications developed for members and employers, as well as the need to carry out a full review of the member and employer websites, scheme guides, letters and internal processes in order to ensure that they are updated with any amendments in preparation for the implementation date.

As administrators we urge you to ensure that significant central support is made available to administrators to assist them in any way possible, for example, providing central communications, providing them with clear guidance on what action is required etc.

It is difficult to predict what impact these proposals will have on the future of local administration of the LGPS, or what damage they will this cause to the morale of administrators, who are already under

significant pressure. Our fear is that they will either head out of the door or stay and suffer possible long term negative effects on their mental health.

Question 25 – What principles should be adopted in determining how to prioritise cases?

We would suggest that pensions in payment for both members and survivors should be prioritised first, followed by transfers out and trivial commutations and finally followed by deferred members. We would ask that adequate time is given to administrators in order to apply the remedy retrospectively and we would further hope that systems will at least be updated to automatically apply the underpin to active members who leave following the regulations coming into force, however, this would rely on early publishing of LGPS regulations way ahead of their implementation date.

Question 26 – Are there material ways in which the proposals could be simplified to ease the impacts on employers, software systems and scheme administrators?

Yes, firstly, we would refer you to our recommendations outlined at the beginning of our response which we feel would slightly simplify the proposals, whilst still addressing the discrimination in the McCloud and Sargeant cases.

It would also be extremely useful if there could be a set of assumptions/criteria developed and issued to administrators to assist them when identifying whether the past cases they are required to retrospectively revisit will actually trigger an underpin enhancement. We see this as some kind of data checker which can be run on an extract of our data, containing those members in scope of the protections, and highlight cases that have the potential to trigger an underpin enhancement and therefore recommend them for review. Currently, we have identified around 12,000 members in scope of the protections who will require retrospective review and there must be some way that these can be narrowed down significantly to only include those members for whom the underpin is likely to bite.

Question 27 – What issues should be covered in administrative guidance issued by the Scheme Advisory Board, in particular regarding the potential additional data requirements that would apply to employers?

We also feel that the following administrative guidance will be required to provide a consistent approach across the board:-

- As mentioned in my answer to the last question, it would be extremely useful if there could be a set of assumptions/criteria developed and issued to administrators to assist them when identifying whether the past cases they are required to retrospectively revisit will actually trigger an underpin enhancement.
- How to deal with cases where an employer is not able or willing to provide missing hour change and service break data for a member.
- What to do about additional payments that are due to survivors of scheme members who have subsequently died or, in the case of dependants the payment of their pension has ceased, and no contact can be made.
- Should there be a minimum amount of annual underpin enhancement determined that triggers the requirement for schemes to revise pensions, survivors pensions, transfers out and trivial commutations where payment has already commenced, for example, where a member is entitled to an underpin addition of £5 per annum, less than 50p per month? Guidance on such an area, or confirmation that the expectation is that all cases will need to be corrected however trivial the amount, would be useful to ensure a consistent approach across the board.

Question 28 – On what matters should there be a consistent approach to implementation of the changes proposed?

- How to deal with cases where an employer is not able or willing to provide missing hour change and service break data for a member.
- What to do about additional payments that are due to survivors of scheme members who have subsequently died or, in the case of dependants the payment of their pension has ceased, and no contact can be made.
- There should be a minimum amount of annual underpin enhancement determined that triggers the requirement for schemes to revise pensions, survivors pensions, transfers out and trivial commutations where payment has already commenced. Guidance on such an area, or confirmation that the expectation is that all cases will need to be corrected however trivial the amount, would be useful to ensure a consistent approach across the board.

Question 29 – Do you have any comments regarding the potential costs of McCloud remedy, and steps that should be taken to prevent increased costs being passed to local taxpayers?

As already mentioned, the potential cost of the remedy itself and mainly the costs of carrying out this exercise are likely to be disproportionate in representing such little gain to those members it is being put in place to protect. Administrators will require additional resources or will need to look to outsource this exercise to an external company. The costs associated with amendments required to software systems and communications to all stakeholders will be significant. It is inevitable that these costs eventually lead to increased costs to the local taxpayer. As such, steps should be taken to ensure that the proposals to remove age discrimination from the LGPS are adequate but not excessive.

Further Comments:-

In June 2018, MHCLG approached the Scheme Advisory Board (SAB), having identified a need to make the Scheme Regulations more adaptable, flexible and easy to administer and in response to this the SAB set up a 'Simplification Project'. The proposals contained in this consultation most certainly will not make the scheme easy to administer but instead would introduce changes to the regulations that will cause complexities for years to come, very much going against simplification.

We hope our response is useful in taking the proposals forward and that full consideration is given to all points and recommendations raised to ensure that the scheme can deliver the objectives required in a manner that is fair on both members, employers, administrators and the local tax payer.

We look forward to being updated in due course.

Kind Regards,

Kate Shore
Technical & Compliance Advisor
Avon Pension Fund

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Bath & North East Somerset Council	
MEETING:	LOCAL PENSION BOARD
MEETING DATE:	13 November 2020
TITLE:	PENSION FUND ADMINISTRATION Overview & Summary Performance Report to 30th September 2020
WARD:	ALL
AN OPEN PUBLIC ITEM	
List of attachments to this report:	
Appendix 1 – Membership data	
Appendix 2 – Performance against SLA & Workload	
Appendix 2a – Performance against Statutory Legal Deadlines	
Appendix 3 – Employer Performance	
Appendix 4 – TPR Data Improvement Plan	
Appendix 5 – Late Payers	

1 THE ISSUE

1.1 The purpose of this report is to inform the Pension Board of the performance for Fund Administration for the period up to 30th September 2020 and actions undertaken following the Coronavirus outbreak and UK lockdown on 23rd March 2020.

2 RECOMMENDATION

The Pension Board is asked to Note:-

2.1 Fund and Employer performance for the three months to 30th September 2020.

3 COVID-19 AND FUND BUSINESS CONTINUITY

3.1 With the UK lockdown in place from 23rd March, the initial response from the Fund was focussed on communications, ensuring all staff officers had capability to undertake business operations remotely from home.

3.2 Secure communications were established for scheme members including the implementation of digital online tracing and member identification checking capability, mitigating the requirement for certificates to be sent by post.

3.3 Direct engagement with all key employers was established and is ongoing to review and monitor business as usual capability. All other employers have been surveyed to establish BAU capabilities with no significant issues being reported.

4 GOVERNANCE

4.1 Advice and guidance for scheme administrators has been received from the Pensions Regulator as the COVID-19 pandemic continues to evolve. Whilst the prioritisation of critical administration focussing on the continued payment of pensioner and dependent members and the processing of retirements and death cases remains, funds have been also been reminded of their responsibility to maintain other administrative processes.

5 MEMBERSHIP TRENDS

5.1 **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 number of new smaller employers to the Fund can be attributed mainly to the continued fragmentation of the employer base (newly created Academies/MAT's and Transferee Admitted Bodies) and this has a direct impact on the administration workload with increased movement between employers, especially within the education sector. A further 12 Academy conversions are in the pipeline as at 3rd November 2020.

6 APF PERFORMANCE

6.1 As per TPR guidance the Fund has focussed on critical member processes including the processing of retirement and death benefits. **Appendix 2 (Annex 1 & 2)** and **Appendix 2a** provide details of APF performance up to the end of the last quarter for all KPI's measured against both SLA and statutory legal deadlines.

6.2 KPI performance is monitored and reported to the Pensions Manager for review on a bi-weekly basis. **Appendix 2 (Annex 5)** reflects the situation at the end of September with an overall 3,266 cases outstanding of which 1,945 (59%) are workable. This represents an overall increase in outstanding workable cases over the previous period reflecting an increase in additional workload created by the year end reconciliation process.

7 EMPLOYER PERFORMANCE

7.1 **Appendix 3** highlights employer SLA performance for notification of member retirements for the previous year and separately by case number over the three months to 30th September 2020.

8 TPR DATA IMPROVEMENT PLAN

8.1 APF have maintained an overall data score of 94.54% for the quarter ending September 2020.

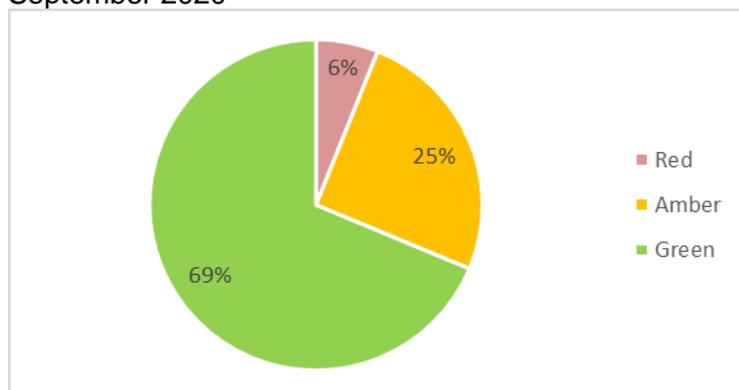
8.2 Although the overall data score has remained constant the split of queries for active members is now across an increased number of smaller employers who may only need one or two data queries to put them in the red category. These employers will continue to be targeted for improvement.

8.3 A summary of the RAG rating by employer is shown below. The RAG rating reflects employers with % outstanding data queries against profiled scheme membership: (over 10% = Red, between 0.1% & 10% = Amber and 0% = Green).

8.4

No of Employers June 2020	No of Employers Sept 2020	Queries	RAG rating
24	25	10% >	Red
99	109	0.1 to 10%	Amber
306	308	0%	Green

September 2020



Data for the Unitary Authorities is listed below.

Unitary authorities	Queries Dec 19	Queries Mar 20	Queries Jun 20	Queries Sept 20	Member ship	RAG	
BANES	50	48	41	74	2710	2.73%	Amber
Bristol City	259	271	224	196	9007	2.17%	Amber
North Somerset	14	8	10	17	1897	0.87%	Amber
South Gloucestershire	92	142	134	166	5859	2.83%	Amber

9 RESOURCE UPDATE

9.1 A cross service administration recruitment project is currently in progress to appoint 11.2 FTE vacant posts across member and employer services teams. A temporary Training Officer role has been created and internally appointed in order to manage training for all new recruited officers whilst staff continue to work remotely from home. The project began in September and recruitment will be staged over 3 phases continuing into 2021.

10 LATE PAYERS

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

10.2 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.

10.3 **Appendix 5** reports late payers in the period to 30th September 2020. 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.

11 RISK MANAGEMENT

11.1 The Avon Pension Fund Committee is the formal decision-making body for the Fund. As such it has responsibility to ensure adequate risk management processes are in place. It discharges this responsibility by ensuring the Fund has an appropriate investment strategy and investment management structure in place that is regularly monitored. In addition, it monitors the benefits administration, the risk register and compliance with relevant investment, finance and administration regulations.

12 EQUALITIES STATEMENT

12.1 A proportionate equalities impact assessment has been carried out using corporate guidelines and no significant issues have been identified

13 CLIMATE CHANGE

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

14 OTHER OPTIONS CONSIDERED

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

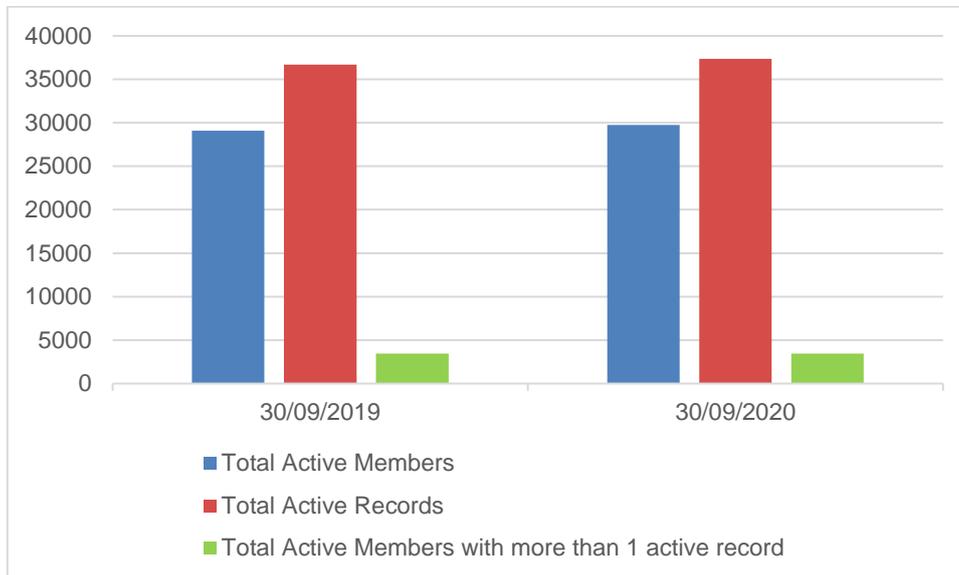
15 CONSULTATION

15.1 Reports and its contents have been discussed with the Head of Business Finance & Pensions representing the Avon Pension Fund and Service Director – One West representing the administering authority.

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

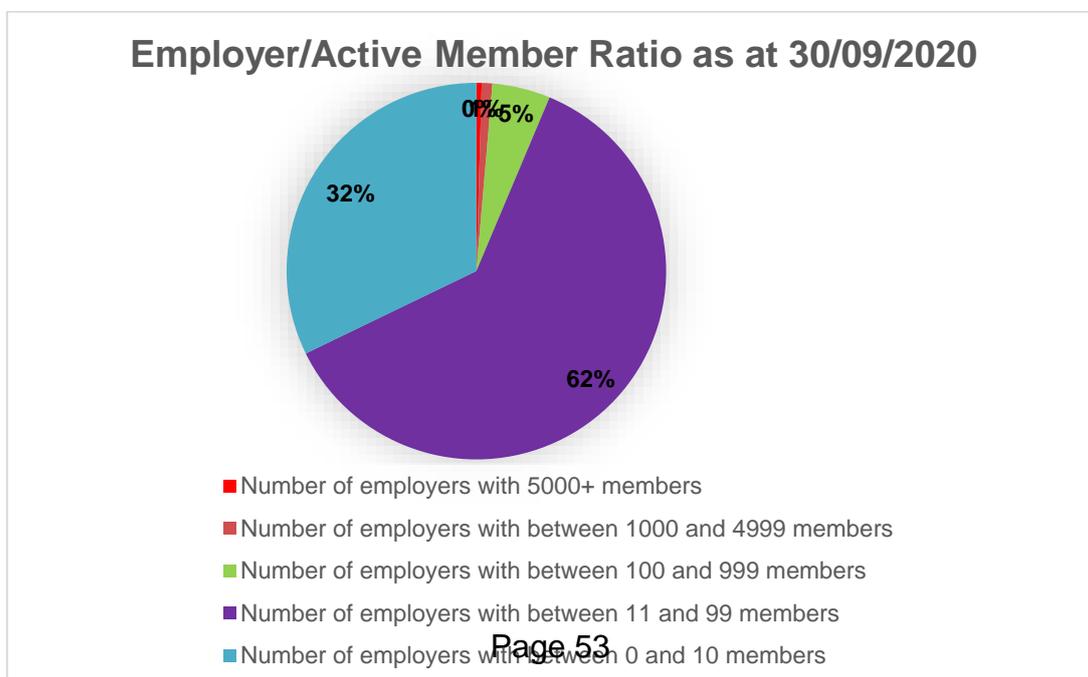
Annex 1

Active membership	30/09/2019	30/09/2020	+/-
Total Active Members	29106	29763	+657
Total Active Records	36708	37344	+636
Total Active Members with more than 1 active record	3441	3456	+15



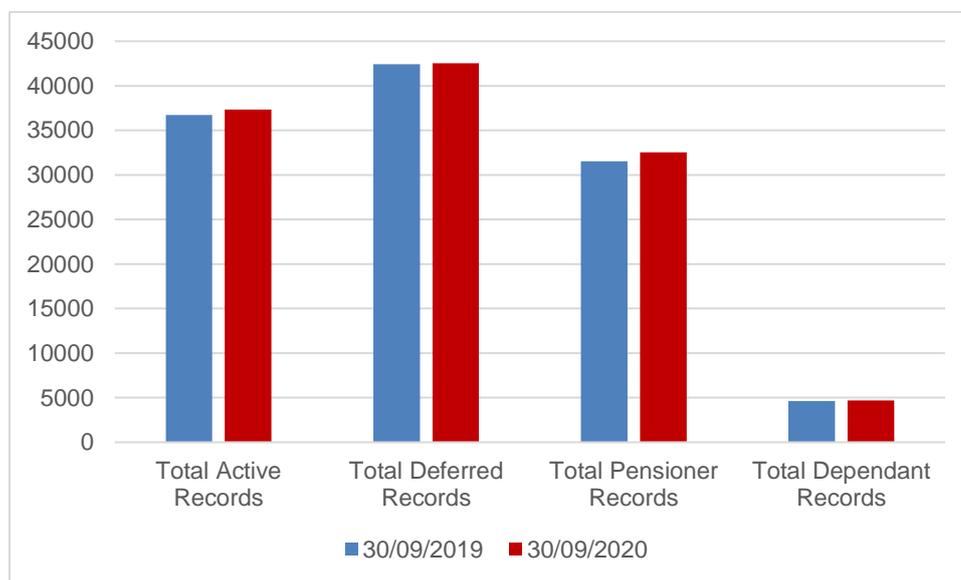
Annex 2

Employers/Active Members Ratio	30/09/2019	30/09/2020	+/-
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	21	22	+1
Number of employers with between 11 and 99 members	260	273	+13
Number of employers with between 0 and 10 members	148	143	-5
Total	435	444	+9



Annex 3 – Total number of member records by type

	30/09/2019	30/09/2020	+/-
Total Active Records	36708	37344	+636
Total Deferred Records	42409	42524	+115
Total Pensioner Records	31533	32548	+1015
Total Dependant Records	4637	4701	+64



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	233	198	84.98%	18	92.70%
	Payment - 15 days	146	142	97.26%	3	99.32%
Retirement (from Deferred)	Quote - 30 days	91	51	56.04%	21	79.12%
	Payment - 15 days	277	270	97.47%	5	99.28%
Deaths	Notification - 5 days	99	99	100.00%	0	100.00%
	Payment - 10 days	91	86	94.51%	1	95.60%
Refund of contributions	Quote - 10 days	331	193	58.31%	28	66.77%
	Payment - 10 days	169	164	97.04%	1	97.63%
Deferreds (early leavers)	30 days	170	31	18.24%	139	100.00%
Transfers In	Quote - 10 days	65	25	38.46%	9	52.31%
	Payment - 10 days	48	31	64.58%	9	83.33%
Transfers Out	Quote - 10 days	114	21	18.42%	32	46.49%
	Payment - 10 days	14	8	57.14%	2	71.43%
Estimates	Member - 15 days	179	156	87.15%	19	97.77%
	Employer - 15 days	40	20	50.00%	5	62.50%
Divorce	Quote - 45 days	45	43	95.56%	0	95.56%
	Actual - 15 days	3	3	100.00%	0	100.00%
Starters	40 days	227	227	100.00%	0	100.00%
		2342	1768	75.49%	292	87.96%

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

		Tasks Last Quarter							
		Average Days to Process	Actual Days to Process						
			0 - 5	6 - 10	11 - 15	16 - 20	21 - 25	26 - 30	31+
Retirement (from Active)	Quote - 15 days	9	94	80	24	18	14	3	0
	Payment - 15 days	5	98	40	4	3	1	0	0
Retirement (from Deferred)	Quote - 30 days	32	72	5	2	1	2	1	8
	Payment - 15 days	3	242	24	4	5	1	0	1
Deaths	Notification - 5 days	0	99	0	0	0	0	0	0
	Payment - 10 days	3	79	7	1	4	0	0	0
Refund of contributions	Quote - 10 days	15	101	92	28	25	43	13	29
	Payment - 10 days	4	134	30	1	3	0	1	0
Deferreds (early leavers)	30 days	61	6	3	5	4	7	6	139
Transfers In	Quote - 10 days	17	16	9	9	20	1	2	8
	Payment - 10 days	15	21	10	9	3	3	1	1
Transfers Out	Quote - 10 days	30	5	16	32	18	19	5	19
	Payment - 10 days	22	4	4	2	0	0	0	4
Estimates	Member - 15 days	9	84	46	26	19	4	0	0
	Employer - 15 days	12	13	5	2	5	14	1	0
Divorce	Quote - 45 days	14	16	8	10	1	6	0	4
	Actual - 15 days	2	3	0	0	0	0	0	0
Starters	40 days	5	188	34	4	1	0	0	0

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 Oct 19 - Dec 19	Q1 Jan 20 - Mar 20	Q2 Apr 20 - Jun 20	Q2 Jul 20 - Sept 20	Trend
Retirement (from Active)	Quote - 5 / 15 days	81.39%	75.14%	93.94%	84.98%	
	Payment - 5 / 15 days	91.51%	95.21%	98.16%	97.26%	
Retirement (from Deferred)	Quote - 30 days	35.71%	45.78%	73.58%	56.04%	
	Payment - 5 / 15 days	93.42%	95.02%	98.75%	97.47%	
Deaths	Notification - 5 days	99.04%	99.21%	97.20%	100.00%	
	Payment - 5 / 10 days	73.61%	99.09%	92.16%	94.51%	
Refund of contributions	Quote - 10 days	78.87%	78.65%	45.07%	58.31%	
	Payment - 10 days	78.31%	76.68%	97.27%	97.04%	
Deferreds (early leavers)	Notification - 20 / 30 days	68.00%	96.84%	42.86%	18.24%	
Transfers In	Quote - 10 days	90.79%	80.25%	46.59%	38.46%	
	Payment - 10 days	83.58%	85.71%	47.83%	64.58%	
Transfers Out	Quote - 10 days	80.26%	90.27%	30.93%	18.42%	
	Payment - 10 days	29.17%	90.91%	31.25%	57.14%	
Estimates	Member - 10/15 days	60.66%	90.55%	86.84%	87.15%	
	Employer - 15 days	86.05%	68.75%	94.23%	50.00%	
Divorce	Quote - 45 days	100.00%	90.79%	92.00%	95.56%	
	Actual - 15 days	100.00%	100.00%	100.00%	100.00%	
Starters	40 days	99.71%	98.80%	99.42%	100.00%	

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

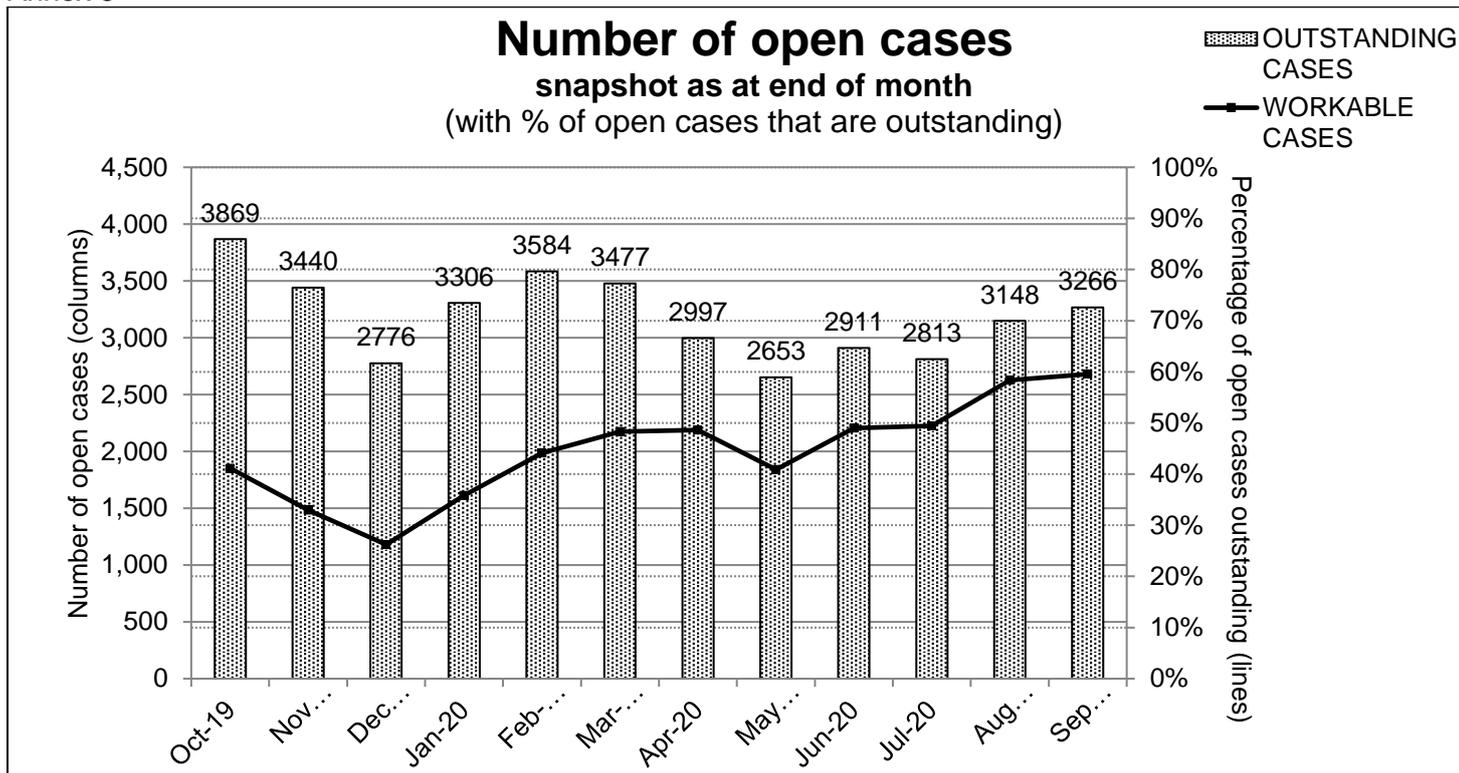
Annex 3

Statutory requirements	Timescale/deadline	3 months to 30/09/20	Notes
Year End data from employer	by 30 June		428 out of 432 employers' YE data submitted in preparation for ABS run
Issue ABS	by 31 August		Deferred LGPS members sent June 2020 (Active LGPS members sent August 2020)
Issue Pension Saving Statements	by 6 th October	Issued w/c 19 th October	72 PSS Issued (68 LGPS & 4 FPS)
Notify scheme changes	within 3 months		N/A this period
Issue Active member newsletter	2 issues per year	YES	Issued May 2020 & August 2020
Issue Deferred member newsletter	1 issue per year	YES	June 2020
Issue Pensioner member newsletter	1 issue per year	YES	Issued May 2020

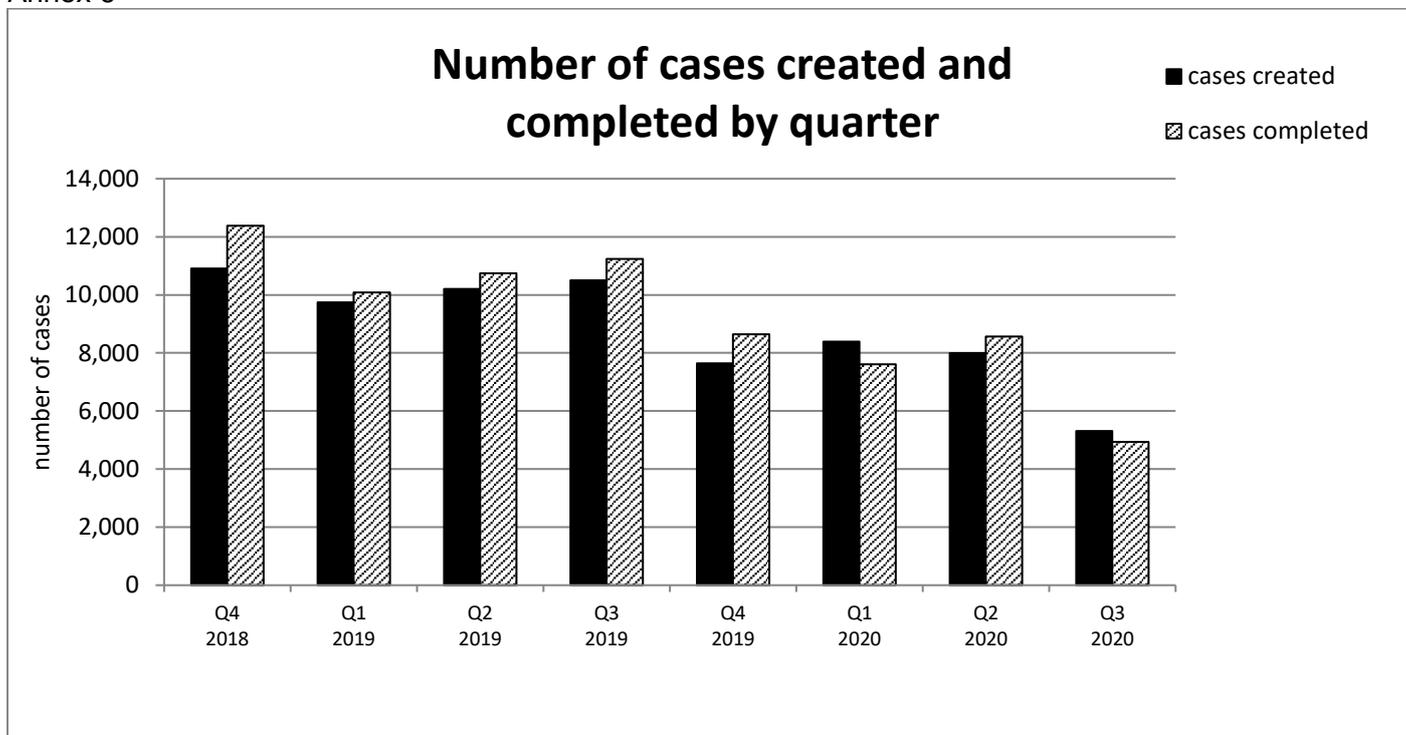
Annex 4

Other performance standards	3 months to 30/09/20	2020/21 target	Notes
Retirements survey - satisfaction %	73%		
% of employers signed up to submit data electronically (ESS/iConnect)	66.1%	>100%	
% of active membership covered by ESS/iConnect	96.2%	95%	Appx 86% membership covered by i-Connect
% of all members with electronic access (MSS)	25.4 %	No target set	
% of active members with electronic access (MSS)	31.2 %	No target set	

Annex 5



Annex 6



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Appendix 2a

APF Completed Cases - Performance against Statutory Legal Deadline

		Cases Last Quarter - July 20 - September 20			
		Measured Against Statutory Legal Requirement			
		Target	Total Processed	Total Processed in Target	Percentage Processed within Target
Retirement (from Active)	Notification of Benefits	46 days	83	75	90.36%
Retirement (from Deferred)	Notification of Benefits	23/46 days	77	72	93.51%
Deaths	Notification of Benefits	46 days	87	87	100.00%
Refund of contributions	Notification of Entitlement	46 days	331	331	100.00%
Deferreds (early leavers)	Notification of Entitlement	46 days	170	170	100.00%
Transfers In	Provision of Quotation	46 days	51	35	68.63%
Transfers Out	Notification of Trf Value	69 days	114	101	88.60%
	Payment of Trf Value	138 days	14	14	100.00%
Estimates	Provision of Quotation	46 days	213	205	96.24%
Divorce	Provision of Quotation	69 days	45	43	95.56%
	Application of Order	92 days	3	3	100.00%
Starters	Statutory Notice Issued	46 days	227	227	100.00%

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

Comments where performance has fallen below expected target:-

Transfers In – Due to working from home and lockdown restrictions with access to the office these cases were initially not a priority and our main focus was on paying benefits, transfer in cases are delayed at print stage causing a backlog.

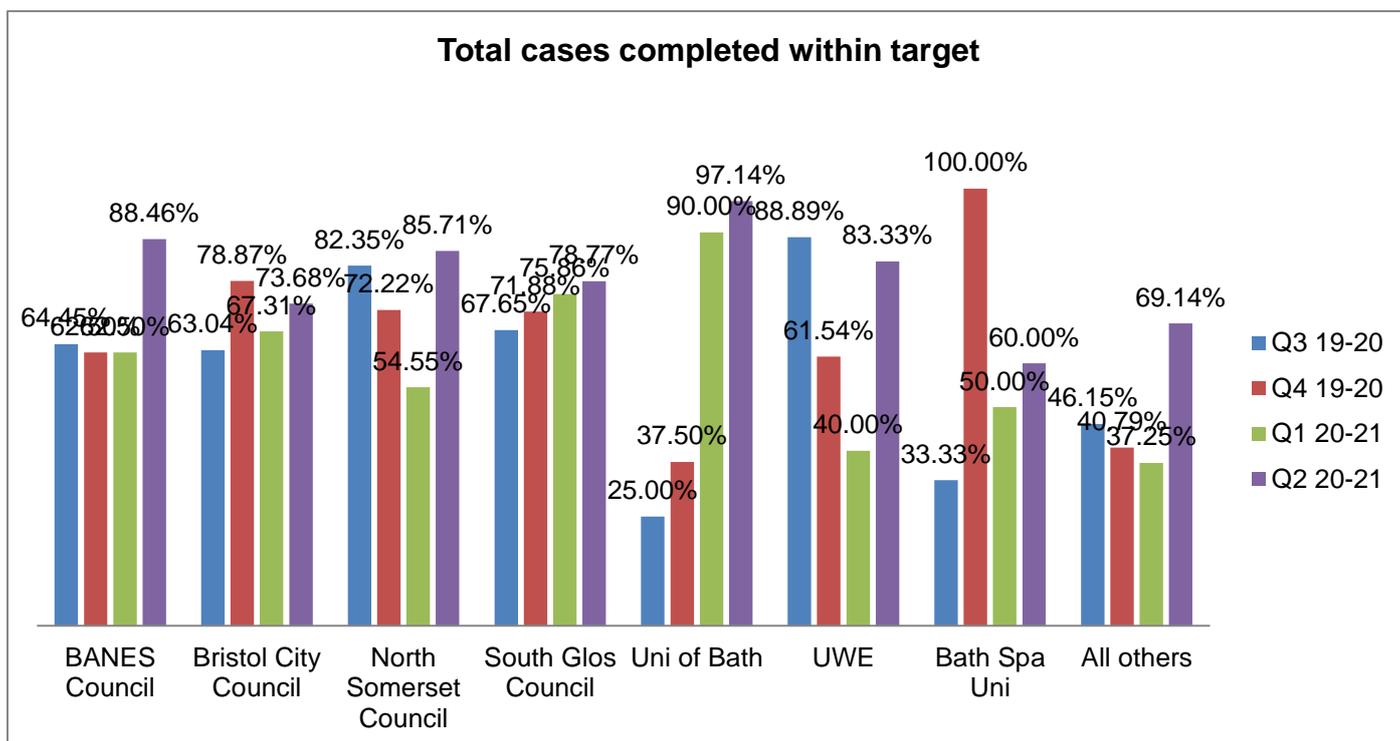
Transfers Out – Due to working from home and lockdown restrictions with access to the office these cases are not a priority and our main focus was on paying benefits, transfer out cases are delayed at print stage causing a backlog.

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Completed leaver forms by employers for retirements measured against SLA targets.

Annex 1 – Percentage of cases completed within SLA – 4 quarter trend

	Q3 19-20	Q4 19-20	Q1 20-21	Q2 20-21
BANES Council	64.45%	62.50%	62.50%	88.46%
Bristol City Council	63.04%	78.87%	67.31%	73.68%
North Somerset Council	82.35%	72.22%	54.55%	85.71%
South Gos Council	67.65%	71.88%	75.86%	78.77%
Uni of Bath	25.00%	37.50%	90.00%	97.14%
UWE	88.89%	61.54%	40.00%	83.33%
Bath Spa Uni	33.33%	100.00%	50.00%	60.00%
All others	46.15%	40.79%	37.25%	69.14%



Annex 2 – Breakdown of Case Numbers – Current Quarter

Within target	Retirements		
	Cases	Within	%
BANES Council	26	23	88.46%
Bristol City Council	38	28	73.68%
North Somerset Council	14	12	85.71%
South Gos Council	54	42	78.77%
Uni of Bath	35	34	97.14%
UWE	18	15	83.33%
Bath Spa Uni	5	3	60.00%
All others	81	56	69.14%

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Annex 1 – TPR Errors by Member Numbers

	June 2020				September 2020				Trend
	Member Records	TPR Errors	% Errors	Data Score	Member Records	TPR Errors	% Errors	Data Score	
ACTIVE	37798	391	1.03%	98.97	37523	506	1.35%	98.65	▲
UNDECIDED	3437	356	10.36%	89.64	3801	350	9.21%	90.79	▼
DEFERRED	42590	4314	10.13%	89.87	42573	4378	10.28%	89.72	▲
PENSIONERS	32259	208	0.64%	99.36	32506	206	0.63%	99.37	▼
DEPENDANTS	4917	93	1.89%	98.11	4927	99	2.01%	97.99	▲
FROZEN	3827	1379	36.03%	63.97	3862	1301	33.69%	66.31	▼
TOTALS	124828	6741	5.40%	94.60	125192	6840	5.46%	94.54	▲

Annex 2 – Outstanding Queries by Type

	June 2020		September 2020		Trend
	TPR Errors	%	TPR Errors	%	
Age 75 exceeded LGPS eligibility issue	62	0.83%	63	0.84%	▲
CARE pay for 2014-2015 required	24	0.32%	37	0.49%	▲
CARE pay for 2015-2016 required	32	0.43%	35	0.47%	▲
CARE pay for 2016-2017 required	52	0.70%	36	0.48%	▼
CARE pay for 2017-2018 required	90	1.21%	67	0.90%	▼
CARE pay for 2018-2019 required	188	2.52%	119	1.59%	▼
CARE pay for 2019-2020 required	57	0.77%	160	2.14%	▲
Casual hours data required	20	0.27%	8	0.11%	▼
Historic refund case	689	9.25%	617	8.25%	▼
Leaver form required	243	3.26%	242	3.23%	▼
Correct Forenames required	9	0.12%	11	0.15%	▲
Correct gender required	1	0.01%	1	0.01%	▼
Correct NINO required	162	2.18%	163	2.18%	▲
Correct address required	5777	77.56%	5900	78.86%	▲
Correct title required ie Miss or Mr	10	0.13%	6	0.08%	▼
Pay Ref required	4	0.05%	2	0.03%	▼
Date joined fund	1	0.01%	0	0%	▼
Data required from a previous employer	27	0.36%	15	0.20%	▼
Grand total	7448	100%	7482	100	▲

Common Data

Scheme Specific Data

Annex 3 – Outstanding TPR by status

	TPR Errors June 2020	%	TPR Errors September 2020	%
1 ACTIVE	514	100%	625	100%
Age 75 exceeded LGPS eligibility issue	1	0.19%	0	0%
CARE pay for 2014-2015 required	19	3.70%	33	5.29%
CARE pay for 2015-2016 required	25	4.86%	30	4.81%
CARE pay for 2016-2017 required	33	6.42%	28	4.48%
CARE pay for 2017-2018 required	55	10.70%	51	7.82%
CARE pay for 2018-2019 required	150	29.18%	103	16.48%
CARE pay for 2019-2020 required	52	10.12%	142	22.72%
Casual hours data required	9	1.75%	5	0.81%
Correct address required	129	25.10%	218	34.88%
Correct NINO required	8	1.56%	3	0.49%
Correct title required ie Miss or Mr	3	0.58%	0	0%
Pay Ref required	2	0.39%	1	0.17%
Leaver form required	13	2.53%	3	0.49%
Date joined Fund	1	0.19%	0	0%
Data Required from a previous employer	14	2.73%	8	1.28%
2 UNDECIDED	451	100%	407	100%
Age 75 exceeded LGPS eligibility issue	1	0.22%	3	0.74%
CARE pay for 2014-2015 required	5	1.11%	4	0.98%
CARE pay for 2015-2016 required	7	1.55%	5	1.23%
CARE pay for 2016-2017 required	19	4.21	8	1.97%
CARE pay for 2017-2018 required	30	6.65	15	3.69%
CARE pay for 2018-2019 required	37	8.20%	16	3.93%
CARE pay for 2019-2020 required	5	1.11%	18	4.42%
Casual hours data required	11	2.44%	3	0.74%
Correct address required	92	20.41%	88	21.62%
Leaver form required	230	51%	238	58.48%
Pay Ref required	1	0.22%	1	0.25%
Correct gender required	1	0.22%	0	0%
Correct NINO required	0	0%	2	0.48%
Data Required from a previous employer	12	2.66%	6	1.47%
4 DEFERRED	4348	100%	4413	100%
Age 75 exceeded LGPS eligibility issue	7	0.16%	7	0.16%
CARE pay for 2017-2018 required	5	0.11%	1	0.02%
CARE pay for 2018-2019 required	1	0.02%	0	0%
Correct address required	4288	98.62%	4359	98.78%
Correct NINO required	46	1.06%	46	1.04%
Correct title required ie Miss or Mr	1	0.02%	0	0%
Leaver Form Required	0	0%	0	0%

5 PENSIONERS	209	100%	207	100%
Correct address required	207	99.04%	204	98.55%
Correct gender required	0	0%	1	0.48%
Correct NINO required	2	0.96%	2	0.97%
6 DEPENDANTS	96	100%	100	100%
Correct address required	35	36.46%	35	35%
Correct title required ie Miss or Mr	5	5.21%	5	5%
Correct NINO required	56	58.33%	60	60%
9 FROZEN	1830	100%	1728	100%
Age 75 exceeded LGPS eligibility issue	53	2.90%	53	3.09%
Correct Forenames required	9	0.49%	9	0.52%
Correct title required ie Miss or Mr	1	0.05%	1	0.06%
Correct address required	1026	56.07%	996	57.62%
Correct NINO required	50	2.73%	50	2.89%
Historic refund case	689	37.65%	617	35.71%
Date joined fund required	0	0%	0	0%
Data Required from a previous employer	1	0.05%	1	0.06%
Pay ref required	1	0.05%	0	0%
Leaver form required	0	0%	1	0.06%
Grand Total	7448	100%	7482	100%

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APPENDIX 5

Late Payers to 30th September 2020

Employer	Payroll Month	Days late	Cumulative occasions	Amount £	Significance	Reason / Action
July to September						
Sirona Healthcare	July	12	1	32,160.50	Days and value	Missed from that week's payment run in error.
Bath Spa University	August	3	2	245,681.28	Value	Employer apologised for the payment not being authorised in time.
Sirona Healthcare	August	5	2	32,160.50	Value	Employer stated that the issue leading to late payment has now been fixed. September contributions were paid early.
				310,002.28	Over The 3 Months	
Total Contributions in Period (excluding deficit payments)				35,845,678	Late payments value as a % of total = 0.86%. Late Payments received from 2 out of 406 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.

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Bath & North East Somerset Council		
MEETING:	LOCAL PENSION BOARD - AVON PENSION FUND	
MEETING DATE:	13 November 2020	AGENDA ITEM NUMBER
TITLE:	Statutory Reporting and Year End	
WARD:	ALL	
AN OPEN PUBLIC ITEM		

1. THE ISSUE

- 1.1. The purpose of this report is to inform the Pension Board of the actions undertaken by the Fund Administration in completion of the 2019/2020 employer year end data exercise and statutory annual benefit statement exercise.
- 1.2. The law requires schemes to disclose information about benefits and scheme administration to scheme members
- 1.3. The Fund has a legal statutory requirement to provide members with a benefit statement annually by 31st August.
- 1.4. Where applicable the Fund has a legal statutory requirement to issue a Pension Saving Statement (PSS) if a members' pensions savings exceed the standard annual tax year allowance.

2. RECOMMENDATION

- 2.1. That the Board notes the report.

3. FINANCIAL IMPLICATIONS

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

4. REPORT

- 4.1. The introduction of the Pensions Act 2013 extended the powers of the Pensions Regulator (TPR) to public sector schemes from 1 April 2014. The Pension Regulator introduced the Code of Practice 14 for the administration of public sector schemes in 2015. This, amongst other things, addressed the issue of annual benefit statements to members.

5. YEAR END EXERCISE

- 5.1. In preparation the Fund must undertake an annual exercise to reconcile member data supplied by employers at each 31st March year end. There are 432 active employers of which 269 provide member data digitally to the Fund on a monthly basis. The remaining 163 employers continue to provide data annually.
- 5.2. For the purpose of data accuracy, the digital monthly employer returns undergo a reconciliation process on a continuous basis. Where the employer annually submits a data return it invariably will require further scrutiny and employer engagement to reconcile. The Fund is aiming to digitalise all employer returns as part of its published Administration Strategy.
- 5.3. To enable the Fund to scrutinise and reconcile member data all employers are requested to submit year end returns by 30th April with any subsequent follow up queries and amendments notified to the Fund by 30th June
- 5.4. All digital returns up to 31st March were received in April and loaded on to the Altair software system.
- 5.5. Of the 163 employers that supply their data via a manual return, 159 returns were received by the deadline. The 4 outstanding employers (covering 10 members) have been contacted by Employer Relations team and the Fund will consider the reasons for the delay in providing the required information and whether any breach is likely to be of material significance to the Pensions Regulator.

6. MEMBER COMMUNICATIONS

6.1. Annual Benefit Statements – active members

6.2. Officers completed work to reconcile data returns ahead of the statutory ABS exercise. Summarily, 94% of 36,189 active member statements were issued ahead of the 31st August deadline. The table below details the statements sent

Statement type and collation	Total Statements	Total mailing
Single Statements	27983	27983
Double Statements	4546	2273
Triple Statements*	1089	363
Four Statements*	252	63
Five Statements*	40	8
Six Statements*	6	1
Seven Statements*	7	1
PSOD Single Statements*	26	26
Overseas Statements	3	3
Removd/Extrcted Statements	2237	
Totals	33952	30721

6.3. A further 2,237 perspective statements were extracted due to the following:

Missing Address
Casual Missing Hours/Earnings
In-Progress Leaver

6.4. Work is ongoing to obtain missing member CARE data and to trace any missing addresses

6.5. A further 275 active member statements were issued as part of a supplementary ABS exercise on 26th October 2020.

7. PENSIONS SAVINGS STATEMENTS

7.1. Detailed work undertaken by Quality Assurance team to complete the annual process to assess member savings has been completed. The Fund issued 68 PSS for LGPS members

7.2. The Fund is required to issue a statement if pensions savings in the APF exceed the standard annual allowance. The annual allowance is the maximum amount of pension saving that an individual can make each tax year that benefits from tax relief. The standard annual allowance is £40,000 for the 2019/2020 tax year. The statement includes information that members must consider in determining whether a tax charge is liable.

7.3. Members are required to receive notification by 6th October however due to workload and redesign of the PSS letter and statement there was a short delay this year with statements being issued during w/c 19th October. The TPR have been advised of the delay.

8 RISK MANAGEMENT

8.1 The Avon Pension Fund Committee is the formal decision-making body for the Fund. As such it has responsibility to ensure adequate risk management processes are in place. It discharges this responsibility by ensuring the Fund has an appropriate investment strategy and investment management structure in place that is regularly monitored. In addition, it monitors the benefits administration, the risk register and compliance with relevant investment, finance and administration regulations.

9 EQUALITIES

9.1 A proportionate equalities impact assessment has been carried out using corporate guidelines and no significant issues have been identified.

10 CLIMATE CHANGE

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

11 CONSULTATION

1.1 Reports and its contents have been discussed with the Head of Business Finance & Pensions representing the Avon Pension Fund and Service Director – One West representing the administering authority.

Contact person	Geoff Cleak – Pensions Manager – 01225 395277
Background papers	Various statistical reports
Please contact the report author if you need to access this report in an alternative format	

Bath & North East Somerset Council		
MEETING:	LOCAL PENSION BOARD - AVON PENSION FUND	
MEETING DATE:	13 November 2020	AGENDA ITEM NUMBER
TITLE:	Breaches Report	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
<p>List of attachments to this report: Appendix 1 - Summary of Breaches Log Appendix 2 - Breaches Policy</p>		

1. THE ISSUE

1.1. The purpose of this report is to update the Pension Board on the Fund’s Breaches Policy, procedure for recording & reporting breaches, training carried out for Teams and breaches recorded in the last year.

2. RECOMMENDATION

2.1. That the Board notes the report.

3. FINANCIAL IMPLICATIONS

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

4. REPORT

4.1. REGULATORY BREACHES

4.2. The introduction of the Pensions Act 2013 extended the powers of the Pensions Regulator (TPR) to public sector schemes from 1 April 2014. The Pension Regulator introduced the Code of Practice 14 for the administration of public sector schemes in 2015. This, amongst other things, addressed the issue of Regulatory Breaches and reporting requirements.

4.3. Regulatory breaches are breaches of the regulations or standards as set out in the Administration Strategy and if Material need to be reported to TPR as set out in the Breaches Policy (Appendix 2).

4.4. In addition to the requirement to report Material breaches to TPR, the Pensions Manager will formally report all breaches to the Avon Pension Fund Committee and the Pension Board on a quarterly basis, notifying the chairs of both of any significant issues as appropriate

4.5. In deciding whether a breach is likely to be of material significance to the Pensions Regulator, the following should be considered:

- cause of the breach;
- effect of the breach;
- reaction to the breach; and
- the wider implications of the breach

4.6. Breaches recorded by the Fund broadly fall into the following categories:

- Employer fines due to late or incorrect year end returns
- Employer fines for disproportionate work
- Employer late payments of contributions
- APF failing to meet statutory requirements eg not issuing ABSs on time
- Non-payment of refunds within 5 years*

4.7. Breaches are recorded on the breaches log and referred to the Pensions Manager if considered material. If Material TPR's online portal is used to report the breach.

4.8. Outcomes and improvements from breaches are agreed and implemented accordingly with employers or officers as appropriate.

4.9. 5 Year Refund Cases*

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. The National Technical Group has previously made a recommendation to the Scheme Advisory Board (SAB) 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.

5. DATA PROTECTION BREACHES

5.1. The General Data Protection Regulations (GDPR) came into force with effect from 25th May 2018 and replaced the earlier Data Protection Act of 1998.

5.2. A personal data breach means a breach of security leading to the accidental or unlawful destruction, loss, alteration, unauthorised disclosure of, or access to, personal data. This includes breaches that are the result of both accidental and deliberate causes.

5.3. A notifiable breach must be reported to the Information Commissioner's Office (ICO) within 72 hours after becoming aware of it. If it takes longer than this, reasons for the delay must be provided.

5.4. All breaches must be reported to Banes Data Protection Officer (DPO) within 24 hours of the incident using the incident reporting template. The DPO will advise if the incident meets the criteria for reporting to the ICO and also makes recommendations on future preventative actions.

5.5. Procedures are in place for staff to follow and regular training takes place to ensure that everyone has a full understanding of data protection and the reporting procedure for breaches. Recent staff training has included:

- GDPR E-Learning Induction & refresher courses
- Cyber Security E-Learning

- Data Protection awareness sessions
- Data Protection and Homeworking sessions

5.6.A GDPR project plan has been in place since 2018 in order to ensure compliance with the new regulations. Work is ongoing and an update will be provided to the Board.

6. RISK MANAGEMENT

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

7. EQUALITIES

7.1. A proportionate equalities impact assessment has been carried out using corporate guidelines and no significant issues have been identified.

8. CLIMATE CHANGE

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

9. CONSULTATION

1.1 Reports and its contents have been discussed with the Head of Business Finance & Pensions representing the Avon Pension Fund and Service Director – One West representing the administering authority.

Contact person	Carolyn Morgan - Governance & Risk Advisor – 01225 395240
Background papers	
Please contact the report author if you need to access this report in an alternative format	

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Breaches Log 2019 & 2020

Appendix 1

Type of Breach	Period	Number of Incidents	Detail	Outcomes & Improvements
Regulatory Breaches				
Employer Late Payers	Jan to Dec 2019	34	No material breaches	
Employer Year End Data	Year end 31/3/19	17	2 late returns & 15 data errors	12 attended training, 5 paid fines Data Improvement plans set up
5 Year Refund Breaches	April 2019 to Dec 2019	105	Unable to pay refund before 5 year deadline due to no response or no trace of member	Tracing of members continues as part of project
5 Year Refund Breaches	Jan to Sept 2020	269	Unable to pay refund before 5 year deadline due to no response or no trace of member	Tracing of members continues as part of project
Other Breaches	Aug 2019	1	900 ABSs issued incorrectly due to system error in calculation of death benefits.	All re-calculated & re-issued before 31 August deadline. Improved testing plan put in place
	Oct 2020	1	Pension Savings Statements issued one week late.	This was due to the implementation of new statement template
Data Breaches				
Reported to Information Governance	Jan to Dec 2019	4	2 x data sent to incorrect employer (Globalscape) 2 x data sent to incorrect member	Checking step added to Globalscape procedure More training to staff
Reported to ICO	Jan to Dec 2019	1	IConnect – first line of address incorrect (71 members)	This incident lead to set up of the IConnect Team and implementation of further controls
Reported to Information Governance	Jan to Oct 2020	3	2 x pensioner payslips sent to incorrect person (Toplink – Print Service) 1 x data sent via Secure Share to wrong recipient 1 x member data sent to old address	Review of Toplink’s procedures Initial mistake made when procedure was introduced Training & education of staff members
Reported to ICO	Jan to Oct 2020	0		

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Avon Pension Fund Breaches Procedure

March 2016

1. Procedure for the review and reporting of Regulatory Breaches

The introduction of the Pensions Act 2013 extended the powers of the Pensions Regulator to public sector schemes from 1 April 2014. The Pension Regulator introduced Code of Practice 14 for the administration of public sector schemes in 2015. This, amongst other things, addressed the issue of Regulatory Breaches and reporting requirements.

This document deals with the process of identifying, recording and determining if breaches of pension regulations should be reported to the Pension's Regulator.

2. The Duty to report – legal requirement

The duty to report breaches is contained within the Pensions Act 2004 section 70. Within this Act certain people have a legal duty to report breaches to the Pensions Regulator where they believe that:

- a legal duty relevant to the administration of the scheme hasn't been or isn't being complied with: this could relate for instance to keeping records, internal controls, calculating benefits and, for funded schemes, includes investment governance and administration matters
- the failure to comply is likely to be of 'material significance' to the regulator in the exercise of its functions.

The people with a legal duty to report are

- pension board members
- any other person involved in the administration of the scheme (which includes Committee members)
- employers
- professional advisers including auditors, actuaries, legal advisers and fund managers
- any other person involved in advising the scheme manager in relation to the scheme

The duty to report overrides other obligations, such as confidentiality, except where legal professional privilege applies. Failure to report a breach without reasonable excuse, can lead to civil penalties.

3. What is a breach of the law?

- A breach of the law is “an act of breaking or failing to observe a law, agreement, or code of conduct.” In the context of the Local Government

Pension Scheme (LGPS) it can encompass many aspects of the management and administration of the LGPS, including failure:

- to do anything required under the Regulations;
- to do anything required under overriding legislation, applicable statutory guidance or codes of practice;
- to maintain accurate records;
- to act on any fraudulent act or omission that is identified;
- to comply with policies and procedures (e.g. the Fund's statement of investment principles, funding strategy, discretionary policies, etc.);
- of an employer to pay over member and employer contributions on time;
- to pay member benefits either accurately or in a timely manner;
- to issue annual benefit statements on time or non-compliance with the Code.

For breaches to be reported to the Pensions Regulator they need to be of **material** significance and specifically would include;

- dishonesty
- poor governance or administration
- slow or inappropriate decision making practices
- incomplete or inaccurate advice, or
- acting (or failing to act) in deliberate contravention of the law
- pension board members not having the appropriate degree of knowledge and understanding, which may result in pension boards not fulfilling their roles, the scheme not being properly governed and administered and/or scheme managers breaching other legal requirements
- pension board members having a conflict of interest, which may result in them being prejudiced in the way that they carry out their role, ineffective governance and administration of the scheme and/or scheme managers breaching legal requirements
- adequate internal controls not being established and operated, which may lead to schemes not being run in accordance with their scheme regulations and other legal requirements, risks not being properly identified and manage and/or the right money not being paid to or by the scheme at the right time
- accurate information about benefits and scheme administration not being provided to scheme members and others, which may result in members not being able to effectively plan or make decisions about their retirement
- appropriate records not being maintained, which may result in member benefits being calculated incorrectly and / or not being paid to the right person at the right time
- pension board members misappropriating any assets of the scheme or being likely to do so, which may result in scheme assets not being safeguarded,
- where a breach has been identified and those involved do not take prompt and effective action to remedy the breach and identify and tackle its cause in order to minimise risk of recurrence; are not pursuing corrective action to a proper conclusion, or fail to notify affected scheme members where it would have been appropriate to do so.

Breaches can therefore include failure to adhere to requirements set out by Administering Authority to support the maintenance of records requirements or policy or procedural requirements.

4. Material Significance

In deciding whether a breach is likely to be of material significance to the Pensions Regulator, the following should be considered:

- cause of the breach;
- effect of the breach;
- reaction to the breach; and
- the wider implications of the breach

When deciding whether to report, those responsible should consider these points together. Reporters should take into account expert or professional advice where appropriate, when deciding whether the breach is likely to be of material significance to the Regulator.

5. Recording of Breaches

The **Pensions Manager** is responsible for maintaining a record of all breaches including those which are not reported to the Regulator. The templates for recording breaches are attached as follows:

- Appendix 1: Breaches caused by employer
- Appendix 2: Breaches caused by APF as administrator
- Appendix 3: Material Breaches

Given the scope of potential breaches and the complexity of LGPS administration for Employers and the Administering Authority it is necessary to take a pragmatic approach to remediation of non- material breaches based on support, training and guidance together with remedies available to the Fund through its Administration Strategy.

6. Resolution of non- material Employer breaches

Many non-material breaches may be resolvable through a variety of mechanisms and where necessary the Fund will support employers to ensure they are fully aware of their responsibilities and have appropriate arrangements in place to comply with them. This may be achieved through training, the issue of guidance notes and or process review to ensure that best practice is implemented. All such arrangements will be implemented according to an agreed plan and timescale. The agreed support will be recorded against the breach and will be formally notified to the employer.

If the employer then fails to improve a formal notification will be issued with a fine for persistent breach and if that fails then consideration will be given to formally reporting the failing to the Pensions Regulator

7. Material Breaches by Employers

Where it is considered that there is a material breach by an employer then the

Pensions Manager will produce a report for the Head of Pensions, who will consider the breach in line with the Code of Practice, investigate as necessary and obtain legal advice where required in determining the necessity to report. The Chairs of the Pensions Committee and the Pensions Board will be provided with a copy of the report and notified of the action taken by the **Head of Pensions** within 10 days of receipt of the report.

Serious breaches identified such as fraud and misappropriation will be notified to the Regulator as soon as practicable and appropriate auditors/police authority for investigation. Arrangements will be made with the Regulator to support the determination of any action once the investigations have concluded.

8. Non Material Breaches by the Admin Authority

Such breaches will be recorded by the **Pensions Manager** and improvement actions agreed with the **Head of Pensions** for inclusion in ongoing Improvement plans, Services plans or Administration Strategy as appropriate.

9. Material Breaches by the Admin Authority

These breaches or suspected breaches will be reported to the **S151 officer and/or the Police** for formal investigation. The investigation will be carried out by internal audit section and/or the police as required and the Pensions Regulator notified as soon as practicable and in accordance with TPR guidance.

10. Reporting of Breaches

In addition to the requirement to report Material breaches to the Pensions Regulator, the Pensions Manager will formally report all breaches to the Avon Pension Fund Committee and the Pension Board on a quarterly basis, notifying the chairs of both of any significant issues as appropriate.

If at any time the Committee or the Board disagree with the actions taken by the Head of Pensions, then escalation will be to the S151 officer and or the Strategic Director for Resources.

Full details of the Legal responsibilities and duties in respect of Breaches of the Law can be found in Code of Practice 14

<http://www.thepensionsregulator.gov.uk/codes/code-governance-administrationpublic-service-pension-schemes>

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Bath & North East Somerset Council		
MEETING:	LOCAL PENSION BOARD - AVON PENSION FUND	
MEETING DATE:	13 November 2020	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 Appendix 2 Dashboard		

1. THE ISSUE

1.1. The purpose of this report is to update the Pension Board with the new risk management process introduced in March 2020 and new risk register.

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 – NEW RISK MANAGEMENT PROCESS & RISK REGISTER

4.1. The risk management process has been reviewed and updated in line with CIPFA guidance, with the introduction of a more robust process for identifying & managing risks. All risks have been reviewed and re-evaluated using a risk evaluation form. Each risk has been allocated a risk owner to monitor the risk and implement mitigation measures. The scoring system used is in line with the Banes corporate guidelines.

4.2. The risk register has been re-designed to make it more user friendly and enable Managers to use it in a more practical way for monitoring risks.

4.3. 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.

4.4. The Risk Register is reviewed every quarter by the pension management team. All risks with a review date are re-evaluated using the evaluation form and updates agreed and made to the risk register. Any new risks identified or changes to any other risks are also considered and the necessary amendments made.

4.5. The new look register including likelihood, impact and mitigating actions is included in Appendix 1 and overview dashboard is attached as Appendix 2.

4.6. Following a recent audit further improvements will be made to the risk management process to ensure a clear correlation between the identification of risks in the Investment, Funding and Administration Strategy documents and the risk register.

4.7. 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

4.8. New entries added to the register over the last year are:

- (i) Sustainability of working arrangements during Covid 19 outbreak – All risks have been reviewed and updated to reflect the high impact of the Covid 19 outbreak across many aspects of the Fund. A new risk was added in May 2020 focusing on the sustainability of remote working so that the Fund is able to continue to deliver the service to members and employers.
- (ii) Climate Change 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.
- (iii) IConnect data from employers – following the completion of a data protection impact assessment and subsequent data breach an IConnect Team was set up within the Employer Services Team. Extracts are now loaded inhouse, and controls have been reviewed.
- (iv) McCloud/Sargeant Judgements resulting in the extension of protections Although primary legislation is not expected until April 2022 work is underway to develop a comprehensive project programme with multiple workstreams contained within it. Initial analysis has been carried out to identify the number of members that are impacted by the consultation proposals, the action required to implement the remedy and which employer they fall under. The current priority is to collect missing data from employers in respect of working

hours and details of service breaks, since 1 April 2014, for all members in scope of protection.

- (v) Exit credits - disputes between exiting employer & outsourcing employer - All new admission agreements identify if the risk has been transferred at the outset.

4.9. Other updates to risks for noting during this period include:

- (i) the introduction of the exit payment cap - the risk score has increased due to the publication of the response to the consultation and subsequent implementation of regulations on 4 November 20. Considerable changes to the administration procedures for processing redundancy retirements will be required.
- (ii) Late payment of contributions from employers - there is no significant increase in terms of employers paying contributions late. The top 34 employers contributing into the fund continue to pay on time. Close monitoring continues as the situation evolves
- (iii) Recruitment of staff - phase one of the recruitment on the Administration started in September 20 and one of the vacant Investments posts has been filled.

5. EQUALITIES

5.1. A proportionate equalities impact assessment has been carried out using corporate guidelines and no significant issues have been identified.

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 in line with the Council’s Climate Strategy. The Fund acknowledges the financial risk to its assets from climate change and is 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. CONSULTATION

1.1 Reports and its contents have been discussed with the Head of Business Finance & Pensions representing the Avon Pension Fund and Service Director – One West representing the administering authority.

Contact person	Carolyn Morgan - Governance & Risk Advisor – 01225 395240
Background papers	
Please contact the report author if you need to access this report in an alternative	

format

Risk	Risk Number	Impact	RAG	Trend	Mitigating Action (For Committee / Board report)
Recruitment of staff	R28	Fund's ability to develop & implement service plan and administer the Fund		◀	Delay in recruitment of vacant Administration posts (10.2 FTE's) due to Coronavirus outbreak. Trainer has been appointed to train the new recruits. First phase of three phases of recruitment for Administration posts starting September 20. Investment posts currently being advertised.
McCloud/Sargeant Judgements resulting in the extension of protections	R63	Increase in workload on administration side and for scheme employers		◀	Consultation released on 16 July by MHCLG and runs for 12 weeks. Changes to primary legislation not expected until April 2022. Work is underway to develop a comprehensive project programme with multiple workstreams contained within it. Initial analysis has been carried out to identify the number of members that are impacted by the consultation proposals, the action required to implement the remedy and which employer they fall under. The current priority is to collect missing data from employers in respect of working hours and details of service breaks, since 1 April 2014, for all members in scope of protection.
Increase in employers	R56	increased resources needed to support more employers		◀	Additional resources have been put into Employer Services to support & train employers. Recruitment delayed due to COVID outbreak. Phase one of three phases of recruitment starting September 20. Trainer has been appointed to train the new recruits.
Deterioration in financial stability of employers (employer Covenants)	R23	employers not able to meet their liabilities impact on rest of Fund		◀	Policy in place re admission and exiting employers. Covenant assessment monitoring in place. Employer covenant being monitored in Coronavirus outbreak; Discussing possible policy options with actuary. No indicators of deterioration in financial stability of employers/their covenant at present
Failure to earn investment returns	R26	scheme cannot meet liabilities, employer conts could rise		◀	Review of Investment Strategy, risk management strategies, specialist advisors used. Due to Coronavirus outbreak a revised ISS has been approved under emergency powers by Chief Exec in consultation with officers. ST risk of not achieving expected returns has increased; however, markets have stabilised and volatility abated
Political Pressure to reform the scheme & direct investment decisions eg ESG	R42	National decisions are not in best interests of the scheme		◀	Participate in Brunel pool. ISS aligned with Fund's Climate Change policy. Recent supreme court judgement against SoS re ESG guidance clarifies that government only has power over how funds invests, not what they invest in. Have good local governance but national decisions could impact/
The introduction of the exit payment cap	R53	This will place an additional burden on the administration resource		▲	Response to the consultation and regulations now published, MHCLG is currently looking at options to introduce choice to allow members in this position to opt for a deferred pension instead and we await further guidance on the changes required to the LGPS. The Regulations will need to be approved by both houses of parliament and will come into force 21 days after that process is complete, there is no date set yet, however, we understand it is the intention that the cap will be in force for the end of the 2020 calendar year.
Climate Change Emergency	R60	Significant financial risk to the investments assets		◀	SAA revised to a higher allocation to climate positive investments. Unable to control global markets in general only through strategy.
Iconnect data from employers	R59	Incorrect member data on records and valuation of employer liabilities		◀	Iconnect Team has been set up and extracts are now loaded inhouse, controls are being reviewed
Sustainability of working arrangements during Covid 19 outbreak	R64	Unable to deliver service to members and employers		◀	Fund has put in place many steps to mitigate the risk of Coronavirus impacting on the service as set out in our business continuity update report circulated to Committee members June 2020. Risk assessments being carried out for all staff regarding home working conditions and mental health as per Banes guidance. TPR/SAB guidance continues to be reviewed. Further procedures to be reviewed to ensure fit for purpose for remote working.
Implementation of changes arising from scheme cost cap mechanism	R47	Additional burden on administration. Awareness of members & employers		◀	In July 2020, the Government announced that the cost control mechanism pause will be lifted and that the cost of addressing the discrimination identified in the McCloud judgment will be included in this process. The SAB are currently considering its position on the SAB employer cost cap process which is also paused.
Failure to secure and manage personal data held by the Fund in line with Data Protection Regulations	R05/R58	Personal data is corrupted, compromised or illegally shared resulting in fines & reputational damage.		◀	Working through Data Protection project plan with assistance of Banes DPO. New processes put in place for remote working due to Coronavirus (DPIA assessment carried out) Cyber Security E-Learning for all staff
Delays in transition of assets to Brunel or Brunel fails to deliver its objectives	R54	delays could impact pool's ability to deliver savings in line with business case or pool could fail if objectives are not met		◀	Brunel Transition Plan monitored by Client Group & BOB. Investment Panel & Committee monitor. Slight delay in 2020 transitions due to COVID. Transition plan restarted in July 2020. Loss of CIO means less senior management resources for 3- 9 months
Inadequate knowledge of those charged with governance. Committee Members knowledge is impacted by re-election process. Failure to comply with statutory regulations	R25	delays in decision making for the Committee & Fund. Failure to meet MIFID & TPR regs		◀	Training plan in place and independent members appointed. Taking part in Hymans National Knowledge Assessment for Committee & Board members.
Late / incorrect contributions from employers	R10	cashflow, employer funding position, TPR breach		◀	Monthly reconciliation, follow up in line with TPR code and late payers reported to Committee & Board. Top 34 employers contributing into the fund continue to pay on time. No significant increase in terms of other employers paying late, but this should still be monitored very closely as the situation continues to evolve.
Service delivery efficiency & customer service	R29	poor member outcomes		◀	Monitoring & reporting of Fund performance against statutory & TPR requirements. Admin & Comms strategy. Procedures have been updated for remote working and priority work has been identified, but currently risk of backlogs & complaints. A review of forms that are sent to members with a requirement of a signature to see if electronic signature acceptable rather than wet signature. Looking at ways to develop how we communicate with our members, as still a high dependence on the postal system. This issue is being addressed in the scope of an organisational-wide project, which will include the digitisation of our communications with scheme members.
failure of employers to meet statutory responsibilities	R19	Potential fines, greater scrutiny and more reporting		◀	Employer training, reconciliation of member data at year end and regular reporting in line with TRP requirements
Loss of capital or income on treasury investments	R39	Delayed return of principle or investment income		◀	Annual report to Committee to obtain approval for the fund's Treasury Management Policy. POST COVID : Cash held primarily in money market funds and although should not fall in value they could face liquidity issues if sudden increase in withdrawals if market volatility increases. On 4th June Arlingclose updated their information on recommended banks to hold deposits with after conducting some stress testing analysis and they have taken a bank off the list of banks that the pension fund can use.
Introduction of Cost Transparency Disclosures	R57	full disclosure requirements may not be met (presentation of data in AR on a best endeavours basis)		◀	Full disclosure for FY19/20 was not met although there was significant improvement on the prior year. Disclosure rates moved from 70% to 87% of managers reporting in line with CTI guidance. Improvement in disclosures due to private markets mandates coming into scope and improvements to the reporting templates which facilitated more granular reporting from listed markets mandates. Reporting remains on a best endeavours basis. Certain risk management strategies were unable to report as templates not appropriate. Brunel reported for all of their portfolios. SAB system designed to streamline the process not yet fully operational (missing critical data)

Disaster Recovery & Business Continuity	R01	Fund is unable to operate and members do not receive pension payments in time		◀	Disaster Recovery & Business Continuity plans in place and reviewed. APF - BCP (COVID-19) summary overview report produced detailing actions undertaken by the Fund to manage COVID risk. Report circulated to Pensions Committee for comment. Osborne Clark Business Continuity template completed. Risk assessment being carried out for all staff regarding home working conditions and mental health as per Banes guidance and in line with business recovery plan. Further procedures to be reviewed to ensure fit for purpose for remote working.
Brexit	R55	negative impact on investment strategy & returns		◀	Impact monitored by Committee & panel. COVID may delay exit or increase probability of a hard exit. UK/£ assets a low % of overall assets. Do not expect global impact. Main impact will be weakening of £.
Governance risk of Investment Managers, custodian & other investment suppliers	R20	loss of assets or inability to trade due to assets being inaccessible		◀	Robust procurement & contract management processes to protect Fund. Risk transferring to Brunel
Ineffective stakeholder communication	R07	poor public relations with members & employers. TPR breach		◀	Member & employer comms planned and issued detailing our actions in response to the Coronavirus outbreak and also the Climate Emergency. Advice & information (including webinars) from the LGA, TPR etc. is communicated effectively via email.
Internal Controls are not adequate & independently checked	R08/R09	committee & employers do not receive independent assurances		◀	Schedule of internal & external audits throughout the year. Results reported to Committee & Board
Cashflow profile is maturing	R40	not enough cash in bank account to meet pension payments		◀	Lower level of cash coming in each month due to unitary employers paying in advance means that we have to top up our cash more regularly. Our lower limit used to be 10m and upper 45m. Now the lower limit is 20m and upper limit is 35m. A combination of these factors (plus COVID) mean the we have to monitor our cash position regularly to ensure these limits aren't breached.
System Failure of BACs or Cseries	R14	pensions cannot be administered & paid		◀	APF uses BANES corporate system. Risk mitigation in line with BANES corporate policy for making payments. Payments system (Cseries) recently upgraded
Exit credits - disputes between exiting employer & outsourcing employer	R62	Court cases to decide who should receive exit credit		◀	Policy in place that surplus paid to exiting employer unless evidence of agreement with outsourcing employer. No contentious cases at present.
Investment Strategy impact by MIFID II	R52	restrictions on investments as retail investor		◀	Fund given Elected Professional status from all Managers, annual review & Officer / Member training in place
GMP Reconciliation	R51	Incorrect pension liability retained		◀	Project plan in place to reconcile GMPs with HMRC info and carry out necessary rectification. Slight delay due to Covid 19.
Failure to comply with Council's policies & codes of practice	R41	finances for non-compliance, disciplinary issues & reputational risk		◀	Managers & staff undertake training in accordance with Council's codes of practices and standards
Cashflow as a result of transfers outs due to Pension Freedom & Choice	R45	The fund matures more quickly than assumed, cashflow & fraud		◀	Transfer out process contains checks to ensure no fraudulent action. Cashflow monitoring in place

Governance Risks						Impact		Investment & Funding Risks				
Total	0	0	0	0	0	Negligible	0	0	0	0	0	Total
4	1	0	0	0	0	Low	0	0	2	1	2	11
	1	0	0	1	0	Medium	0	1	0	0	0	
	0	0	0	0	0	High	0	3	0	0	1	
	0	0	0	0	1	Critical	0	0	1	0	0	
Likelihood	Rare	Unlikely	Possible	Likely	Almost Certain		Almost Certain	Likely	Possible	Unlikely	Rare	Likelihood
	0	0	0	0	0	Critical	0	0	0	0	0	
	0	0	4	1	1	High	0	0	0	0	0	
	2	1	1	0	1	Medium	0	0	1	0	1	
Total	0	0	1	0	0	Low	0	0	0	0	0	Total
13	0	1	0	0	0	Negligible	0	0	0	0	1	3
	Administration Risks					Impact		Financial Risks				

The above tables show the number of risks, broken down by type, and their current risk exposure

Key:- Based on Risk Score

	1-6
	7-14
	15-25

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Bath & North East Somerset Council		
MEETING:	LOCAL PENSION BOARD - AVON PENSION FUND	
MEETING DATE:	13 November 2020	AGENDA ITEM NUMBER
TITLE:	Pension Board – Training and Work Plan Update	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
<p>List of attachments to this report:</p> <p>Appendix 1 – Outline Training & Workplan 2020/21</p> <p>Appendix 2 – LPB Terms of Reference</p>		

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 2020/21.

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 the Governance & Risk Advisor to aid future training needs analysis.

4.4 Appendix 1 contains the current training for the year to date.

4.5 Members are asked to consider Training needs through the rest of 2020/21 to fit into the working cycle of the Board.

4.6 **Work Plan**

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

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

4.9 An outline of the Work Plan is attached at Appendix 1 for consideration and will continue to be worked on and re-presented at each meeting as the year progresses using the comments and feedback of the Board, Officers and other stakeholders such as the Pension Fund Committee to inform its contents.

4.10 **Guidance Documents**

4.11 Appendix 1 also contains some additional documents for Board members' reference such as details about the roles and responsibilities of Pension Board members and the Chair, The Pensions Regulator's knowledge & understanding requirements, CIPFA Housekeeping Checklist and recommended workplan. Appendix 2 is the Pension Board's current Terms of Reference.

5 RISK MANAGEMENT

5.1 The Avon Pension Fund Committee is the formal decision-making body for the Fund. As such it has responsibility to ensure adequate risk management processes are in place. It discharges this responsibility by ensuring the Fund has an appropriate investment strategy and investment management structure in place that is regularly monitored. In addition, it monitors the benefits administration, the risk register and compliance with relevant investment, finance and administration regulations.

6 EQUALITIES

6.1 A proportionate equalities impact assessment has been carried out using corporate guidelines and no significant issues have been identified.

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 in line with the Council's Climate Strategy. The Fund acknowledges the financial risk to its assets from climate change and is 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 CONSULTATION

- 8.1 Reports and its contents have been discussed with the Head of Business Finance & Pensions representing the Avon Pension Fund and Service Director – One West representing the administering authority.

Contact person	Carolyn Morgan – Governance & Risk Advisor – 01225 395240
Please contact the report author if you need to access this report in an alternative format	

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Avon Pension Fund
Local Pension Board
Workplan & Training plan
Plus
Roles & Responsibilities
Training Requirements
Housekeeping Checklist

Pension Board Workplan

Workplan	24/09/20 Workshop	13/11/20 Formal	01/20 Workshop	09/02/21 Formal	TBA
Board Governance					
Terms of Reference (Governance) review					
Code of Conduct/ Conflicts of Interest policy					
Work Plan		X		X	
Training Plan		X		X	
Annual budget setting and monitoring					
Annual Report to PC and Council approval		X (email)			
Scheme and Fund Governance					
Legal, policy, regulatory developments		X		X	
Minutes PC, IP, BOB					
Annual Service Plan				X	
External advisor appointments review process/controls					
Risk Register review		X		X	
Good Governance Review					
TPR Code 14 Compliance updates		X		X	
Governance Compliance statement					
Internal Audit plan/reports on APF					
External Audit Governance Report and Accounts					
Benchmarking against other BPP funds					
Funding/Investments					
Statutory Investment Strategy Statement consultation/process/report					
2019 Triennial valuation process/controls/report?					
Statutory GAD S13 triennial funding report?					
BPP update (delivery/savings)					
Benefits Admin/Comms					
Admin Strategy Statement review	X		X	X	
Fund and employers compliance/TPR reporting		X		X	
Employer admission agreement policies					
Breaches policy/register/TPR reporting		X		X	
GDPR compliance					
Record keeping, data security, business recovery		X		X	
ABS process annual review		X			
GMP reconciliation (one off exercise)					
Discretions policies review					
Admin performance benchmarking		X		X	
Comms policy statement and website review					
Complaints policy, IDRPCs, PO cases review					

Pension Board Training Plan

Training Plan	Type of Training	Date planned / delivered
Induction Training for new members	Training Session	1 May 2020
National Knowledge Assessment	Online Assessment	1 May 2020
Investment Strategy Consultation	Training Session	29 July 2020
CIPFA Pension Board Seminar	Online seminar	29 & 30 Sept 2020
Governance & Administration Strategy Overview	Workshop	24 Sept 2020
Trustee Fundamentals	Online seminar	6/7/8 Oct 2020
New Administration Strategy Development	Workshop	Jan 2021

Role of the pension board member

The role of the pension board member is to:

- ④ provide support and assistance to the administering authority
- ④ act as a critical friend, challenging constructively on issues where the board may have a concern
- ④ keep personal knowledge and skills up to date
- ④ identify gaps in their understanding and request training to fill those gaps
- ④ show a particular interest in the administration and governance of the pension scheme, especially KPIs
- ④ regularly monitor the quality of the pension members' experience
- ④ ask whether shortcomings or failures in the scheme's administration constitutes a breach of legislation, and should be reported to TPR
- ④ ask about the strength of employers' covenants
- ④ check whether the main decision making body or officer has taken proper advice and has undertaken adequate due diligence in considering the fund's asset allocation and wider investment matters
- ④ ask whether the investment performance of the fund is being adequately monitored (this applies to assets managed directly, through a direct relationship with an asset manager or via a pooling arrangement)
- ④ monitor the work of the SAB and its sub-committees, and also TPR.

Role of the pension board chair

The role of the pension board chair is to:

- ④ provide support and assistance to the administering authority
- ④ take a lead role in developing the forward plan of the board, working closely with the administering authority's officers
- ④ develop a good and close relationship with the administering authority's officers
- ④ take a lead role in developing a training plan for the board
- ④ prepare an annual report of the board's work in conjunction with the administering authority's officers
- ④ chair the meeting in a proactive way, encouraging board members to question in a constructive and disciplined way while allowing a free and open discussion
- ④ ensure the officers are given the opportunity to respond to the members' views and questions
- ④ seek opportunities to attend the main decision making committee or panel
- ④ work with the officers in regularly reviewing the board's terms of reference and membership
- ④ attain a good understanding of the pressures facing the administering authority, and advocate their case for adequate resources to provide an efficient service, thereby preventing or reducing administrative breaches of the law.

The Pension Regulator's Code of Practice

Knowledge and understanding required by pension board members

Legal requirements

A member of the pension board of a public service pension scheme must be conversant with:

- the rules of the scheme, and
- any document recording policy about the administration of the scheme which is for the time being adopted in relation to the scheme.

A member of a pension board must have knowledge and understanding of:

- the law relating to pensions, and
- any other matters which are prescribed in regulations.

The degree of knowledge and understanding required is that appropriate for the purposes of enabling the individual to properly exercise the functions of a member of the pension board.

It is recommended that LPB members complete TPR's Trustee Toolkit for the public sector, which covers:

Conflicts of interest

Managing risk and internal controls

Maintaining accurate member data

Maintaining member contributions

Providing information to members and others

Resolving internal disputes

Reporting breaches of the law

There are supplementary modules available to reflect the fact that the LGPS is the only large funded public sector scheme, including:

An introduction to investment

Investing in a defined benefit scheme

CIPFA's Housekeeping Checklist

1. Have the board's terms of reference recently been reviewed in the light of experience?
2. Are the terms of service of board members staggered to avoid the cliff-face scenario to which a pensions committee is unavoidably exposed?
3. Is the process for appointing new board members practical and speedy, or too time consuming? Are opportunities taken to identify potential future board members?
4. Is there a documented plan to bring new board members up to speed within an acceptable timescale? Is the training plan comprehensive and regularly reviewed?
5. Is there appropriate and regular contact between the chairs of the board and the committee?
6. Does the committee commission any work from the board, such as risk reviews, breaches log etc? If not, could this be considered?
7. Are the feedback mechanisms from board to committee in place, appropriate and effective?
8. Do investment issues have too high a profile on the agenda of the board?
9. Is there a timely process for identifying new risks?
10. Is TPR's Code of Practice 14 kept under regular review?
11. Has the pension fund failed to return any surveys issued by either TPR or the SAB? If so, are steps in place to ensure future surveys are completed? If not, non-completion itself could be flagging up issues to both bodies.
12. Does your fund have an outsourced or shared services arrangement for scheme administration? If so, have you seen and followed TPR's *Managing Service Providers* guidance?
13. If scheme administration is in-house, is there a reluctance to record, or perhaps more importantly, report any breaches caused either by the pensions team or by other departments of the administering authority, eg HR department?
14. Is there a similar reluctance to record and where appropriate report any breaches caused by other councils in the fund?
15. If you have reported any breaches, have you included plans and timescales for rectifying the situation and preventing its recurrence? Should future breaches require reporting, it's advisable simultaneously to include rectification plans.
16. Do you have a data improvement plan? Or currently planning to implement one? Are the desired outcomes, with appropriate resources, clearly identified (see TPR guidance)?
17. When cleansing data, is priority given to the records of those approaching retirement?
18. Is the information on your website regarding the board easily accessible, complete and up to date?
19. Has the board had oversight of the responsible investment policy of the fund? If not, is it in the work programme?
20. Does the fund have an administration strategy? If not, would it be helpful to introduce one?
21. Has the administering authority fully considered and concluded the issue of insurance cover for board members?

CIPFA's Recommended Annual Workplan

OPERATIONAL

- ④ Administration update (including KPI monitoring).
- ④ Pension fund statement of accounts.
- ④ Pension fund annual report.
- ④ Pension fund audit report.
- ④ Local pension board annual report.
- ④ Terms of reference and membership of the board.
- ④ Monitoring of investment performance and funding ratios.
- ④ Triennial and interim actuarial valuations and GAD reports.
- ④ Appointment of advisors.
- ④ Progress report on the arrangements for pooling.
- ④ Risk register.
- ④ Board's training plan.
- ④ Review of the fund's business plan and forward plan.
- ④ Board's work plan.
- ④ Update on the work of the SAB.
- ④ Changes to the scheme's regulations.

STRATEGIC

- ④ Investment strategy: oversight.
- ④ Administration strategy.
- ④ Risk management strategy.
- ④ ESG strategy: oversight.
- ④ Breaches of law policy.
- ④ Review of the fund's governance.
- ④ Administering authority's discretions policy.
- ④ Member communication's strategy.
- ④ Conflicts of interest policy.
- ④ Annual review of the board's terms of reference.

TERMS OF REFERENCE - LOCAL PENSION BOARD OF AVON PENSION FUND

Function and role

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

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

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

The Board will exercise its responsibilities in the following areas:

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

- e. Recommending improvement actions on the above to Pensions Committee where necessary.
3. From time to time the administering authority may consult the Board or ask assistance on specific issues.
4. The Pension Board in undertaking its duties may make recommendations to the Avon Pension Fund Committee aimed at improving the effective governance and administration the scheme

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

Board Membership

There will be up to seven Board members comprising three member representatives, three employer representatives and an Independent Chairperson.

Member representatives can be drawn from the membership and are not restricted to Trades Union representatives. Employer representatives should be representative of the employers within the scheme.

No officer or councillor of the administering authority who is responsible for the discharge of any function under the LGPS regulations can be a member of the Board.

In respect of the Chairperson the term independent means having no current employment, contractual, financial or other material interest in either the Council or any scheme employer in the Avon Pension Fund. The Chairperson can delegate to another Board member if unable to attend a meeting.

The Service Director – One West will represent the Administering Authority as an independent support to the Board and oversee the operation of the Board to ensure it is achieving its terms of reference. They can make recommendations on any changes to Board membership or the terms of reference of the board to Council on an annual basis.

Appointment process

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

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

Role of advisors

The Board may appoint professional advisors as appropriate to their work plan. The cost will be met within the budget approved by the administering authority.

Role of officers

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

Frequency of meetings

Meeting frequency will be dictated by the work plan of the Board and formal meetings will be held in public, though the public may be excluded from individual items of business in accordance with the usual exemption procedures.

Voting rights

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

Board Quorum

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

Substitutes and Sub-Committees

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

Board work plan and Budget

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

Access to Board papers

The agenda papers will be circulated in in line with normal council democratic processes and minutes of meetings will be recorded and published in the same way.

Term of office

All appointments will be for a four year term with the maximum term of Board membership limited to two terms. All new appointments will be subject to a review of performance after 12 months to assess any additional training requirements.

Code of Conduct

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

Declarations of Interest and Conflicts of interest

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

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

Removal from Board

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

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

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

The Service Director – One West will consult with the Monitoring Officer to determine the correct process prior to any removal from the Board.

Expenses

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

Allowances

An annual allowance will be paid to the Independent Chairperson.

Knowledge and understanding

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

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

Reporting

The Board will publish an annual report to Council outlining the work it has carried out to fulfil its terms of reference including any recommendations on process or governance. This should be available via the Avon Pension Fund website to members and employers.

Direct reporting line if the Board has material concerns – Service Director – One West

The Board minutes will be circulated to administering authority and the Pension committee.

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

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

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

Data protection and Freedom of Information

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

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