

Pension Board

Date: Tuesday, 21st September, 2021

Time: 10.00 am

**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



Mark Durnford

Democratic Services

Lewis House, Manvers Street, Bath, BA1 1JG

Telephone: 01225 394458

Web-site - <http://www.bathnes.gov.uk>

E-mail: Democratic_Services@bathnes.gov.uk

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

The Council will broadcast the images and sounds live via the internet

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

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.

Further details of the scheme can be found at:

<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 - Tuesday, 21st September, 2021

at 10.00 am in the Virtual Meeting - Zoom - Public Access via YouTube
<https://www.youtube.com/bathnescouncil>

A G E N D A

1. WELCOME & INTRODUCTIONS
2. APOLOGIES FOR ABSENCE
3. DECLARATIONS OF INTEREST
4. TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR
5. ITEMS FROM THE PUBLIC
6. ITEMS FROM MEMBERS
7. MINUTES OF PREVIOUS MEETING: 27TH MAY 2021 (Pages 7 - 14)

8. LGPS REGULATORY UPDATE (Pages 15 - 48)

The purpose of this report is to update the Pension Board on the latest position concerning the Local Government Pension Scheme [LGPS] and any proposed regulatory matters that could affect scheme administration.

9. FUND & EMPLOYER PERFORMANCE (Pages 49 - 60)

The purpose of this report is to present the Fund's performance for the three months to 30th June 2021 against its key performance indicators (KPI's) in relation to the administration of pension benefits.

10. BRUNEL UPDATE (VERBAL UPDATE)

11. ANNUAL AUDIT REVIEW (Pages 61 - 114)

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

12. PENSION BOARD ANNUAL REPORT (Pages 115 - 126)

The purpose of this report is to review and approve the Pension Board's annual report.

13. RISK REGISTER UPDATE (Pages 127 - 134)

The purpose of this report is to update the Pension Board with the latest risk register as at 31 August 2021.

14. PENSION BOARD WORKPLAN & TRAINING PLAN (Pages 135 - 142)

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, 27th May, 2021

Present:- 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)

Also in attendance: Tony Bartlett (Head of Business, Finance and Pensions), Jeff Wring (Service Director - One West), Geoff Cleak (Pensions Manager), Kathryn Shore (Technical and Compliance Advisor), Claire Newbery (Employer Services Manager) and Carolyn Morgan (Governance and Risk Advisor)

1 WELCOME & INTRODUCTIONS

The Chair welcomed everyone to the meeting.

2 APOLOGIES FOR ABSENCE

There were none.

3 DECLARATIONS OF INTEREST

There were none.

4 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

There was none.

5 ITEMS FROM THE PUBLIC

There were none.

6 ITEMS FROM MEMBERS

There were none.

7 MINUTES OF PREVIOUS MEETING - 25TH FEBRUARY 2021

The Board noted the minutes of the previous meeting.

8 LGPS REGULATORY UPDATE

The Technical & Compliance Advisor introduced this report to the Board and highlighted the following areas from within it.

McCloud and Sargeant Court Case

On 13th May, MHCLG published a Written Ministerial Statement outlining some key remedy policies. All of the key policies outlined in the statement are as expected based on the proposals under the consultation. A full consultation response and draft regulations are expected to follow later in the year with final regulations expected to be implemented in April 2023.

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

In April, MHCLG wrote to chief financial officers, of councils and combined authorities letting them know about a new requirement to provide data on exit payments. The data will be used to inform delivery of the Government's policy to end excessively high exit payments in the public sector.

Indexation of GMPs in Public Service Pension Schemes

On 23 March 2021, the Government published its response to the consultation on Guaranteed Minimum Pension (GMP) Indexation in Public Service Pension Schemes (PSPS). The response concludes that the Government has decided to discount conversion as a long-term policy solution and make the interim solution the permanent solution for GMP indexation in PSPS.

This approach means that we will continue to provide full indexation to those members with a GMP reaching their State Pension age beyond 5 April 2021.

TPR Codes of Practice

In March, TPR launched its New Code of Practice consultation outlining a draft new code which consolidates, with updates and amendments, most of the existing codes of practice, including the public service code of practice 14, into a new single online code. The consultation closed yesterday and Avon Pension Fund submitted a response ahead of the deadline.

The Chair commented that he felt that the LGPS was becoming more complex and thanked the officers for their work on the issues raised.

The Pensions Manager replied that the McCloud case will be a big resource issue for staff alongside if a revised exit cap is to be introduced.

The Head of Business Finance & Pensions added that the Fund has done and will continue to follow these changes very closely.

Tony Whitlock asked if the true cost of the McCloud judgement for employers would not be known until 2023.

The Technical & Compliance Advisor replied that she believed it could well be.

The Board noted the current position regarding the developments that could affect the administration of the fund.

9 FUND & EMPLOYER PERFORMANCE

The Pensions Manager introduced this report to the Board and highlighted the following areas from within it.

APF PERFORMANCE

As per TPR guidance the Fund has focussed on critical member processes including the processing of retirement and death benefits.

KPI performance is monitored and reported regularly to the Pensions Manager for review. At the end of March an overall 4,942 cases were outstanding of which 3,360 (68%) are workable. This represents an overall increase in outstanding workable cases over the previous period and is partly due to an increase in additional workload created by the year end reconciliation process and a three-month delay in the receipt of leaver information from a key fund employer which experienced issues in submitting its monthly i-Connect data extract following a change in payroll provider.

In addition, the downturn in the performance is as a result of ongoing recruitment and training of new staff members including the internal movement of a number of the existing team to new roles.

He commented that around 30% of members use the self-service online facility.

The Chair asked if the online facility was available for both personal members and employers to use.

The Pensions Manager replied that it can be used by both and that employers can use it to calculate strain costs. He added that it was hoped that by April 2022 all employers would be signed up to use i-Connect.

The Chair asked if there was enough support in place for staff that work directly with employers.

The Employer Services Manager replied that she felt that there was and that there is a particularly good relationship between staff and the main four employers.

Helen Ball said that it was important to have an ongoing link with all employers.

The Pensions Manager replied that there are employer relations teams in place, but that a turnover of staff can be an issue in some of the smaller employers.

Mark King said that he was surprised to hear that self-service usage was so low and suggested, if possible, for it to be promoted by users of the service.

The Board noted the Fund and Employer performance for the three months to 31st March 2021.

10 BRUNEL UPDATE (VERBAL UPDATE)

The Head of Business Finance & Pensions addressed the Board on this item. He raised the following points in his update.

- Governance Review approved by shareholders
- Potentially seven new Oversight Board Members due to the outcome of the recent Local Elections
- Performance Reporting ongoing – remains a work in progress
- Transition of assets almost complete – moving into business as usual to monitor the performance of assets

The Board noted the update.

11 UPDATE ON SERVICE PLAN & TRANSFORMATION PROPOSALS

The Pensions Manager introduced this report to the Board and highlighted the following areas from within it.

The Service Plan and Budget were formally approved by the Pensions Committee at its meeting in March 2021.

Resource Implications

Capacity within the Investments Team has now improved with the appointment of a Senior Investments Officer (SIO) in early 2021, with a specific focus on ESG and RI. A second SIO post remains vacant and is already provided for in the budget; further consideration will be given to filling this position once the team has bedded down and all legacy assets have transferred to Brunel (except those that cannot transfer and will be wound down by the Fund).

In respect of administration at the start of the pandemic a high number of posts remained unfilled. A phased recruitment programme has been in place over the past nine months to complete the establishment albeit with some slippage due to COVID and remote working.

Further recruitment to better structure the management team and support transformational needs of the service will be introduced as part of the 2021/22 budget and operationally the administration resources will be considered during the year as part of the Administration Strategy review.

The 2021/22 budget allows for additional temporary resource to support the expected workload to manage the McCloud remedy, with the use of external

specialist support as part of the ongoing solution to manage elements of specific project work.

Budget for 2021-24

The budget is split between those areas that relate to the administration of the Fund in terms of providing the administration service to members and employers, and those areas where there is less scope to directly control the costs. The budget also includes the estimated costs of the pension board. The LGPS regulations require the costs of local pension boards to be met by the local fund.

The budget approved for Administration in 2020/21 was £3.7m. The proposed budget for 2021/2022 increases to £4.0m. The increase will include the appointment of both a Transformation Manager and Project implementation officer and provide for the strengthening of the existing management team.

The previously planned IT system review budget has been removed pending the planned revision to the current Administration Strategy and it is envisaged that this will be presented to the Pensions Committee for consideration later in the year.

Administration

The most obvious outcome of moving to a solo homeworking environment is that all communication, engagement and operation now has to be timetabled and planned. With limited visibility there is increased pressure on the management team to ensure all operations are effectively maintained. Whilst longer term it is expected that digital tools will develop to support this, at present there is a reliance on increased management effort to sustain this position.

A number of developments have been paused as a result, but the need to now fully embrace digital operational capability provides a further logistical and management resource drain. Ensuring there remains sufficient management focus in key areas is now a major challenge for the administration and it is recommended that the management team is strengthened in quite specific areas to accommodate this.

In addition, the creation of a core projects unit which could be flexed as major projects such as McCloud emerge, will mitigate the current risk of continually diluting operational resource.

The new operating environment also requires a new infrastructure to support it and whilst the service has adapted, the change is far from complete. The establishment of a Transformation function would give the issue real focus and impetus and incorporate the recently created training function, communications and importantly lead on all digital transformation.

Whilst this function is being established, a projects officer will be appointed to kick start some of this work particularly digital service specification, digital office working including staff engagement and governance arrangements.

Helen Ball suggested that a review of the Service Plan could take place on a themed basis.

The Head of Business Finance & Pensions said that the Council were establishing a form of blended working where staff that need to access an office can, but they would mainly still work at home. He added that a review of office space / use was ongoing across the Council and that there was a need to now focus on ourselves as well as members and employers.

The Board noted the 3 Year Service Plan and Budget for 2021-24 for the Avon Pension Fund, including proposals to manage the transformation process.

12 GOOD GOVERNANCE REVIEW & TPR CONSULTATION

The Governance & Risk Advisor introduced this report to the Board and highlighted the following areas from within it.

SAB Good Governance Review

On 15 February 2021, the SAB (Scheme Advisory Board) published the Good Governance: Phase 3 Report which was produced by the Hymans Robertson project team (<https://lgpsboard.org/index.php/projects/good-governance>).

The Phase 3 report provides further details on some of the recommendations which will now be submitted to the Local Government minister for consideration. A timeline for implementation is then expected, but it is likely that the recommendations will need to be in place by April 2022, with the first enhanced Governance Compliance Statement covering the period April 2022 to March 2023.

The Fund previously measured itself against the recommendations and is also seeking assistance from Hymans to ensure that there is an action plan for implementation according to the required timeline.

TPR Single Code of Practice

On 17 March 2021 The Pension Regulator (TPR) released a consultation on the first phase of its Single Code of Practice including a draft code. (<https://www.thepensionsregulator.gov.uk/en/documentlibrary/consultations/new-code-of-practice>)

This will become the code that is relevant for LGPS funds, replacing Code of Practice 14 and the parts of other codes that currently apply. The remaining codes will be added to the consolidated Single Code of Practice in future phases, although the outstanding codes are not relevant to the LGPS.

There will be a project to bring TPR guidance into line with the new Code starting later in 2021.

The Chair commented that within the new code there appeared to be a focus on training to support members of the relevant Boards and Committees, but a lack of training for staff was a possible concern.

The Head of Business Finance & Pensions replied that he felt that historically staff training had been strong and that around 8 – 10 staff members were now in place train and aid retention.

The Service Director - One West said that Appendix 4 to the report was the Governance Compliance Statement and was the first time it had been presented to the Board. He stated that it would be useful for the Board to reflect and to assess how the Governance Compliance Statement fitted into their role.

Mark King suggested that a workshop be held at some point to inform members of the future work involved.

The Governance & Risk Advisor replied that there was a requirement within the Good Governance review for an enhanced Governance Compliance Statement and a workshop on this subject would be useful. She confirmed she would add this item to the workplan of the Board.

The Board noted the report.

13 RISK REGISTER UPDATE

The Governance & Risk Advisor introduced this report to the Board and highlighted the following areas from within it.

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.

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.

This quarter The Fund carried out an annual review of the risk register as at 31 March 2021. In summary, over the last year, all risks have been reviewed at least once and there have been the following changes:

- 1 new risk added
- 5 risks removed or combined with other risks
- 10 risk scores increased
- 4 risk scores decreased
- 16 risks remained unchanged

A risk was added to the register in May 2020 to reflect the difficulties for the Fund in sustaining homeworking arrangements during the Pandemic. The situation continues to be monitored with risk assessments carried out for all staff, processes reviewed & digital solutions implemented where possible. New IT equipment for all staff will be rolled out in 2021 and a new digital strategy will be planned over the next year.

Although Climate Change still represents a significant risk to the Fund, by including specific net zero and carbon targets in the investment strategy and increasing investment in sustainable equities and renewable energy assets the risk score has reduced slightly.

The Board noted the report.

14 WORKPLAN & TRAINING PLAN

The Governance & Risk Advisor introduced this report to the Board and highlighted the following areas from within it.

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.

Following participation in the National Knowledge Assessment conducted by Hymans Robertson LLP a training plan has been put together based on the recommendations of the assessment, which covers the requirements of the CIPFA Knowledge & Skills Framework. The workshops will be held jointly with the APF Pension Committee.

The Chair commented that completion of the TPR Toolkit was a requirement of being a Pension Board member and should be completed if not already done so. Completion should be confirmed to the Governance & Risk Advisor so that the training log can be updated.

The Board noted the report and recommends high level training needs through 2020/21.

The meeting ended at 12.40 pm

Chair(person)

Date Confirmed and Signed

Prepared by Democratic Services

Bath & North East Somerset Council		
MEETING	LOCAL PENSION BOARD	
MEETING	21 September 2021	Agenda Item Number
TITLE:	Update on Legislation	
WARD:	All	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendix 1 – Current matters affecting LGPS administration 31 August 2021		

1 THE ISSUES

- 1.1 The purpose of this report is to update the Pension Board on the latest position concerning the Local Government Pension Scheme [LGPS] and any proposed regulatory matters that could affect scheme administration. An updated list is included in Appendix 1.

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.

3 THE REPORT

The table below provides a summary of the main regulatory updates since the last meeting, including brief comment on what the implications are for the Fund and what next steps will be. Further details can be found in the updated list included in Appendix 1. Alongside the matters listed in the table below, the Appendix includes an update on the following matters: GMP Equalisation, the TPR Codes of Practice, the Minimum Pension Age, the Pensions Dashboard and Responsible Investment.

Item	Latest Position	Relevant Links	Action by Fund / Next Steps
Public Sector Exit Payments Cap	No update on exit payment cap although first summary of data on average exit payments published and guidance on calculating special severance payments released in July.	https://www.gov.uk/government/statistics/local-authority-exit-payments-first-estimates-england-2019-20-and-2020-21 https://lgpslibrary.org/assets/cons/lgpsew/20210702_DSG_RD.pdf	No immediate action- details of any new exit payments cap still awaited but expected during Q4 potentially. The introduction of any new cap is likely to have administrative implications for the Fund depending on how it is structured.
McCloud Judgment	Following publication by MHCLG of Written Ministerial Statement in May, the Public Sector Pensions and Judicial Offices Bill got its first reading in the House of Lords in July.	https://questions-statements.parliament.uk/written-statements/detail/2021-05-13/hcws26	<p>Fund to continue work on collating/analysing data from employers in relation to implementing the remedy.</p> <p>Actuarial firms are liaising with administration software providers to amend the Universal Data Extract to allow for McCloud prior to submission of membership data for the 2022 actuarial valuation.</p> <p>The next reading of the Bill will be in September.</p>
Cost Control Mechanism	<p>Consultation issued in relation to proposed changes to mechanism. Response issued by SAB in August.</p> <p>A further consultation issued in relation to SCAPE discount rate methodology. Response issued by LGA in August</p>	https://lgpsboard.org/images/Consultations/HMTCCMAug21.pdf . https://lgpslibrary.org/assets/cons/nonscheme/20210624_SCAPE_LGA_Response.pdf	No immediate action – response now awaited from MHCLG to consultations.
Management of Employer Risk	<p>The Fund published its new Funding Strategy Statement in April.</p> <p>High Court Judgment also released in May in relation to application of “Exit Credits”.</p>	https://www.avonpensionfund.org.uk/sites/default/files/FSS-20210416.pdf https://www.bailii.org/ew/cases/EW/HC/Admin/2021/1436.html	No immediate action other than ongoing dialogue with employers where appropriate on the application of the new policies in the FSS i.e. with regard to exiting the Fund / inter-valuation contribution reviews.

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 EQUALITIES STATEMENT

- 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. 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 OTHER OPTIONS CONSIDERED

- 8.1 None

9 CONSULTATION

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

Contact person	<i>Geoff Cleak, Pensions Manager; Tel 01225 395277</i>
Background papers	<i>LGA Bulletins SAB Meeting Minutes National Technical Group Meeting Minutes</i>
Please contact the report author if you need to access this report in an alternative format	

This page is intentionally left blank

List of current developments affecting or expected to affect Scheme Administration – 31 August 2021

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>On 2 July 2021, following a request for data from local authorities in April 2021, MHCLG published its first summary of exit payment data covering 2019-20 and 2020-21. Initial indications are that the average exit payment made in 2020-21 across local authorities was £26,000 including pension strain. Further details can be found here.</p> <p>Also, on 2 July 2021, Although not directly linked to the exit payments cap, MHCLG commenced a consultation on statutory guidance in respect of “special severance” payments that apply to local authorities i.e. over and above statutory entitlements. The consultation ended on 13 August 2021 and an outcome is awaited. A copy of the LGA’s response to the consultation can be found here.</p> <p>Previous Updates:-</p> <p>On 9 April 2021, MHCLG wrote to chief financial officers, of councils and combined authorities, letting them know about a new requirement to provide data on exit payments. Councils will be asked to provide data on all redundancy payments, pension strain payments and other special payments made in consequence of an exit for 2014/15 to 2020/21 by the end of May 2021. The data will be used to inform delivery of the Government’s policy to end excessively high exit payments in the public sector.</p> <p>On 12 February 2021, HMT published the Exit Payment Cap Directions 2021 disapplying parts of the Restriction of Public Sector Exit Payment Regulations 2020 with immediate effect, meaning the exit cap no longer applies to exits that take place on or after 12 February 2021. HMT expects employers to pay the additional sums that would have been paid, had the exit cap not applied in respect of employees who left between 4 November 2020 and 11 February 2021. On 25 February 2021, The Restriction of Public Sector Exit Payments (Revocation) Regulations 2021 were made and laid before parliament and will come into force on 19th March 2021. These</p>	Updated

Organisation	Item	Details	Status
		<p>regulations confirm the effect of the disapplication Directions made on the 12th February 2021 but are not retrospective.</p> <p>Despite this revocation, the Government remains committed to implementing reforms to public sector exits which will have the aim of ending excessive payments and bringing practice more in line with the private sector. We understand that MHCLG plans to introduce further changes to exit payments following the recent MHCLG consultation on reforming local government exit pay, however, they will consult again on any further reforms to exit payments before any changes are made. The Government has not confirmed when the exit cap or further reforms will be introduced but we understand an exit cap may be in force later in 2021.</p> <p>On 22 December 2020, three requests for Judicial Reviews of the Restriction of Public Sector Exit Payment Regulations 2020 were given permission to proceed. These requests contest the regulations on a number of grounds, including their effect on the LGPS regulations. It is expected the requests will be heard towards the end of March 2021. MHCLG has confirmed that these hearings will affect the timing of LGPS regulation changes. The LGA understand that these proceedings will prevent any direction by the Pensions Ombudsman on this matter until they are complete although they are seeking clarification on this.</p> <p>On 16 Nov 2020, APF obtained legal advice on the best course of action to take in the interim period, until the LGPS regulations are amended to accommodate the cap. As a result of that advice we have taken the decision to offer a member who exceeds the 95k cap the option of taking immediate payment of fully reduced benefits or the option to defer their benefits for payment at a later date. This is also in line with the Government and Scheme Advisory Board recommendations. We have also adopted a partial change in the factors used to calculate pension strain costs following a formal recommendation from our Actuary. New processes are now in place to deal with any cases that arise going forward.</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>	

Organisation	Item	Details	Status
		<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> <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>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</p>	

Organisation	Item	Details	Status
		<p>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.</p> <p>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: 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. 	

Organisation	Item	Details	Status
		<ul style="list-style-type: none"> 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>	
Government	McCloud Judgement	<p>Risk Register Item – R63</p> <p>Latest Updates:-</p> <p>On 19 July 2021, The Public Sector Pensions and Judicial Offices Bill got its first reading in the House of Lords. The Bill makes provision to rectify the unlawful age discrimination identified by the McCloud Judgment. Chapter 3 of Part 1 of the Bill confirms which members will be in scope in the LGPS and what service is ‘remediable’. Enabling legislation will allow for scheme regulations to be changed to formally implement the McCloud remedy. The second reading of the Bill will take place in the House of Lords on 7 September 2021.</p> <p>On 13 May 2021, MHCLG published its Written Ministerial Statement setting out the government’s high level objectives on how the remedy to the McCloud Judgment will be applied. The statement can be found here.</p>	Updated

Organisation	Item	Details	Status
		<p>Previous Updates:</p> <p>On 8 October 2020 APF issued their response to the consultation which was included as an appendix to this report at the December meeting</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_MCCLLOUD_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>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 consider the challenges of implementing and communicating the scheme changes. Due to differences in LGPS transitional protection, MHCLG are planning to</p>	

Organisation	Item	Details	Status
		<p>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>On 19 August 2021, the SAB published its response to the consultation on the cost control mechanism. The response can be found here</p> <p>Similarly, LGA published its response to the consultation on the discount rate, which can be found here.</p> <p>On 24 June 2021 a Written Ministerial Statement was laid which announced the publication of two consultations. The first was about proposed reforms to the cost control mechanism and covered 3 main areas:</p> <ul style="list-style-type: none"> • A change to the mechanism so that it only covers the reformed schemes. • A widening of the corridor from 2% to 3%. • The introduction of an “economic check” so that when the corridor is breached, a further check of broader economic conditions would be carried out before any breach would be implemented. <p>The second consultation was about the discount rate used in valuations of unfunded public service pension schemes and potential changes to the SCAPE methodology used. Whilst primarily impacting the other public sector schemes (given the SCAPE discount rate is used to determine contribution rates) any changes would impact the LGPS given it is used by GAD to produce actuarial factors e.g. early retirement etc.</p> <p>Both consultations closed on 19 August 2021.</p> <p>Previous Updates:-</p> <p>We understand that this is to be one of the main topics of discussion at the meeting of the SAB which took place on 10 May 2021 and await further information of the outcome of these discussions.</p> <p>At the SAB meeting in November, the Board was reminded of the decision it took when it last met in August to un-pause its own cost cap arrangement until HM Directions including proposals</p>	Updated

Organisation	Item	Details	Status
		<p>on how McCloud costs are going to be taken into account are published over the coming months. Members were also advised that the Government Actuary's Department is undertaking a review of the cost cap arrangement but that it is unlikely to have any impact on the outstanding 2016 cost cap process or the forthcoming 2020 process.</p> <p>The Government announced updates on the 2016 valuation and cost control mechanism for the unfunded public sector pension schemes advising that the cost control element of the 2016 valuations will now be completed incorporating the cost of implementing the McCloud remedy. There will be no reduction to member benefits as a result of completing the 2016 valuation if the cost ceiling is breached. However, if the cost floor is breached, this will be honoured by implementing increases in benefit accrual and/or reductions in member contributions backdated to 1 April 2019.</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>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>	

Organisation	Item	Details	Status
		<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 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>Previous Updates:-</p> <p>On 15 February 2021, the Scheme Advisory Board published Good Governance: Phase 3 Report which was produced by the Hymans Robertson project team. The Phase 3 report, link here, provides further details on some of the recommendations that were included in the Phase 2 Report. The Board agreed that the Chair should submit the Board's Good Governance Action Plan, link here, to the Local Government minister for consideration.</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>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 	No Further Update

Organisation	Item	Details	Status
		<ul style="list-style-type: none"> • service delivery for the LGPS function • compliance and improvement <p>You can find the report as follows:-</p> <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</p>	

Organisation	Item	Details	Status
		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.	
SAB	Tier 3 Employers	<p>Previous Updates:-</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>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:- 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>	No Further Update

Organisation	Item	Details	Status
		<p>The work was split into two concurrent phases:</p> <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	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</p>	No Further Update

Organisation	Item	Details	Status
		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.	
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>Latest Updates:</p> <p>On 27 May 2021, following a judicial review, a High Court Judge rejected the claim that challenged the lawfulness of the LGPS regulations introduced in 2020 that extinguished a contractors’ right to Local Government Pension Scheme “exit credits” with retrospective effect. Full details of the ruling can be found here.</p> <p>One of the recommendations from the ruling was for Funds’ policies to not explicitly rule out the payment of an “exit credit” on the sole basis that risk sharing arrangements with the letting employer existed.</p> <p>In April 2021, the Fund published its updated Funding Strategy Statement (FSS) following a consultation exercise with employers to outline proposed changes to the FSS to allow for the regulatory changes referred to below linked to employer flexibilities. The updated FSS can be found here.</p> <p>Previous Updates:-</p> <p>On 2 March 2021, MHCLG published statutory guidance to assist LGPS administering authorities and scheme employers in implementing and operating the regulations on employer flexibilities introduced in September 2020. More detailed guidance prepared by the Scheme Advisory Board, to be read in conjunction with MHCLG’s statutory guidance, was published on 22 February 2021.</p>	Updated

Organisation	Item	Details	Status
		<p>MHCLG are defending two claims for judicial review challenging the 2020 amendment to the LGPS Regulations on the payment of exit credits. The claimant in the Northants case was granted permission by the court on 12 November to proceed to a full hearing and the case is listed to be heard in March.</p> <p>On 2 December 2020, the secretariat to the SAB emailed pensions managers for comment on a draft guide to employer flexibilities. This was prepared by the SAB in conjunction with representatives from administering authorities and scheme employers. The purpose of the guide is to provide operational and practical assistance to administering authorities and employers when implementing employer flexibilities introduced by the Local Government Pension Scheme (Amendment) (No. 2) Regulations 2020. APF issued a response on 7 January 2021.</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>	

Organisation	Item	Details	Status
		<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). 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). 5. Proposals for policy changes to employers required to offer LGPS membership <p>MHCLG received around 280 responses, one of which was from APF.</p>	
HMT	Equalisation of GMPs in public service pension schemes	<p>Latest Updates:-</p> <p>Following discussions between MHCLG and GAD, MHCLG are now liaising with HMT to determine how retrospective adjustments to CETV payments should be applied in public sector schemes and further guidance is awaited on this specific matter. A consistent approach is preferred.</p>	Updated

Organisation	Item	Details	Status
		<p>Previous Updates:-</p> <p>On 20 November 2020, the High Court ruled that trustees who do not equalise a member's GMP benefits at the time of calculating a cash equivalent transfer value (CETVs) have committed a breach of duty. Defined benefit schemes providing GMPs should revisit historic CETVs made in the past 30 years and top them up where necessary. The judgment does not force organisations to actively correct all pensions transfers; however, employers may look to do so to avoid legal proceedings from members affected. We await further guidance from MHCLG and GAD on how GMP equalisation will be achieved in the LGPS.</p> <p>Background:-</p> <p>On 26 October 2018, Mr Justice Morgan handed down judgment in Lloyds Banking Group Pensions Trustees Limited v Lloyds Bank PLC, HBOS PLC, Angela Sharp, Judith Cain, Susan Dixon, Secretary of State for Work and Pensions and HMT. The High Court has held that schemes must equalise the discriminatory effects of GMPs and that this can be achieved using several methods. At the time, HMT confirmed that the judgement “does not impact on the current method used to achieve equalisation and indexation in public service pension schemes”.</p>	
HMT	Indexation of GMPs in public service pension schemes	<p>Previous Updates:-</p> <p>On 23 March 2021, the Government published its response to the consultation on Guaranteed Minimum Pension (GMP) Indexation in Public Service Pension Schemes (PSPS). The response concludes that the Government has decided to discount conversion as a long-term policy solution and make the interim solution the permanent solution for GMP indexation in PSPS. This approach will mean that PSPS will be directed to provide full indexation to those members (including survivors) with a GMP (or inherited GMP in the case of a survivor), reaching State Pension age (SPa) beyond 5 April 2021.</p> <p>The accompanying HM Treasury Direction (issued under section 59A of the Social Security Pensions Act 1975), implementing the decision, has been updated. The updated direction commenced on 6 April 2021 and applies in England, Scotland and Wales.</p>	No Further Update

Organisation	Item	Details	Status
		<p>On 21 December 2020, the LGA and the LGPC submitted a joint response to the consultation setting out their view that they do not consider an extension of full indexation until April 2024 to be enough time, and that they believe it should either be extended for as long as possible, potentially until April 2030, or be made the permanent solution. Their main reason for this response being that the administrators of public service pension schemes are currently undertaking large programmes of work which are unlikely to be completed much before April 2030. A government response on the consultation is expected by April 2021.</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>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>	

Organisation	Item	Details	Status
		<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> <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>	
Government	Pension Schemes Bill	<p>Previous Updates:-</p> <p>On 11 February 2021, the Pension Schemes Act 2021 received Royal Assent and the provisions within the Act will come into force when the Secretary of State makes regulations for them to do so. The Act paves the way for the creation of Pensions Dashboards and the introduction of new powers for TPR concerning employer debt. It also introduces a requirement to assess, manage and report on climate related risks and extra conditions that members must satisfy before they are able to transfer out their LGPS benefits.</p> <p>The provisions of the Act that will affect the LGPS in the main are:-</p> <p><u>Climate risk reporting</u> On 27 January 2021, the Government launched a consultation on regulations entitled ‘Taking action on climate risk: improving governance and reporting by occupational pension schemes’ which ran until 10th March 2021. The scope of the regulations do not include the LGPS however regulations are expected from MHCLG to substantially mirror the requirements set out in this document with a consultation on such regulations expected in the near future.</p> <p><u>Pensions Dashboards</u> Administering authorities should take action to improve data quality to ensure that they are ready to supply the right information to the dashboards once they are live.</p>	No Further Update

Organisation	Item	Details	Status
		<p><u>Transfers out</u> We are waiting for secondary legislation to fill in the detail of the extra conditions members must satisfy before they are able to transfer out their LGPS benefits.</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>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. 	
TPR	Codes of Practice	<p>Latest Update:-</p> <p>On 24 August 2021, TPR published its interim response to its consultation on the New Code of Practice which ran from 17 March 2021 to 26 May 2021. The main areas of concern from respondents focussed on Unregulated Investments and the requirements for schemes to carry out an "own risk assessment".</p> <p>Further details can be found here.</p> <p>It's not expected that the New Code will become effective before Summer 2022.</p> <p>On 17 March 2021, TPR launched its New Code of Practice consultation. The consultation closed on 26 May 2021. The draft new code consolidates (with updates and amendments) most of the existing codes of practice, including the public service code of practice 14, into a new</p>	Updated

Organisation	Item	Details	Status
		<p>online code providing a single up-to-date and consistent source of information. The other codes will be consolidated into the single code at a later date, subject to further consultation.</p> <p>Previous Update:-</p> <p>On 17 March 2021, TPR launched its New Code of Practice consultation. The consultation closed on 26 May 2021. The draft new code consolidates (with updates and amendments) most of the existing codes of practice, including the public service code of practice 14, into a new online code providing a single up-to-date and consistent source of information. The other codes will be consolidated into the single code at a later date, subject to further consultation.</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>Background:-</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>	
HMT	Consultation on the Increase to the Normal Minimum Pension Age (NMPA)	<p>Latest Update:-</p> <p>On 20 July 2021, HMT published their response to the consultation on implementing the increase to the normal minimum pension age. The response can be found here. On the same day HMRC published a policy paper and draft legislation which will be introduced as part of the next Finance Bill. This can be found here.</p> <p>Though the Finance Act 2004 will provide for protected pension ages, it will be up to MHCLG whether to allow LGPS members to receive payment of benefits between 55 and 57 via the LGPS Regulations. This issue has been raised with MHCLG by LGA and a response is awaited.</p>	Updated

Organisation	Item	Details	Status
		<p>Previous Update:-</p> <p>On 19 April 2021, the Local Government Pension Committee (LGPC) responded to the consultation on increasing the normal minimum pension age (NMPA). You can read the LGPC response on the non-scheme consultations page of www.lgpsregs.org.</p> <p>On 11 February 2021, HMT published Increasing the normal minimum pension age: consultation on implementation. The consultation, which closes on the 22 April 2021, re-confirms the Government's commitment to increasing the NMPA and seeks views on the implementation of the rise in NMPA and protections for pension scheme members. It proposes that members who have a right under the scheme rules to take benefits before age 57 at the date of the consultation will be protected from the increase in NMPA.</p> <p>Background:-</p> <p>In 2014, the Coalition Government consulted on increasing the normal minimum pension age (NMPA) from 55 to 57 from 6 April 2028 as part of the Freedom and choice in pensions consultation.</p>	

Organisation	Item	Details	Status
DWP	Pensions Dashboard	<p>Latest Update:-</p> <p>The Fund has now appointed a dedicated officer to oversee the Fund's ongoing responsibilities in relation to the development of the Pensions Dashboard.</p> <p>On 5 July 2021, LGA published its response to the Pensions Dashboards Programme Staging Call for Input. You can read the LGPC response here.</p> <p>On 1 July 2021, TPR published its results from the Public Service Governance and Administration Survey 2020-21, which can be found here. Section 4.10 focussed on Pension Dashboards.</p> <p>Previous Update:-</p> <p>On 13 April 2021, the Pensions Dashboards Programme (PDP) issued an invitation to tender for a supplier to provide the digital architecture for pension dashboards. The chosen supplier will provide the main parts of the digital architecture. This will include the pension finder service, the consent and authorisation service and the governance register.</p> <p>In March 2021, the Pensions Administration Standards Association (PASA) published guidance on how to start getting ready for pensions dashboards. This is the first of a series of releases of PASA guidance for UK pension schemes, trustees and providers on how to start getting ready for pensions dashboards, see link here.</p> <p>On 15 December 2020, the Pensions Dashboard Programme (PDP) published the key data standards which will underpin pensions dashboards. Data standards provide a common language to describe the pensions information that will be found and displayed on the dashboards. Pension schemes will need to make sure that their data is consistent with the standards, so that members can access this through the dashboards. With onboarding to dashboards expected from 2023, the PDP urges all schemes to start preparing their data now.</p> <p>On 28 October 2020, the Money and Pensions Service (MaPS) published their second Pensions Dashboards Programme progress update report, see link here. The report includes updates on:</p>	Updated

Organisation	Item	Details	Status
		<ul style="list-style-type: none"> • the Pension Dashboards Programme's (PDP) high level activity plan • resourcing to deliver next phases of the programme • market engagement to help finalise digital architecture requirements • refining requirements for identity verification • setting up a working group to ensure consumer focus • reviewing feedback. <p>The timetable in the report reveals that the PDP expects the dashboard to be available to retirement savers for the first time in 2023.</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 	

Organisation	Item	Details	Status
		<ul style="list-style-type: none"> • 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 his Department's intention to include a Pensions Bill in the next Queen's Speech for this.</p>	
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”.	No Further Update
SAB	Responsible Investment	<p>Latest Update:-</p> <p>On 8 June 2021, DWP published regulations in parliament to require schemes with £5bn or more in assets, and all authorised master trusts, to report on how they will manage their climate risk from October this year, alongside Guidance for trustees of occupational schemes.</p> <p>These requirements do not however apply to the LGPS. MHCLG will be consulting on regulations which will require similar levels of risk assessment and reporting later this year.</p> <p>Previous Updates:-</p>	Updated

Organisation	Item	Details	Status
		<p>On 28 April 2021, Cllr Phillips, Chair of the SAB, announced the launch of the online A-Z guide to Responsible Investment (RI) at the Local Authority RI Seminar. The guide provides a glossary of RI terms, organisations, standards and legislation indexed by its classification (what it is), category (where it fits in Environmental, Social and Governance (ESG)) and status (in the context of the LGPS legislative framework) with related LGPS specific case studies.</p> <p>On 3 March 2021, the newly established Responsible Investment Advisory Group (RIAG) met for the first time. It discussed a wide range of responsible investment related issues, including MHCLG's proposals for Task Force on Climate-related Financial Disclosures (TCFD) reporting within the LGPS and the response to the LGPS All Party Parliamentary Group's inquiry into a "Just Transition". The main role of the group will be to advise the Scheme Advisory Board (SAB) and the Investment Committee on all matters relating to responsible investment. It will also be responsible for assisting the SAB in developing and maintaining the online Responsible Investment A to Z website.</p> <p>At the SAB Meeting in February 2021, the Board was advised that work on preparing the responsible investment A to Z website continues. The first milestone, a working version of the website, has been reached and work will now commence on populating the underlying database with relevant items. The aim remains for the website to go live towards the end of March. The Board also agreed membership of the new Responsible Investment Advisory Group (RIAG) as recommended by the investment, governance and engagement committee. The first meeting of the RIAG is scheduled for early March.</p> <p>At the SAB Meeting in May 2020, members were advised that work on preparing an A-Z guide to Responsible Investment will continue over the summer. As agreed in February the guide will not at this stage include any reference to fiduciary duty. The aim is to have a final draft for wider consultation ready to be considered by the Board by mid-August.</p> <p>On 11 May 2020, SAB issued a statement on the Supreme Court boycotts judgement as follows:- 'The SAB welcomes the clarity brought by the judgement of the Supreme Court in the case of R (on the application of Palestine Solidarity Campaign Ltd and another) Appellants) v Secretary of State for Housing, Communities and Local Government (Respondent). In seeking to restrict the outcome as well as the considerations taken account of by an LGPS administering authority</p>	

Organisation	Item	Details	Status
		<p>when developing its responsible investment policy, the government has been judged to have overstepped its powers. It is the Board's view that Responsible Investment policy decisions belong at the local level reflecting: the need to pay pensions both now and in the future; local democratic accountability and the views of scheme members; and that outcomes of policy developments should not be subject to restrictions based on unrelated matters'.</p> <p>On 24 February 2020, the SAB issued a statement thanking all those who responded to the request for comments on Part 1 of the Responsible Investment draft guidance. They advised that responses have been generally positive, however, some respondents have raised concerns around the issue of fiduciary duty in the context of the LGPS and, in particular, the role and responsibilities of elected members responsible for making investment decisions.</p> <p>The Board is also aware that the issue of fiduciary duty was discussed during the recent case in the Supreme Court involving the Palestine Solidarity Campaign and MHCLG that could shed some light on how the fiduciary duty test applies to investment decision makers in the LGPS. More recently, the government has introduced amendments to the Pension Schemes Bill which potentially could have a significant impact on the way in which investment strategy statements are prepared on issues like ESG and climate change.</p> <p>For these reasons, the view is taken that it would be imprudent at this stage to offer any definitive advice or guidance on how the fiduciary duty test applies to investment decision makers in the LGPS. The Board has therefore decided to take stock until it has had the opportunity to evaluate the judgement handed down by the Supreme Court and when more is known about the government's position on the proposed climate change provisions in the Pension Schemes Bill.</p> <p>Notwithstanding this decision, the Board is mindful that there are matters outside of fiduciary duty where advice and information would continue to be helpful. The Board has therefore decided to restructure the proposed guidance to explain and clarify the terminology associated with responsible investment and provide investment decision makers with a range of information, case studies and tools to help them meet the challenges associated with responsible investment. The revised document will be circulated in draft to scheme stakeholders for comment in the normal way.</p>	

Organisation	Item	Details	Status
		<p>This change of direction will not preclude the Board from addressing the issue of fiduciary duty as a separate issue once the Supreme Court judgement in the foreign boycott case has been handed down and when there is more certainty about the government's proposals under the Pension Schemes Bill.</p> <p>On 3 January 2020, APF issued their response to the consultation.</p> <p>Background:-</p> <p>At the meeting of the Scheme Advisory Board on the 6th November 2019, approval was given for the first part of guidance on responsible investment to be published for consultation. The aim of this first part of RI guidance is to assist and help investment decision makers to identify the parameters of operation within scheme regulations, statutory guidance, fiduciary duty and the general public law and the scope for integrating ESG policies as part of investment strategy statements. The Board wished to make it clear that there is no intention to prescribe the extent to which ESG policies must be adopted as this must clearly remain a matter for local consideration and agreement in accordance with MHCLG's statutory guidance.</p> <p>The Board also agreed that work should commence on drafting part two of the guidance, the aim of which is to provide investment decision makers with a toolkit they can use to further integrate ESG policies as part of their investment strategy. As part of the consultation on part one of the guidance, consultees were also invited to submit details of case studies that evidence the successful adoption of ESG policies, in particular, those focused on the risks associated with climate change. Consultees were also invited to suggest other matters that should be included in the part two guidance. The aim will be to have prepared a working draft of the part two guidance in time for it to be considered by the Board when it next meets in February 2020.</p>	

This page is intentionally left blank

Bath & North East Somerset Council	
MEETING:	LOCAL PENSION BOARD
MEETING DATE:	21 September 2021
TITLE:	PENSION FUND ADMINISTRATION Overview & Summary Performance Report
WARD:	ALL
AN OPEN PUBLIC ITEM	
<p>List of attachments to this report:</p> <p>Appendix 1 – Performance against SLA & Workload</p> <p>Appendix 2 – TPR Data Improvement Plan</p> <p>Appendix 3 – Progress on Key Projects</p>	

1 THE ISSUE

- 1.1 The purpose of this report is to present the Fund's performance for the three months to 30th June 2021 against its key performance indicators (KPI's) in relation to the administration of pension benefits.
- 1.2 The report also addresses the Fund's business operational position from an overall risk perspective

2 RECOMMENDATION

The Pension Board is asked to Note:-

- 2.1 Fund performance for the three months to 30th June 2021.

3 COVID-19 AND FUND BUSINESS CONTINUITY

- 3.1 With multiple lockdowns occurring since 23rd March 2020, the Fund focussed on communications, across all relevant stakeholders to monitor and manage business operations remotely.
- 3.2 As the situation continues to evolve it has become clear that there will not be a return to the previous 'normal' office working arrangements with the expectation of a more blended working approach being introduced by the employing authority going forward.

4 WORKLOAD

- 4.1 **Appendix 1** provides details of APF performance up to the end of the last quarter for KPI's measured against the current SLA. Generally, the Fund is operating below its desired target for most case types.
- 4.2 Operationally, on the Member Services team there has been an increase in new monthly tasks over the previous 18 months from circa 1,800 to 2,200 tasks per month with the current outstanding cases totalling 4,841 (an increase of 58% since March 2020). The main volume of work is with member refunds, active member retirements and retirements from deferred status. Member estimate requests have increased by 35% over the same period. General enquiries also remain high in volume and a number of these identified as duplicate chasers.
- 4.3 The move to monthly data receipt across employers is also a contributory factor across Employer Services. With the creation of additional tasks to be assessed for processing (mainly non retirement leavers and potential aggregation cases). There are currently 2,500 to be manually triaged and submitted to Member Services for processing.
- 4.4 During the previous 12 months admin resource has been focussed on managing all critical process as outlined by TPR directive. In addition, during the last 5 months significant time and key officer resource has been focussed on specific projects including (1) Year End data reconciliation & ABS delivery (2) Firefighters Pension Scheme – Immediate Detriment cases (3) Clearance of pre 31st March leaver backlog cases – prior to year end.

5 RESOURCE RECRUITMENT & TRAINING

- 5.1 A contributory factor in the downturn in performance has been the shortfall in resource across both Member & Employer Service teams.
- 5.2 As previously agreed by the Pensions Committee a managed phased recruitment process across pensions admin has been in operation since July 2020. During this time twenty-two officers have either been recruited new to post or have moved internally within APF. This process has been managed remotely by senior officers with training and support provided by the new officer training program.
- 5.3 It is expected that overall performance will improve as officers continue to bed in.
- 5.4 A number of vacant posts remain across the service. (i) As part of the ongoing phased recruitment there are 4.2 fte posts to backfill. (ii) Recruitment of the Technical & Compliance Advisor remains outstanding following the recent advertising campaign resulted in no applications being received. (iii) Recruitment of Transformation Manager and Project Manager – currently being reviewed by Mercer consultant.
- 5.5 Currently, Mercer consultants are providing Technical & Compliance support advice and guidance.
- 5.6 To mitigate workload some project work has already been outsourced. In particular; GMP reconciliation project and address tracing project. Further bulk work will be considered for future projects although external resource is also limited due to supplier demand.

6 TPR DATA IMPROVEMENT PLAN

- 6.1 There has been a minor downturn in the Funds recorded common data errors across most membership categories (**Appendix 2**), with an overall data score of 95.56% for the quarter ending June 2021

- 6.2 Due to work being undertaken on the Interim Valuation this year, data cleansing continues as a key focus. This will continue throughout the next year prior to the Valuation for 2021/2022

7 PROGRESS ON KEY PROJECTS

- 7.1 **Appendix 3** provides the current position on a number of key operational projects currently in progress with an outline of further actions to be taken.
- 7.2 This is not a comprehensive list of all strategic admin projects and will be developed going forward to reflect APF expectations measured against those as set out in the service plan.

8 CHALLENGES & MITIGATION

- 8.1 The challenges to the administration are multi-faceted. From improving performance management and resource upskilling, the development and implementation of software improvements to support service delivery and increase and improve member and employer self service capabilities.
- 8.2 From a workload and performance perspective a project will be undertaken to manage separately the current business as usual workload and accrued backlog. Details will be finalised in September and progress reported to Pensions Committee and LPB going forward.
- 8.3 A key enabler to reducing business as usual workload is the ability for members to self-service. Additional resource has now been recruited specifically to deliver an improved member experience through more direct customer service and signposting to maximise self service via My Pension Online facility.

9 RISK MANAGEMENT

- 9.1 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.

10 EQUALITIES STATEMENT

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

11 CLIMATE CHANGE

- 11.1 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.

12 OTHER OPTIONS CONSIDERED

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

13 CONSULTATION

- 13.1 The Report 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

		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	190	105	55.26%	33	72.63%
	Payment - 15 days	144	110	76.39%	13	85.42%
Retirement (from Deferred)	Quote - 30 days	10	5	50.00%	1	60.00%
	Payment - 15 days	181	134	74.03%	11	80.11%
Deaths	Notification - 5 days	91	80	87.91%	8	96.70%
	Payment - 10 days	65	52	80.00%	6	89.23%
Refund of contributions	Quote - 10 days	413	118	28.57%	73	46.25%
	Payment - 10 days	119	29	24.37%	18	39.50%
Deferreds (early leavers)	30 days	816	535	65.56%	281	100.00%
Transfers In	Quote - 10 days	136	57	41.91%	6	46.32%
	Payment - 10 days	28	8	28.57%	0	28.57%
Transfers Out	Quote - 10 days	150	15	10.00%	8	15.33%
	Payment - 10 days	17	8	47.06%	4	70.59%
Estimates	Member - 15 days	187	86	45.99%	27	60.43%
	Employer - 15 days	29	20	68.97%	8	96.55%
Divorce	Quote - 45 days	63	57	90.48%	0	90.48%
	Actual - 15 days	2	0	0.00%	2	100.00%
Starters	40 days	1784	1294	72.53%	0	72.53%
		4425	2713	61.31%	499	72.59%

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	12	48	29	28	33	35	11	6
	Payment - 15 days	8	78	22	10	13	5	15	1
Retirement (from Deferred)	Quote - 30 days	10	6	1	0	0	0	1	2
	Payment - 15 days	9	89	21	24	11	13	9	14
Deaths	Notification - 5 days	11	80	8	0	1	0	1	1
	Payment - 10 days	5	30	22	6	5	0	1	1
Refund of contributions	Quote - 10 days	32	67	51	73	48	68	50	56
	Payment - 10 days	15	14	15	18	11	41	11	9
Deferreds (early leavers)	30 days	13	208	91	60	44	101	31	281
Transfers In	Quote - 10 days	25	44	13	6	2	23	2	46
	Payment - 10 days	36	3	5	0	0	5	4	11
Transfers Out	Quote - 10 days	39	11	4	8	15	14	11	87
	Payment - 10 days	20	2	6	4	0	0	0	5
Estimates	Member - 15 days	12	35	10	41	27	32	37	5
	Employer - 15 days	7	10	7	3	8	1	0	0
Divorce	Quote - 45 days	23	8	10	12	13	3	8	9
	Actual - 15 days	0	0	0	0	2	0	0	0
Starters	40 days	24	226	81	40	40	8	121	459

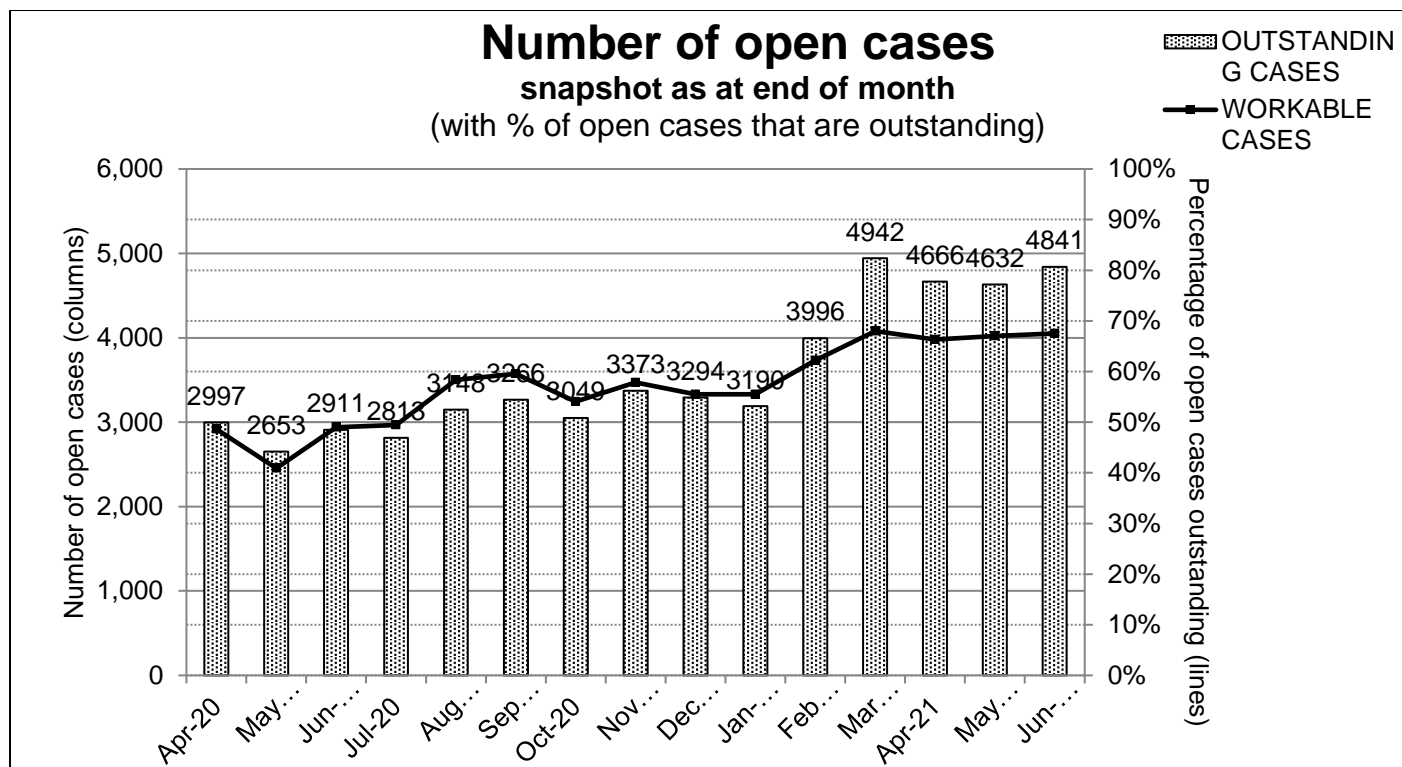
RAG key	Processed
Red	More than 5 days over target
Amber	Within 5 days of target
Green	Within target

Annex 2

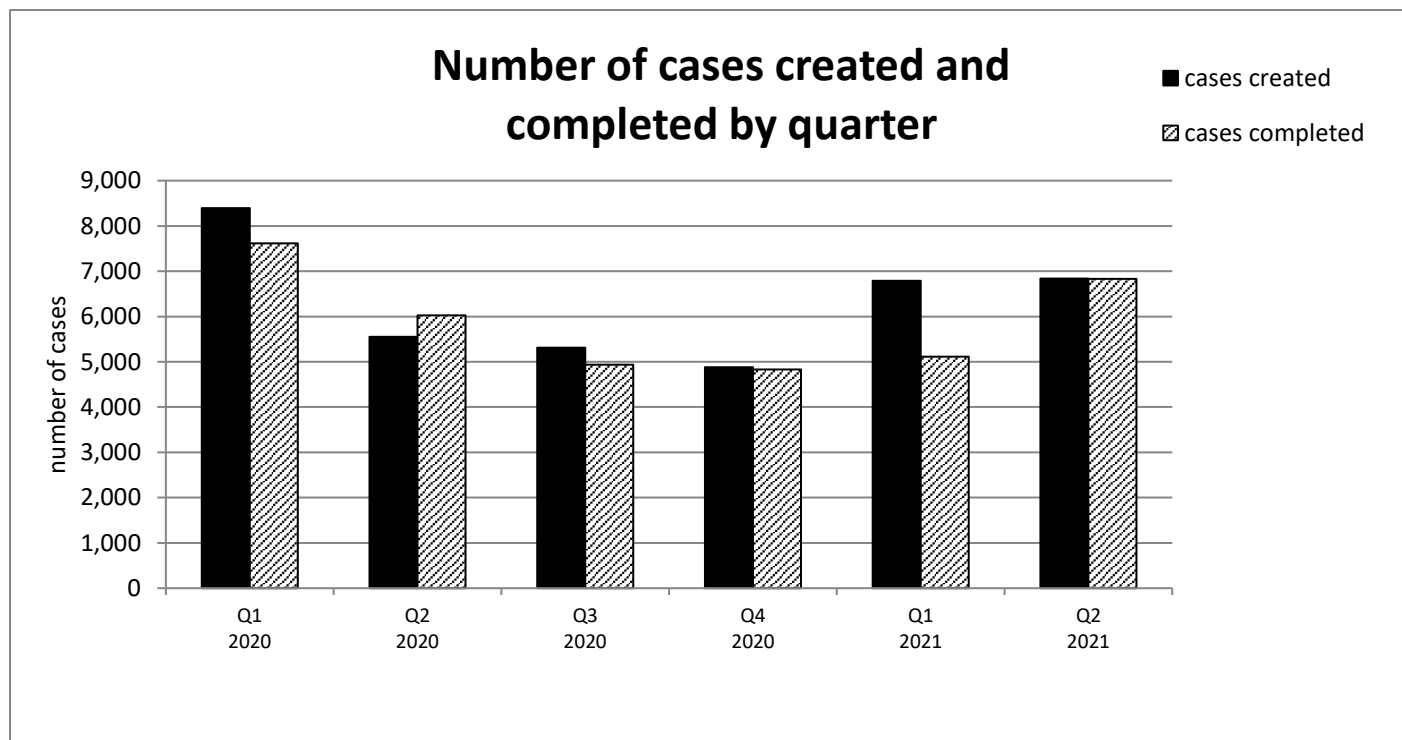
SLA Standards for Processing Admin Tasks						
Work Type	Target Processing SLA (Old/New)	Q3 Jul 20 - Sept 20	Q4 Oct 20 - Dec 20	Q1 Jan 21 - Mar 21	Q2 Apr 21 - Jun 21	Trend
Retirement (from Active)	Quote - 5 / 15 days	84.98%	80.88%	71.26%	55.26%	
	Payment - 5 / 15 days	97.26%	86.24%	75.54%	76.39%	
Retirement (from Deferred)	Quote - 30 days	56.04%	64.94%	45.78%	50.00%	
	Payment - 5 / 15 days	97.47%	95.09%	80.34%	74.03%	
Deaths	Notification - 5 days	100.00%	100.00%	93.13%	87.91%	
	Payment - 5 / 10 days	94.51%	97.78%	84.38%	80.00%	
Refund of contributions	Quote - 10 days	58.31%	14.06%	14.69%	28.57%	
	Payment - 10 days	97.04%	71.43%	32.86%	24.37%	
Deferreds (early leavers)	Notification - 20 / 30 days	18.24%	24.92%	73.40%	65.56%	
Transfers In	Quote - 10 days	38.46%	81.82%	36.14%	41.91%	
	Payment - 10 days	64.58%	62.50%	12.24%	28.57%	
Transfers Out	Quote - 10 days	18.42%	14.58%	4.80%	10.00%	
	Payment - 10 days	57.14%	53.33%	62.50%	47.06%	
Estimates	Member - 10/15 days	87.15%	76.24%	69.41%	45.99%	
	Employer - 15 days	50.00%	85.71%	78.57%	68.97%	
Divorce	Quote - 45 days	95.56%	90.91%	91.03%	90.48%	
	Actual - 15 days	100.00%	100.00%	100.00%	0.00%	
Starters	40 days	100.00%	71.21%	82.49%	72.53%	
Total Cases Processed		2342	2319	5167	4425	

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

Annex 3



Annex 4



Annex 1 – TPR Errors against Member Numbers (Trend reflects movement in data score from previous period)

	March 2021				June 2021				
	Member Records	TPR Errors	% Errors	Data Score	Member Records	TPR Errors	% Errors	Data Score	Trend
ACTIVE	39146	245	0.63%	99.37	39195	346	0.88%	99.12	▼
UNDECIDED	5433	270	4.97%	95.03	4401	266	6.04%	93.96	▼
DEFERRED	42768	3608	8.44%	91.56	42871	3580	8.35%	91.65	▲
PENSIONERS	33014	270	0.82%	99.18	33254	266	0.80%	99.20	▲
DEPENDANTS	5019	123	2.45%	97.55	5068	128	2.53%	97.47	▼
FROZEN	4055	1132	27.92%	72.08	4125	1132	27.44%	72.56	▲
TOTALS	129435	5648	4.36%	95.64	128914	5718	4.44%	95.56	▼

Annex 2 – Outstanding Queries by Type (there may be multiple queries per member) (Trend reflects +/- difference in errors from previous period)

	March 2021		June 2021		
	TPR Errors	%	TPR Errors	%	Trend
Age 75 exceeded LGPS eligibility issue	66	1.07%	73	1.15%	▼
CARE pay for 2014-2015 required	16	0.26%	7	0.11%	▲
CARE pay for 2015-2016 required	14	0.23%	9	0.14%	▲
CARE pay for 2016-2017 required	23	0.37%	19	0.30%	▲
CARE pay for 2017-2018 required	47	0.76%	39	0.62%	▲
CARE pay for 2018-2019 required	43	0.70%	30	0.47%	▲
CARE pay for 2019-2020 required	50	0.81%	24	0.40%	▲
CARE pay for 2020-2021 required			37	0.58%	NEW
Casual hours data required	16	0.26%	2	0.03%	▲
Historic refund case	532	8.64%	521	8.24%	▲
Leaver form required	154	2.50%	145	2.30%	▲
Correct Forenames required	11	0.18%	12	0.19%	▼
Correct gender required	6	0.10%	4	0.06%	▲
Correct NINO required	176	2.85%	193	3.05%	▼
Correct address required	4965	80.6%	5178	81.85%	▼
Correct title required ie Miss or Mr	6	0.10%	3	0.05%	▲
Pay Ref required	2	0.03%	1	0.02%	▲
Date joined fund	1	0.01%	1	0.01%	▲ ▼
Data required from a previous employer	33	0.53%	28	0.44%	▲
Grand total	6161	100	6326	100	▼

Common Data

Scheme Specific Data

This page is intentionally left blank

Item	Details	Action by Fund / Next Steps																				
Year End Data Reconciliation & Interim Valuation Submission	98.2% of employer returns received by 30 th April deadline. 99.7% received by 7 th May. largest U/A Employer significantly late	Data cleansing undertaken in preparation for ABS dispatch. The delay in data receipt from U/A impacted admin workload caused a large backlog for both employer & member service teams. Interim Valuation data submitted to Mercer for review on 19 th July																				
Annual Benefit Statements	97.65% of active members (31,060) received statements by 31 st August statutory deadline 89.35% of deferred members (31,670) received statements by 31 st August	Data errors detected with one third party payroll provider (19 employers / 800 members) causing ABS to be withheld pending correction. Employers & members notified of delay. ABS's to be issued in October supplementary run. Where relevant, APF will issue penalty charges in accordance with current Pensions Admin Strategy 31% of deferred membership also received their ABS digitally of which 8.1% accessed ABS online.																				
MSS (Member Self Service) – My Pension Online	<div>Current MSS sign up (as at 8th Sept 2021)</div> <table><thead><tr><th></th><th>Members</th><th>MSS Users</th><th>%Users</th></tr></thead><tbody><tr><td>Actives</td><td>33,721</td><td>11,994</td><td>35.6%</td></tr><tr><td>Deferred</td><td>35,475</td><td>10,341</td><td>29.2%</td></tr><tr><td>Retired</td><td>27,772</td><td>8,482</td><td>30.6%</td></tr><tr><td>Total</td><td>98,078</td><td>29,150</td><td>29.7%</td></tr></tbody></table>		Members	MSS Users	%Users	Actives	33,721	11,994	35.6%	Deferred	35,475	10,341	29.2%	Retired	27,772	8,482	30.6%	Total	98,078	29,150	29.7%	Additional resource now recruited to assist Communications & Marketing Manager to maximise member sign up to MSS. Resource will also triage incoming member enquiries/requests to identify and signpost members to use MSS which will assist the reduction to the workload on member services team. Future reports will be produced to reflect % sign up.
	Members	MSS Users	%Users																			
Actives	33,721	11,994	35.6%																			
Deferred	35,475	10,341	29.2%																			
Retired	27,772	8,482	30.6%																			
Total	98,078	29,150	29.7%																			
i-Connect – Monthly Data Returns	Scheme Totals Employers (With Active Members) – 459 Current IC Totals Employers on IC – 165 (36% of Employers) Active Members covered – 26,600 (76% of active membership)	Currently all employers send their data files to the fund for validation and loading. Officers are currently reviewing the handing back of the data loading to employers in-line with new tolerances set within i-Connect that allow APF to accept or reject a data file. This process requires relevant knowledge and technical skill sets communicating and training with our employers. This is being done in a 4-phase																				

Page 58		<p>approach to ensure we can maintain control of our data and support employers with the changes.</p> <p>i-Connect roll out to remaining employers – At present there are still 290 employers not on IC. The aim is to have them using IC by March 2022. The project involves 3 team leaders who are running this in addition to their business-as-usual roles. Officers are currently targeting payroll providers and larger MAT's/Employers to get the best coverage of employers/members using IC. We have identified 4 main payrolls who pay 114 of our employers and are at the top of our list for IC engagement.</p> <p>As more employers are onboarded to i-Connect there will be an inevitable increase in pressure on data processing requirements. As part of the digital transformation project processes will be reviewed to streamline through the business and maximise the development of technology to automate procedures.</p>

Bath & North East Somerset Council			
MEETING:	Pension Board – Avon Pension Fund		
MEETING DATE:	21 st September 2021	AGENDA ITEM NUMBER	
TITLE:	Internal Audit Update		
WARD:	ALL		
AN OPEN PUBLIC ITEM			
List of attachments to this report:			
Appendix 1 - iConnect Project Audit Report			
Appendix 2 - Scheme of Delegations Audit Report			
Appendix 3 - Altair IT System Access Audit Report			
Appendix 4 - Risk Management Audit Report			
Appendix 5 - COP 14 Audit Report			

1 THE ISSUE

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

2 RECOMMENDATION

- 2.1 The Pension Board is asked to note the report and outcomes of the Internal Audit work carried out on the Avon Pension Fund.

3 THE REPORT

2019/20 & 2020/21 Internal Audit Work

- 3.1 Internal Audit reviews the Pension Fund operations as part of its annual internal audit planning process (risk assessing all Council activities) and this results in audit reviews being scheduled each year.

- 3.2 Internal Audit last presented to the Pension Board on 13th June 2019 and due to the pandemic did not have the opportunity to report during 2020.
- 3.3 The Internal Audit Service has carried out and reported on 5 audit reviews since June 2019 and the Audit reports are attached at Appendices 1 – 5. For each of the 5 reports the audit opinion recorded an Assurance Level 4 – ‘Good’ and there were not any significant issues to the bring to the Boards’ attention.
- 3.4 The 2020 Audit Review of compliance with the Code of Practice 14 (Final Report issued in July 2021) is of particular interest to the Board and therefore the background and findings of this particular review are summarised below.

Code of Practice 14 Review

- 3.5 The scheme is regulated and overseen by the Pensions Regulator who has a number of regulatory tools, including issuing “Codes of Practice”, to enable it to meet its statutory objectives. Other bodies and agencies undertake key roles, particularly the Local Government Pension Scheme Advisory Board (SAB), the Ministry for Housing Communities and Local Government, and CIPFA, which sets the accounting standards.
- 3.6 Codes of Practice provide practical guidance in relation to the exercise of functions under relevant pensions legislation and set out the standards of conduct and practice expected from those who exercise those functions. Code of Practice 14 (COP 14) is particularly directed at scheme managers and the members of pension boards of public service pension schemes and connected schemes. Scheme managers must comply with various legal requirements relating to the governance, management and administration of public service pension schemes. Pension boards must also comply with certain legal requirements, including assisting scheme managers in relation to securing compliance with scheme regulations and other legislation, or requirements, relating to the governance and administration of the scheme.
- 3.7 COP 14 requirements have been subject to Internal Audit review annually for several years, and for the financial year 2020/ 21, the focus of the audit scope was to assess / verify that:
- Board Members are conversant with Pension Scheme legislation and standards
 - Board Members do not have a conflict of Interest
 - the Board has equal representation from employers and employees
 - Information about the Pension Board is accessible and up to date.
- 3.8 The report noted many strengths in terms of compliance with Code of Practice 14 requirements including:
- The current induction training session is comprehensive and covers key topics such as: the pensions legislative framework, governance

arrangements and roles and responsibilities, including that of the Scheme Advisory Board and the Pension Regulator.

- In compliance with COP 14 requirements, Pension Board members are asked to declare any conflicts of interest at the start of each meeting. This requirement is recorded in the minutes of the meeting.
- Online information about the Pension Board is accessible through the Avon Pension Fund website and this was reviewed and found to be up to date.

3.9 The Audit Review resulted in two medium risk weaknesses being reported to management for action. One was related to a new Board Member having not completed / submitted a Register of Interest Declaration Form and the second was the completion of the Pension Regulators Toolkit by Board Members was not evidenced. The recommended actions were agreed to be implemented and this will be subject to an Audit 'Follow-Up' review before the end of the financial year.

4 STATUTORY CONSIDERATIONS

4.1 There are no specific statutory considerations related to this report. Accounts & Audit Regulations set out the expectations of provision of an Internal Audit service. This is supported by S151 of the Local Government Act and CIPFA Codes of Practice and the IIA professional standards for delivery of an adequate Internal Audit Service.

5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

5.1 There are no direct resource implications relevant to this report.

6 RISK MANAGEMENT

6.1 A proportionate risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision-making risk management guidance. Significant risks to the Pension Fund arising from an ineffective Internal Audit Service include lack of internal control, failures of governance and weak risk management. Specific risks include supplementary External Audit Fees and undetected fraud. Internal Audit provides assurance and assists the Pension Fund in identifying risks, improvement areas and recommending good practice.

6.2 The Pension Fund has specific responsibility for ensuring the Pension Fund's Risk Management and Financial Governance framework is robust and effective.

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 There are no direct climate change implications related to this report.

9 OTHER OPTIONS CONSIDERED

9.1 No other options to consider related to this report.

10 CONSULTATION

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

Contact person	Andy Cox (01225 477316) / Tariq Rahman (01225 477256)
Background papers	
Please contact the report author if you need to access this report in an alternative format	

Internal Audit Report
Confidential

Avon Pension Fund
i-Connect Project

June 2020

Executive Summary

Audit Opinion:

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

Assurance Summary:

Assessment	Area Reviewed
Good	Project governance arrangements
Satisfactory	Project Planning, including allocation of resources and completion of tasks to agreed timescales
Good	Adequacy of training and support provided to employer bodies
Satisfactory	Issues management – e.g. identification and resolution of data quality issues
Good	Counter Fraud – review of risks and controls (prevent / detect)
Good	i-Connect system security
Good	i-Connect system resilience

Detailed Report

Opinion

We have assessed the framework of internal control to be at 'Level 4 - Good'. A total of 6 audit recommendations are detailed in the Action Plan section of this report.

Scope and Objectives

The audit is intended to provide management with independent assurance that risks associated with the I-Connect project have been and are currently being managed effectively.

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

Background

Avon Pension Fund is responsible for administering pensions in respect of 28,815 active members, working for 403 employers. The number of employers joining the fund in recent years has increased significantly and this in turn has led to very labour-intensive processes for the collection and upload of member data to Altair. This combined with a need to comply with The Pension Regulator (TPR) requirements around data quality have acted as drivers for the current i-Connect project.

The use of i-Connect by pension funds as the primary means of submitting member data is currently quite low. This means that APF have been unable to rely on lessons learned elsewhere and are in a very real sense leaders in seeking to fully adopt and utilise this relatively untested platform.

Context & Audit Comment

The review forms part of the 2019-20 risk based Internal Audit Plan.

To arrive at our conclusions, we have engaged with officers from APF Employer Services Teams, as well as seeking input from other areas such as BANES IT where relevant. These discussions have enabled us to gain an understanding of the project, its ongoing implementation and the underlying i-Connect system itself. Supporting evidence such as service plans and meeting minutes have been used to inform our assurance on project management, whilst walkthroughs, records of data input along with sample testing have been used to inform our assurance on system effectiveness and data quality.

Our results show that overall, management of the i-Connect and the operation of the system itself are deemed to be a good standard. Whilst setbacks have been encountered this is not unusual for such projects and although the project is now on hold temporarily, the majority of member data is now submitted using i-Connect.

A small number of recommendations have been made for areas where we have deemed further improvement to be possible.

Internal Audit Report – APF i-Connect Project

No findings were deemed to constitute a high-risk level. Medium risk findings are set out later in this report. Low risk findings, for example where controls had generally been effective but an isolated lapse with limited impact was found, have not been reproduced within this report but have been discussed and agreed separately with the Pensions Manager.

Project Management

The i-Connect project is one of a number of workstreams outlined in the most recent APF Service Plan, covering the period 2019-22. The plan itself was drafted by Senior Management within APF and was presented to the Pensions Committee on 22 March 2019 by the Head of Business Finance and Pensions, at which time it was formally approved. The project can thus be seen to be endorsed and driven by management at the most senior levels.

We reviewed subsequent minutes and reports from the Pensions Committee meetings and from these were able to confirm that progress updates on the project were being reported and noted.

Whilst the above demonstrates a good degree of oversight by Senior Management, we noted that the project itself is not delivered using a prescribed methodology such as Prince2, with its adopted project manager/board structure, defined stages, project documentation and so forth. The application of a scaled down version of such methodologies for future projects may be worth considering.

Performance Measures

We sought to confirm whether performance in relation to i-Connect was monitored. From a review of recent Committee Reports it was noted that there are two relevant indicators. These relate to the % of employers who submit data electronically and % of active membership who are included. Whilst these figures are not exclusive to i-Connect, i.e. some of the % will relate to employer self-service, they do nonetheless provide a good indication of how well the project is proceeding in achieving agreed outcomes / objectives. As at the December Committee meeting, we noted that 66% of employers were now signed up, which covers a total of 96% of active members, with 86% of members data coming through i-Connect. These figures indicate that good progress has been made in the project so far, but that there is still some way to go before the project achieves its goal of fully migrating all employers to iConnect

In terms of the reporting functionality within i-Connect and how well it supports the generation of performance information and other statistics, this is an area of development. Current processes for consolidating the necessary information require greater manual input than would be case if the software included an effective reporting system. Heywood are understood to have approved a budget for the development of this area and are keen for APF to be involved.

Team Capacity

The project has suffered from capacity issues. One impact of this has been backlogs in resolving queries that arise during the validation process for CSV files. Although additional resources have now been approved in the form of a new i-Connect team within the Pensions Administration Section, it is likely to be some time before these backlogs are fully cleared. Although there are fewer employers uploading CSV files as compared with online returns (both are part of i-Connect) the number of members whose data is included within the CSV uploads far exceeds that of online returns.

Project Timescales

Work to improve the take up of electronic data submission has been underway since 2018 and can be seen as one of the tasks within an earlier APF Service Plan covering the period 2018-21. It was initially planned that all employers would be migrated to i-Connect and using either online returns or CSV uploads by March 2020. A data breach in 2019 and its subsequent impact on how CSV files are to be validated have caused the project to be put on hold and this is likely to remain so for several months ahead.

Internal Audit Report – APF i-Connect Project

On a positive note however the project has already had a great deal of success, as can be seen by the figures quoted in the performance section above.

Training and Support

To assist employers in transitioning to i-Connect (known as 'onboarding'), APF were able to demonstrate that suitable support was in place and being made available. Detailed, step by step guidance documents, written by the software vendor, are issued to employers as reference material. These documents are suitably tailored to the method of data submission which the employer is planning to use, whether that be online returns or CSV file uploads.

Online returns are generally considered to be a straightforward method of data submission and as such there is introductory training available, but this is on request rather than being a mandatory requirement. Day to day telephone and email support are also provided.

For employers opting to submit data via a CSV file, introductory training has been a mandatory part of the induction process. This was necessary due to the more technical nature of the process which requires the employer's payroll system to generate a CSV file in a precise defined format which includes all necessary data fields.

Evidence of the training and support was seen in the form of correspondence and in a separate log of training and support which the Employer Services Team maintains.

Data Submission – Online Returns

We conducted a walkthrough of the process used by employers and found it to be generally effective and user friendly. Each monthly submission is based on data submitted during the previous period, which is then manually adjusted by the user to take account of changes that have occurred during the period. Both financial and non-financial data for each employee can be amended by working through the various screens.

Whilst the system helpfully applies some automated validation during the process; the extent of this validation is somewhat limited and there is scope for this to be improved going forward. We understand that APF have provided feedback to the vendor in relation to this.

In the event that a record within the online return is detected by the software as being problematic (classified as a failure, error or suppression), these are clearly indicated on the summary page and processed by APF during their monitoring.

Data Monitoring – Online Returns

APF have processes in place for monitoring the submission of online returns. The monitoring process includes the identification of late returns, which the officer is then able to follow up with the employer. As well as return dates, the monitoring officer also checks the summary page of the most recent submission for red flags that may indicate potential issues. These are recorded within a separate log and followed up with the employer until resolved. The issues log could be improved further to more clearly record cases where there are multiple queries ongoing.

Data Submission – CSV Submission

We conducted a walkthrough of the process used to upload CSV files. It is noted that, since October 2019, the process has changed, and employers are no longer allowed to directly upload data files to i-Connect but must instead submit the file to APF for validation checks. This has arisen due to issues with the quality of data submitted by employers and will remain in effect for the foreseeable future.

Internal Audit Report – APF i-Connect Project

Submission of member data via a CSV file is relevant to larger employers, generally those with more than 50 employees. It is more technical in nature to setup and requires employers to have a compatible payroll system as the data extract has to be produced to precise requirements. A template CSV file was viewed and found to include a full range of relevant data fields which included both financial and non-financial information.

Data received by APF is run through a validation checker and if the file fails this process it is returned to the employer along with any necessary details. Once validation has been passed, APF upload the data file to i-Connect, at which point the summary details are again validated using a second set of checks which are then independently reviewed. Only at this point will the monthly data go through its final submission within i-Connect.

Data Monitoring – CSV Submission

The validation and upload process undertaken by APF and referred to above ensures that data is being thoroughly checked.

As with online returns, employers who submit CSV files should upload them to APF by the 22nd of each month, however this is not something that is actively monitored and so delays in submissions may go undetected for some time.

A further problem with the CSV validation is that it can be quite labour intensive for APF and this has led to backlogs in clearing queries and resolving the various errors that can arise during validation. The recently established i-Connect team should in the coming months allow these backlogs to be cleared.

Reconciliation – Altair to Employers Payroll System

Ensuring that the correct member data is held is essential for effective pensions administration. As such a reconciliation between the data held by APF and that held by employers is a very useful tool. For employers using i-Connect, part of the process of uploading data is to compare it against data already held by APF on Altair from prior submissions. For online returns this comparison is done visually, on a line by line basis by the employer. For CSV uploads this is done by the system and presented as summarised information to the uploader. This in effect is a process of reconciliation between the two systems and helps ensure that data issues arising from mismatches are highlighted and resolved.

In our walkthroughs of online returns and CSV uploads we confirmed that this reconciliation process was working as intended.

Reconciliation – Altair to General Ledger

Employers submit an 'LGPS50' return each month notifying APF of the gross amount of contributions to be paid in that period. This LGPS50 is reconciled to amounts received into the bank account and amounts subsequently posted to the general ledger. This is an established process that works well. The value of member contributions uploaded to Altair however is by a completely separate process and a long standing difficulty has been the development of a reliable process to reconcile the Altair data to the LGPS50. We discussed ongoing developments with the Finance Manager and confirmed that a relatively new process is now in place which should, in time, result in an effective solution to this problem. Further work on this is necessary to embed and refine the process however initial indications on the potential for success are favourable.

Data Security and Resilience - i-Connect

We reviewed the current contract between APF and Heywood for the use of the i-Connect system to determine whether suitable clauses had been included to cover data security. On the whole we found that such clauses had been included, such as a commitment to comply with article 32 of the General Data Protection Regulation, which specifies that

Internal Audit Report – APF i-Connect Project

appropriate technical and organisational measures appropriate to the risk must be applied in respect of data security. We also note that the supplier creates a short-term backup of the data as a contingency against data loss and has stated any data breaches will be notified to APF within 48 hours. Further clauses were relevant, but in some cases nonspecific, which may create problems in the event of dispute. For example, the vendor states that they will address system breakdowns promptly and restore services as soon as reasonably practicable, but do not go so far as to guarantee system uptime of say 95%. In some ways such non-committal assurances are unsurprising given that the service also relies to an extent on wider communications infrastructure that is outside of its control. In section 8 of the contract, we find the vendor setting out all the limitations to its liability in the event of a contractual breach. This includes a limit of financial liability up to a maximum of 125% of the annual fee. Whilst this may be applicable in terms of restitution payable to the customer, the vendor would no doubt find itself liable to much higher penalties in the event of a significant data breach, where this was due to a lack of control by the vendor.

In terms of actual system resilience, we discussed this with officers who regularly use i-Connect and were informed that at the current time there are no issues caused by the system being unavailable. This has improved since the system was first introduced, at which time there were regular system outages during peak times of the month. Trend patterns on these outages was collected by the Data Control team and communicated to the vendor who were then able to implement a fix.

Password policy settings for the i-Connect system were generally satisfactory. Passwords must be complex but also relatively short and do not expire. A potential issue that requires further investigation is around the use of shared login details. We understand these were quite common when the system was first introduced and that although all new users have unique login credentials there may still be a small number who do not.

Other aspects of security that could benefit from improvement include quality checks when a new employer is setup as a user and greater flexibility in the level of access which is granted to APF staff, who currently all have administrator privileges.

Data Security – Globalscape

Globalscape is a separate system to i-Connect, however we wished to include it in our considerations as it is a key tool used to exchange information between APF and employers. This includes query sheets and copies of the CSV files that are subsequently uploaded to i-Connect. As such the system needs to be well managed with strong access controls to protect the personal data being exchanged.

Unfortunately, despite making enquiries with BANES officers, we were unable to obtain any information such as a copy of the current contract or information on security and user management. Based purely on information published on the Globalscape website, the system would appear to be a large provider of file transfer solutions across all business sectors and that encryption is utilised.

Audit Summary Findings

We identified the following strengths:

- The project is fully endorsed and driven by senior management
- Updates on progress have been periodically reported to the Pension Committee
- The majority of members now have their data submitted using i-Connect
- Detailed user guides and day to day support are available to employers

Internal Audit Report – APF i-Connect Project

- i-Connect allows both financial and non-financial member information to be updated automatically
- Regular monitoring of online returns allows late submissions to be promptly identified and chased
- i-Connect includes automated data quality control checks including mandatory fields, validation and tolerance checks
- Each upload to i-Connect acts as a reconciliation between the employer payroll system and Altair
- Data security requirements have been established within the contract for services between APF and Heywood
- System resilience is good at the present time and is understood to have improved since first implementation

We identified the following weaknesses:

- Project delays have caused the original delivery timeframe to be exceeded
- The Project has generated additional and unexpected workloads which in turn have caused the project delivery costs to increase
- Due to delays, planned outcomes such as a streamlining of the process for updating Altair and reductions in workload at the Pension Fund's end may not be realised in the short to medium term
- The reporting functionality within i-Connect is underdeveloped, leading to inefficiency when preparing management information
- The process for reconciling Altair to the LGPS50 is in development but requires further work and more time to become embedded
- User management could be improved by confirming there are no shared logins in use and by increasing the options for tailoring user access permissions (this links with the separate October 2019 Altair Application IT User ID & Authentication Audit report planned for 'Follow-up' during Summer of 2020.)

Audit & Risk Personnel:

Lead Auditor: Gary Spratley

Acknowledgements:

Sincere thanks to Geoff Cleak (Pensions Manager), Claire Newberry, (Employer Services Manager) and other members of the Employer Services Teams for their help and assistance during the review.

Internal Audit Report – APF iConnect Project

ACTION PLAN

MEDIUM RISK EXPOSURE				
	Weakness Found	Implication or Potential Risk	Recommendation(s)	Responsible Officer Management Comments Implementation Date
M1	<p><u>Reporting Functionality</u></p> <p>Reporting functionality within i-Connect is considered to be underdeveloped and does not allow management and performance information to be easily produced.</p> <p>This means that greater time and manual input are required when producing this data than would otherwise be necessary.</p>	Inefficient process leading to increased pressure on resources.	<p>APF should continue to engage with Heywood in order to press for improved reporting functionality.</p> <p>Maintaining a log of desired system improvements which can be periodically discussed with Heywood in order to gauge progress may assist with this.</p>	<p>Ongoing engagement with Heywood.</p> <p>We now have the use of Heywood's AHA portal for raising development requirements and ideas.</p> <p>APF are involved in the working party for the development of the submission management development working group for latest signed off developments.</p> <p>Responsible Officer: Employer Services Manager Target Date: December 2020</p>

Internal Audit Report – APF iConnect Project

MEDIUM RISK EXPOSURE

	Weakness Found	Implication or Potential Risk	Recommendation(s)	Responsible Officer Management Comments Implementation Date
M2	<p><u>Capacity Issues</u></p> <ol style="list-style-type: none"> As at the time of testing, there was no proactive identification and chasing of employers who had not uploaded their CSV file through Globalscape by the deadline of 22nd each month. For CSV files that have been received, capacity issues have also led to backlogs in resolving data issues identified during the CSV validation process. Such queries need investigating either in house by APF or fed back to the employer to resolve. <p>Management are aware of this issue and additional resources in the form of a new i-Connect team have been approved. Once established and embedded, the new team should help alleviate the capacity issues in the coming months.</p>	<p>Member data on Altair will not be up to date.</p> <p>Increased workload may also lead to more errors or shortcuts being taken during processing.</p>	<ol style="list-style-type: none"> Employers who have not submitted their CSV file on time (via Globalscape) by the due date should be identified in a timely way and chased. Reminders should be issued to relevant employers when the deadline is approaching and those who fail to submit their CSV file on time should be promptly chased. All data issues that arise from the CSV validation process should be promptly investigated and resolved, either internally by APF or by referring back to the employer. 	<p>1. Monitoring of employer submissions received on time has always been in place but was not a main priority for the project. This also lapsed in Oct-Dec 2019, when we took the data loading inhouse, however this is now back up and in place and being further developed from April 2020 onwards. Central logs are now in place to log and monitor employer submissions and performance. Target Date: April 2020</p> <p>2. Data output/ validation queries are now reviewed and processed on a monthly and monitored on a central spreadsheet. This is now in place following the recruitment of the i-Connect team. Target date: Complete</p> <p>Responsible Officer: i-Connect Technical Lead</p>

Internal Audit Report – APF iConnect Project

MEDIUM RISK EXPOSURE

	Weakness Found	Implication or Potential Risk	Recommendation(s)	Responsible Officer Management Comments Implementation Date
M3	<p><u>Project Completion</u></p> <p>The iConnect project has not been delivered on time.</p> <p>The project has also required additional resources in the form of an i-Connect Team to be approved and as such has not been delivered within the scope of the original service plan budget that was approved by the Pensions Committee on 22 March 2019.</p>	Benefits from the project's completion may be delayed.	APF should ensure that a lesson's learned exercise is undertaken so that the causes of any overruns/overspends can be properly understood and future projects can benefit from this.	<p>This is not an issue as budget was not set for the i-Connect team. I-Connect team was a separate restructure within the business to respond to business needs and was approved by Committee.</p> <p>A project plan was in place for the period of the initial i-Connect project which ended January 2019. Further development and progress of i-Connect will now be incorporated into the overall work plan for Employer Services.</p> <p>Responsible Officer: Employer Services Manager Target Date: December 2020</p>

Internal Audit Report – APF iConnect Project

MEDIUM RISK EXPOSURE

	Weakness Found	Implication or Potential Risk	Recommendation(s)	Responsible Officer Management Comments Implementation Date
M4	<p><u>Automated Data Quality Checks</u></p> <p>Although systems are in place which automatically validate and compare member data uploaded through iConnect, these could be improved further to ensure that data quality is maintained.</p> <p>With regard to online returns for instance, validation of national insurance numbers works to some degree but failed to identify a temporary NI number that was in an incorrect format. Screens such as that for pay and contributions also do not contain basic arithmetical checks to ensure figures in each row are balanced.</p> <p>With regard to CSV file processing, the format checker and process log spreadsheets are very useful in highlighting potential issues, however during discussion it was indicated that further development is necessary to ensure the output from these is optimised.</p>	Without optimised and automated data quality checks, the potential for errors is increased.	<p>APF should work with the vendor and with officers internally to further develop and improve systems for the automated validation and quality checking of member data.</p> <p>Maintaining a log of desired system improvements which can periodically be discussed with Heywood or with officers internally may assist with this.</p>	<p>APF are working with Heywood on developments but are restricted by the CLASS development process. CLASS have signed off a new IC development to develop reporting and a dashboard to monitor employer returns. APF are on the development working party. Target Date: December 2020</p> <p>APF now have access to AHA, Heywood development ideas portal.</p> <p>APF have developed validation and checking processes to verify the employer data in advance of file upload. This will be fully implemented by May 2020. Target Date: June 2020</p> <p>Responsible Officer: Employer Services Manager</p>

Internal Audit Report – APF iConnect Project

MEDIUM RISK EXPOSURE

	Weakness Found	Implication or Potential Risk	Recommendation(s)	Responsible Officer Management Comments Implementation Date
M5	<p><u>Reconciliation of Member Contributions</u></p> <p>Members contribution data within Altair is not fully reconciled to amounts received from employers and reported in their LGPS50 returns.</p> <p>Work has been underway to develop a method for this and has progressed to the stage where a summary of variances can be produced and passed across to the Data Control Team for investigation, however further work is needed to resolve technical difficulties in the process, and further time is necessary to be able to demonstrate that the new process is working effectively with all variances cleared promptly.</p> <p>We also note that the process being developed is restricted to member data uploaded to Altair via iConnect so does not include member data that is updated via different methods such as end of year upload.</p> <p>At present there was also no formal process for the reconciliation to be independently signed off once complete.</p>	<p>Without a reliable reconciliation process, incorrect payments from employers due to error or fraud may go undetected.</p>	<p>Planned work on this process should continue and a body of evidence over time should be developed to demonstrate that the process is both effective and embedded.</p> <p>The process should also include independent sign off by a Senior Officer such as the Finance Manager, once the final process is in place.</p>	<p>Work will be undertaken with the fund accountant to tie up the reconciliation of contributions of monthly data upload.</p> <p>Software development with Heywood (ERM) is required to support this and we have identified the following areas for improvement in reporting:</p> <ul style="list-style-type: none"> • No in month adjustments are shown on I-connect • No deficits are shown on I-connect or they are included within employer contributions, so difficult to identify. • No ARCS are shown on I-connect • AVC's also not shown on I-connect • Maintained Schools have separate employer codes on Altair but not on 50's <p>Target Date: December 2020 Responsible Officers: Finance & Systems Manager, Pensions and Projects Accountant and Employer Services Manager</p>

Internal Audit Report – APF iConnect Project

Page 76

MEDIUM RISK EXPOSURE				
	Weakness Found	Implication or Potential Risk	Recommendation(s)	Responsible Officer Management Comments Implementation Date
M6	<p><u>System User Checks</u></p> <p>There are no quality control checks to ensure that when a new employer is setup on the i-Connect system, they have been given the correct access. If a new user is associated in error with a different employer, this could lead to a data breach whereby the user may have access to detailed employment records from another employer. This is especially the case with the online return method.</p>	Unauthorised access to personal data.	A system for having a second team member check that the user is setup correctly would be beneficial. This would need to occur at the point in time when the user is first setup, as the system generates automated notifications to the user as soon as this is completed.	<p>Ideally this should be an automated process and we will engage with Heywood regarding improvements to this.</p> <p>In the meantime, an internal process will be developed to control user sign off.</p> <p>Responsible Officer: Employer Services Manager & I-Connect Technical Lead</p> <p>Target Date: September 2020</p>

Internal Audit Report

Confidential

Avon Pension Fund Scheme of Delegation – Financial Authorisations

August 2020

Executive Summary

Audit Opinion:

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

Assurance Summary:

Assessment	Area Reviewed
Good	Ensure that delegations enable APF to administer the fund efficiently, effectively and safeguards assets.
Good	Ensure that delegations / authorities have been scrutinised and approved by the responsible Officer / Board / Committee.
Good	Ensure that the formal record of delegations is available to Officers.

Detailed Report

Opinion

We have assessed the framework of internal control to be at 'Level 4 - Good'. A total of 1 audit recommendation is detailed in the Action Plan section of this report.

Scope and Objectives

The audit is intended to provide management with independent assurance that the proposed Scheme of Delegation for officers able to authorise financial transactions is fit for purpose and ensures reasonable control over the Fund's assets. The officers in question are those directly employed by Bath and North East Somerset Council (BANES) administering the Avon Pension Fund (APF) or working in areas such as Treasury Management. The review is not therefore intended to cover the Fund's investment portfolio, which as at 30 September 2019 was valued at just under £5 billion, as this is handled by external fund managers.

The scope of the audit, as originally agreed with management in the separate Audit Brief, is reproduced in the Assurance Summary section above, along with our assessment of each area as at the time of testing.

Background

Avon Pension Fund (APF) is responsible for ensuring the safe custody of its financial assets. During its day to day administrative operations, there are significant financial transactions that occur, such as the payment of pension benefits to retired members, the transfer of pension benefits where a member wishes to switch schemes, the movement of funds for cashflow purposes and the authorisation of expenditure from APF budgets. These transactions vary in amount but can exceed £10m. Suitable authorisation processes are necessary in each case and it is to this end that APF have developed and will maintain a central record of authorisations.

Context & Audit Comment

The review forms part of the 2019-20 risk based Internal Audit Plan.

To arrive at our conclusions, we have engaged with key officers including the Pensions Manager and Governance and Risk Advisor to discuss the rationale behind the development of the new Scheme. We sought to provide input at an early stage by conducting some initial research in order to be able to share good practice with APF during the Scheme's development. Further discussions were held once the draft Scheme had been prepared and feedback provided on the proposed limits, their reasonableness and whether they enable sufficient control over the Fund's assets. A further secondary consideration was that delegations should enable workflow as opposed to creating undue delays. Sample testing against the new Scheme was also carried out in order to validate current compliance.

Background Research by Devon Audit Partnership

We sought in this instance to determine whether other similar funds had published their own Schemes of Delegation in order to provide APF with a starting point from which to build their own document. We used internet searches for this and also contacted another nearby Fund to determine whether they had conducted any similar work in this area.

Internal Audit Report – APF Scheme of Delegation

Internet searches found little evidence of publicly available schemes, with the exception of a document from Oxfordshire County Council which had included some financial transaction types and details of officers and their authorisation limits. Details were then passed to relevant APF Officers.

The other nearby Fund with whom we enquired was found to be in a similar position to APF in that they had a number of separate governance documents such as the Administering Authority's Constitution and a Governance Compliance Statement establishing mostly high-level delegations but did not have a centralised list of financial transaction types, limits or the officers able to authorise. This information was also shared with APF.

Development of the Scheme of Officer Authorisations

We discussed with the Governance and Risk Advisor the methodology applied in producing the new Scheme and reviewed supporting evidence gathered during its compilation. Information from a number of sources had clearly been considered during the Scheme's compilation and this included existing delegations established within the BANES Council Constitution, limits already established by way of APF internal procedures, feedback from other managers within APF and some input from ourselves.

Consideration of the Scheme of Officer Authorisations

The newly produced summary document is considered fit for purpose and will provide reasonable control over the Fund's assets without compromising workflow. In order to achieve this, consideration has been given to adjusting the authorisation limits for certain transactions. The proposed adjustments, which apply in relation to member benefits, appear reasonable and should help to prevent possible delays that may otherwise occur.

The Scheme contains the key financial transaction types that are carried out on a day to day basis by APF Officers. This includes budget expenditure, the movement of funds for cashflow purposes, approval of pensioner payroll runs and calculations relating to member benefits.

In most cases, the transactions are stratified such that higher values will require increasing levels of scrutiny or seniority in signing off. This should help mitigate risk whilst ensuring officers at suitable levels are accountable for decision making.

BACS payment runs are used for paying pension benefits to members and also for transferring pension benefits to other funds. The payroll team are responsible for creating the BACS run, whilst APF managers are then required to check the details and authorise the payment, which is actioned within the software application itself. As such the final authorisation can only be done by users that have been granted access to the payments system by a System Administrator. We reviewed a system report listing current authorisers and confirmed that the overall number was not excessive and consisted of current managers within either APF or BANES.

We reviewed the list of APF cost centres and associated officers who may authorise expenditure from them. Here again we found evidence of a stratified approach to authorisation, with most cost centres having a cut-off point at around £25k, beyond which a more senior officer was required to authorise. All cost centre expenditure authorisers were managers. We noted one cost centre which had only a single authorising officer. This was discussed with the Finance Manager who confirmed that budget holders are able to assign their authorisation privileges to a delegate in the event of absence such as annual leave or sickness. This should mitigate the risk of delays in authorising expenditure during such times. For most other cost centres, there were at least two authorising officers able to approve expenditure up to £25k.

For the approval of member benefits, which may include transfers out, lump sum payments and death grants, APF have found that the existing level of sign off was not always practical and could cause delays in processing. As such the proposed scheme seeks to relax the limit at which sign off by the Pensions Manager or Head of Service is required from £100k to £150k, with the Member Services Team Leader now able to sign off transactions below this value. We note that this type of transaction carries a relatively low risk of fraud and is further compensated for by other existing controls such as separation of duty which prevents a single officer from carrying out all steps required in making a payment and also the fact that payment run reports would be independently reviewed by an officer other than the one authorising the amount to be paid.

Internal Audit Report – APF Scheme of Delegation

Investment decisions and the management of the Fund's £4billion assets are managed by external fund managers and the Brunel Pension Partnership. Treasury management activity for cashflow purposes, where money is moved between BANES current account and APF money market fund accounts, is however still managed within the organisation. These transactions occur relatively frequently and can reach values approaching £10m. Under the proposed Scheme of Delegation these transactions are initiated and authorised by the BANES Treasury Management Team and in particular those officers authorised to conduct deals on behalf of the Authority. This seems appropriate and is a continuation of existing practices.

Approval of the Scheme of Delegation

To ensure that the proposed Scheme of Delegation is reviewed and approved at a suitable level, the intention was for this to be carried out by the Pension Committee. As part of the audit work we reviewed past Committee minutes where we noted similar documents being discussed such as the Pensions Committee Terms of Reference (which also includes a number of delegations to officers) and the Governance Compliance Statement. It was concluded that it was reasonable and appropriate for the Committee to formally approve the new Scheme of Delegations. Since the issue of the draft version of this report, the Committee was consulted on the Scheme of Delegations developed and the minutes of the meeting record its approval on the 26th June 2020.

Sample Testing

For each transaction type, we carried out limited sample testing to determine who the authorising officers were and therefore the levels of compliance. In most instances the proposed Scheme mirrors current practice so issues were not expected. This proved to be the case and the large majority of our sample were indeed authorised in accordance with the Scheme and adequately evidenced.

We noted one transaction dating back to September 2019 in respect of member benefits which had not been authorised as required. From discussion it was determined that this may have been due to the necessary officers being absent during the period in question; however, on further investigation it seemed that there was some confusion regarding the level of authorisation required. This provides a good example of why the proposed Scheme is necessary as it will provide a central and accessible reference point for officers across the Service.

A further relatively minor issue identified pertained to background information held by APF on which BANES officers are authorised to conduct Treasury Management deals, as these officers are responsible for the movement of funds between APF money market fund accounts and the BANES current account. It was identified from a transaction examined that the TM Officer carrying out the transfer was not recorded on the list held by APF. Enquiries were made and it was identified that the list of Officers was not up to date and that the TM Officer was included in the current list maintained by the Corporate Finance Team that administers the Treasury Management function. The issue was therefore that the APF was not being kept informed of changes of personnel and their role and responsibilities.

Summary

Overall, it is our opinion that the new Scheme compliments the framework of internal control and provides a useful and accessible reference point for officers during day to day activities helping to ensure than financial transactions are authorised in line with the approved scheme and framework of control. The delegations were considered reasonable and not reliant on a single point of authorisation which would impact on efficiency and effectiveness. As such the Scheme represents a good starting point which can be expanded and refined as necessary going forward.

No findings were deemed to constitute a high-risk level. Medium risk findings are set out later in this report. Low risk findings, for example where controls had generally been effective but an isolated lapse with limited impact was found, have not been reproduced within this report but have been discussed and agreed separately with the Pensions Manager.

Internal Audit Report – APF Scheme of Delegation

Audit Summary Findings

We identified the following strengths:

- In developing the Scheme, APF have taken into consideration information made available by other Schemes
- The Scheme covers all key financial transactions that occur during day to day administration of the Fund
- In most instances, stratified limits have been applied, ensuring accountability at a suitable level
- The Scheme provides a good balance between control and operational efficiency and effectiveness
- Over reliance on a single point of authorisation has been minimised wherever possible

We identified the following weakness:

- A large payment processed in 2019 had not been fully authorised in accordance with delegations in place at the time. This was due in part to a misunderstanding of the authorisations required.

Audit & Risk Personnel:

Lead Auditor: Gary Spratley

Acknowledgements:

Sincere thanks to Geoff Cleak (Pensions Manager), Carolyn Morgan, Governance and Risk Advisor, and members of the finance and payroll teams for providing information and supporting evidence during the review.

Internal Audit Report – APF Scheme of Delegation
ACTION PLAN

MEDIUM RISK EXPOSURE				
	Weakness Found	Implication or Potential Risk	Recommendation(s)	Responsible Officer Management Comments Implementation Date
M1	<p><u>Testing identified a payment of Member Benefits which did not comply with the new proposed Scheme of Officer Authorisation or the limits which were in place at the time the transaction occurred.</u></p> <p>Benefits for member GD, valued at £332k, were processed in the 'immediate' payroll run of 27 September 2019. The benefits were authorised by the Technical and Compliance Advisor. Under the current arrangements this should also have been authorised by either the Head of Service or Pensions Manager, however neither were involved in this transaction.</p> <p>From discussion we determined that the two designated authorising officers were absent at the time the authorisation took place, but that there also appeared to be some misunderstanding with officers around who the designated officers were.</p>	<p>Transactions may not be authorised appropriately, reducing accountability and increasing the risk of error or fraud.</p>	<ol style="list-style-type: none"> 1. All transactions should be authorised in accordance with the Scheme of Officer Authorisations. 2. APF should ensure all relevant officers have ready access to the Scheme of Officer Authorisations and are clear on its requirements. 	<p>The case identified by IA was due to an oversight in the approval process.</p> <p>The Scheme of Delegations is now in place and operational having been formally approved by the Pensions Committee in June 2020.</p> <p>Pensions Manager – July 2020</p>

This page is intentionally left blank



Final Internal Audit Report
Confidential

APF - Altair - IT System Access

September 2020

Executive Summary

Audit Opinion:

Assurance Rating	Opinion
Level 5 - Full Assurance	The systems of internal control are excellent with a number of strengths, no weaknesses have been identified and full assurance can be provided over all the areas detailed in the Assurance Summary.
Level 4 - Substantial Assurance	The systems of internal control are good with a number of strengths evident and substantial assurance can be provided as detailed within the Assurance Summary.
Level 3 - Reasonable Assurance	The systems of internal control are satisfactory and reasonable assurance can be provided. However, there are a number of areas detailed in the Assurance Summary which require improvement and specific recommendations are detailed in the Action Plan.
Level 2 - Limited Assurance	The systems of internal control are weak and only limited assurance can be provided over the areas detailed in the Assurance Summary. Prompt action is necessary to improve the current situation and reduce the levels of risk exposure.
Level 1 - No Assurance	The systems of internal control are poor, no assurance can be provided and there are fundamental weaknesses in the areas detailed in the Assurance Summary. Urgent action is necessary to reduce the high levels of risk exposure.

Assurance Summary:

Assessment	Key Control Objectives
Good	1. Internal Users – Avon Pension Fund staff have access to the system based on the concept of least privilege.
Satisfactory	2. Administrators – High level access is relevant and is effectively monitored to minimise the risk of abuse / error.
Satisfactory	3. External Users – Employers, Third Party Vendors and Scheme Members are only granted access to the system and data based on their individual or business needs and in compliance with data protection legislation, rules and regulations.

Detailed Report

Opinion

Internal Audit has undertaken a review of the access controls over the Avon Pension Fund (APF) Altair system. The framework of internal controls has been assessed and given an assurance rating of “**Substantial Assurance**”. A total of 8 audit recommendations are detailed in the Action Plan.

Scope and Objectives

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

Context & Audit Comment

The Avon Pension Fund (APF) is responsible for administering pensions in respect of 28,815 active members. Pensions for eligible staff are administered by 403 employers which include councils, government agencies and schools.

The APF uses the Altair application to provide pensions administration for local government pension schemes (LGPS) and a review of this area was part of the agreed Audit Plan for 2020-21. This piece of work reviewed access to the Altair system to ensure that it has been provided based on the concept of “least privilege”. More specifically, the audit reviewed the processes for:

- Creating and removing accounts.
- Password configuration policies.
- Controls over administrator level access.
- Third party access controls.

In order to gain access to Altair, and following management authorisation, users are set up and assigned levels of access appropriate to their roles by the Financial Systems Team. The levels of access assigned, along with any changes made within Altair are monitored and managed by the Financial Systems Team through a series of monthly monitoring tasks. LGPS Employers submit pension scheme data to Altair regularly using either the iConnect pay data submission platform or as a .csv file upload to the B&NES’ secure file transfer solution “Globalscape”. Employers can access their pension information through the Employer Self Service (ESS). Once an employer has been granted access to ESS and they log in with a username and password, ESS enables employers to view and amend (subject to the level of access granted by APF Employer services) their staff data held on the pension administration system. In addition, pension members can sign-up to the Member Self Service (MSS) and view their pension online, update details and use online pension planning tools.

This audit review focused on access to the Altair system, and findings include a lack of a formal access policy, weak password configurations and a limited record of monitoring/housekeeping checks performed. Furthermore, the importance of having an automatic lockout function enabled has been highlighted in respect of the increased emphasis on homeworking, following the outbreak of COVID-19.

We identified the following strengths

- There are documented registration and de-registration procedures in place for Altair.
- A monthly monitoring report is produced and reviewed to ensure users have appropriate levels of access to Altair.
- Altair users are forced to change their password before first use and on password reset requests.
- The Altair System Audit log is reviewed on a monthly basis.
- Temporary passwords are issued to Altair users securely via Council email.
- An up to date signed contract and non-disclosure agreement with the software vendor is in place to allow access to the network.

We identified the following weaknesses

- A periodic review of iConnect user access is not performed.
- iConnect user accounts do not automatically disable after periods of inactivity.
- The Altair Access Policy is in draft form only and it does not align with the guidance published in the Information Security Policy.
- A schedule of housekeeping tasks is not maintained, resulting in limited accountability or continuity for future checks.
- The Altair password configuration requirements are not aligned with the Council's Information Security Policy.
- The Council's Remote Working Policy document has been superseded and requires removing from the Intranet by Information Governance.
- The Altair application does not automatically lockout users after a period of inactivity.

The assurance rating given is: *'Level 4 – Substantial - The systems of internal control are good with a number of strengths evident and substantial assurance can be provided as detailed within the Assurance Summary'.*

However, a number of weaknesses were identified which would affect the control environment. More specifically, these are the recommendations relating to the Altair Access Policy and the liaison with the vendor to determine the feasibility of the inclusion of system updates in the next release. It is important that all recommendations are implemented by the agreed dates specified in the action plan to mitigate the risks identified.

Audit & Risk Personnel

Lead Auditor: Pat Jenkins.

Audit Manager, IT and Finance: Tariq Rahman.

Acknowledgements:

Sincere thanks to Geoff Cleak, John Hewlett, Matt Williams, Sean Smythe, Claire Newbery, Claire Moon and all service staff for all their help and assistance throughout the Audit Review.

Action Plan

MEDIUM RISK EXPOSURE				
	Weakness Found	Implication of Potential Risk	Recommendation(s)	Responsible Officer Management Comments Implementation Date
M1 Page 90	<p>A periodic review of user access for the automated Employer pay-data submission system (iConnect) is not performed, and Employers are not monitored to determine whether user access is still appropriate.</p> <p>There may be iConnect users who either have inappropriate levels of access or who no longer require access.</p>	Unauthorised or inappropriate levels of system access, leading to the risk of fraud through the manipulation of pay data.	<p>iConnect user access should be reviewed on at least a quarterly basis to ensure user access to the system is still current and relevant. A record of these checks should be maintained.</p> <p>Employers should be reminded on at least a bi-annual basis to notify APF of any required changes to user access. A record of these checks should be retained.</p>	<p>Agreed</p> <p>Responsible Officers: Financial Systems & Development Manager, John Hewlett. Pensions Manager, Geoff Cleak.</p> <p>Implementation Date: 30th September 2020</p> <p>The Financial Systems & Development Manager will liaise with the Avon Pension Fund to implement the audit recommendation.</p> <p>Standard paragraph now included in all periodic employer newsletters as a reminder to employers to notify APF of any authorised contact changes.</p>
	iConnect user accounts do not automatically disable after periods of inactivity. Accounts remain active unless manual intervention is undertaken to disable the account.	Unauthorised system access and the risk of fraud through the manipulation of pay data e.g. a user may leave but they are still able to log in and submit pay data.	<p>The Financial Systems Team should liaise with the software vendor and arrange for the iConnect application to be configured to automatically disable users after a pre-defined period of user inactivity.</p> <p>Also see M1 above.</p>	<p>Agreed</p> <p>Responsible Officers: Financial Systems & Development Manager, John Hewlett. Pensions Manager – Geoff Cleak</p> <p>Implementation Date: 1st September 2021</p>

Final Internal Audit Report – APF - Altair - IT System Access – 20-010B

				The Financial Systems & Development Manager will liaise with the vendor to determine the feasibility of implementing the audit recommendation.
--	--	--	--	--

MEDIUM RISK EXPOSURE

	Weakness Found	Implication of Potential Risk	Recommendation(s)	Responsible Officer Management Comments Implementation Date
M3 Page 91	The Altair Access Policy is currently in draft form only and therefore it has not been circulated to users.	Existing users may not have been set up in-line with the policy. Users may have excessive access privileges. Potential for GDPR breach.	The draft Altair Access Control Policy should be finalised by the Financial Systems Team, reviewed and approved by the Systems and Development Manager and circulated to all users.	Agreed Responsible Officer: Financial Systems & Development Manager, John Hewlett. Implementation Date: 1 st December 2020.
M4	The draft Altair Access Policy does not align with the guidance in the Council's Information Security Policy (InfoSec Policy) document.	Weaker access control is provided than the Council requires, resulting in an increased risk of system compromise.	The Altair Access Policy should align its guidance with the best practice outlined in the Council's InfoSec Policy, where appropriate, to ensure consistency across the authority. The access policy should also include the following elements: 1. Security requirements of the application. 2. Policies for information dissemination and authorisation. 3. Relevant legislation regarding protection of access to data and	Agreed Responsible Officer: Financial Systems & Development Manager, John Hewlett. Implementation Date: 1 st December 2020.

Final Internal Audit Report – APF - Altair - IT System Access – 20-010B

MEDIUM RISK EXPOSURE				
	Weakness Found	Implication of Potential Risk	Recommendation(s)	Responsible Officer Management Comments Implementation Date
			<p>services.</p> <p>4. Standard user access profiles for common job roles in the Council.</p> <p>5. Segregation of access controls.</p> <p>6. Requirements for formal authorisation of access requests.</p> <p>7. Removal of access rights.</p>	
Page 92 M5	Altair housekeeping & monitoring checks performed by the Financial Systems Team are not logged or recorded.	Lack of accountability for checks performed and inadequate continuity should the member of staff responsible be absent.	To ensure accountability and continuity, a central record of periodic system housekeeping checks should be developed and maintained by the Financial Systems & Project Lead.	<p>Agreed</p> <p>Responsible Officer: Financial Systems & Development Manager, John Hewlett.</p> <p>Implementation Date: 1st December 2020.</p> <p>A new change control master spreadsheet is due to be implemented for all financial systems. The Financial Systems & Project Lead (MW) confirmed that this could additionally be utilised as a recording log for all system maintenance.</p>

LOW RISK EXPOSURE				
	Weakness Found	Implication of Potential Risk	Recommendation(s)	Responsible Officer Management Comments Implementation Date
Page 93 1	<p>The password configuration parameters currently in use for Altair do not align with the password for life guidance outlined in the Council's InfoSec policy.</p> <p>The current Altair 'Minimum Password Strength' is set at 'Mild' with a minimum password length of 6 characters, which requires at least four of the below:</p> <ul style="list-style-type: none"> - Lower Case Characters - Upper Case Characters - At Least One Numeric - At Least Two Numerics - At Least Three Numerics - At Least One Special Character - At Least Two Special Characters <p>However, the Information Security Policy states: Use a minimum of fifteen characters with at least one character from three of the following four classes:</p> <ul style="list-style-type: none"> • Lower case characters • Upper case characters • Numbers • Symbols 	<p>Risk of unauthorised system access through exploitation of a weak password configuration.</p>	<p>The Altair Password configuration policy should be updated by the Financial Systems Team to strengthen security and meet the Council's Info Sec Policy guidance.</p> <p>If the current password parameters cannot meet this guidance, then a change request should be raised with the software vendor.</p>	<p>Agreed</p> <p>Responsible Officer: Financial Systems & Development Manager, John Hewlett.</p> <p>Implementation Date: 1st December 2020.</p>

Final Internal Audit Report – APF - Altair - IT System Access – 20-010B

LOW RISK EXPOSURE

	Weakness Found	Implication of Potential Risk	Recommendation(s)	Responsible Officer Management Comments Implementation Date
L2	The Altair application which is accessed by Internal APF users does not auto-lock or require users to log back in after periods of inactivity. The lack of application automatic lockout is mitigated by an automatic lockout on Council machines.	With increased home and mobile working, there is a heightened risk of sensitive information being exposed (through unlocked computers, shoulder-surfing etc.) without an automatic lock-out enabled.	The Financial Systems Team should liaise with the software vendor and arrange for the Altair application to be configured to automatically lock after a reasonable period of user inactivity.	Agreed Responsible Officer: Financial Systems & Development Manager, John Hewlett. Implementation Date: 1 st September 2021. The Financial Systems & Development Manager will liaise with the vendor to determine the feasibility of implementing the audit recommendation.
L3	The Council's Remote Working Policy is out of date and requires review. Due to COVID-19, 'working from home' has been upscaled dramatically by the Council. With the majority of the workforce now stationed predominantly at home or working remotely, the risks associated with the safeguarding of sensitive data are heightened, therefore it is important that an up-to-date remote working policy is in place.	A large proportion of the Council's workforce are stationed at home or remotely, including those with access to sensitive systems. There is an increased risk of loss or unauthorised access to sensitive data.	The Council's Remote Working Policy should be reviewed and updated by the Information Governance Team to strengthen the Council's defences against cyber risks and reflect homeworking on a larger scale.	Agreed Responsible Officer: Information Governance Manager, Sean Smythe Implementation Date: 1 st December 2020. The Remote Working Policy has recently been absorbed into the Information Security Policy and more importantly the Acceptable Use Policy. The out of date Remote Working Policy will be removed from the Intranet.



Internal Audit Report
Confidential

**Avon Pension Fund – Risk
Management**

November 2020

Executive Summary

Audit Opinion:

Assurance Rating	Opinion
Level 5 - Full Assurance	The systems of internal control are excellent with a number of strengths, no weaknesses have been identified and full assurance can be provided over all the areas detailed in the Assurance Summary.
Level 4 - Substantial Assurance	The systems of internal control are good with a number of strengths evident and substantial assurance can be provided as detailed within the Assurance Summary.
Level 3 - Reasonable Assurance	The systems of internal control are satisfactory and reasonable assurance can be provided. However, there are a number of areas detailed in the Assurance Summary which require improvement and specific recommendations are detailed in the Action Plan.
Level 2 - Limited Assurance	The systems of internal control are weak and only limited assurance can be provided over the areas detailed in the Assurance Summary. Prompt action is necessary to improve the current situation and reduce the levels of risk exposure.
Level 1 - No Assurance	The systems of internal control are poor, no assurance can be provided and there are fundamental weaknesses in the areas detailed in the Assurance Summary. Urgent action is necessary to reduce the high levels of risk exposure.

Assurance Summary:

Assessment	Key Control Objectives
Good	1. Ensure compliance with the Pension Regulator rules and guidance related to the management of risk.
Good	2. Ensure that risks and internal control measures related to the management of the Pension Fund and safeguarding of its assets are being identified, assessed, documented and scrutinised.
Good	3. Ensure that Avon Pension Fund decisions are fully informed based on risk/ opportunity assessments and subjected to scrutiny/ challenge

Detailed Report

Opinion

Internal Audit has undertaken a review of the controls over the Avon Pension Fund (APF) Risk Management process. The framework of internal controls has been assessed and given an assurance rating of “**Substantial Assurance**”. A total of 3 audit recommendations are detailed in the Action Plan.

Scope and Objectives

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

Context & Audit Comment

The pension fund has circa 38,064 active members and pensions for eligible staff are administered by 443 employers which include councils, government agencies and schools.

B&NES Council has delegated responsibility for administering the pension fund to the Avon Pension Fund (APF) Committee which is the formal decision-making body for the fund. The Committee's role is strategic in nature, setting policy framework and monitoring implementation and compliance within that framework.

The APF Committee and administering authority are scrutinised by the Pension Board ensuring that the governance surrounding the scheme remains robust and fit for purpose.

The scheme is regulated and overseen by the Pensions Regulator. Other bodies and agencies undertake key roles, particularly the Local Government Pension Scheme Advisory Board (SAB), the Ministry for Housing Communities and Local Government, and CIPFA, which sets the accounting standards.

The APF Committee is responsible for ensuring that there is an adequate risk management framework in place to ensure compliance with the regulations and to address the risks faced by the Fund. The risk management process is supported by the Senior Management Team and the APF Committee. An audit of the APF Risk Management process was part of the agreed Audit Plan for 2020-21.

The risk management process, used by APF, is based on the CIPFA 'Managing Risk in the Local Government Pension Scheme' guidance. However, the BANES risk register template and the risk scoring system has been adopted and the risk register template is linked to the Council's Corporate guidance.

Overall, the control framework in place and operating for the management of risk was found to be effective. Good practice was apparent in a number of areas reviewed and these are detailed in the section below.

We identified the following strengths

- The APF created a new position in April 2019, the Governance & Risk Advisor. The purpose of this post was to have knowledge, oversight and overall management of the risks that could impact on the pension fund.
- A new risk management process was developed and implemented circa March 2020 which required the attendance of risk owners at quarterly risk management meetings. These meetings have had a good rate of attendance and they have taken place regularly, despite the Covid-19 pandemic.
- There is a process in place to identify, evaluate and implement controls to mitigate risks and record them on the risk register. Risks are delegated to APF Service Managers (total of eight people), based on the risk area. As part of this process, a risk evaluation form has been introduced which specifies a unique risk identifier number, the risk area, the risk score, the mitigations, the review date and the risk owner. The Risk Register is reviewed regularly by the management team and it is reported quarterly to the Avon Pension Fund (APF) Committee.
- The Governance & Risk Advisor actively chases the risk owners for any actions that are due prior to the quarterly Risk Management meetings.
- The Risk Register is reviewed quarterly by the APF management team so that any amendments to the risk profiles coincide with the dates for the quarterly APF Committee meetings. This ensures that strategic decisions are made based on current risk information.
- There is a recently approved (June 2020) detailed Terms of Reference (ToR) document in place that describes the purpose, scope and authority of the APF committee. The ToR also states the frequency of the committee meetings, membership and there is a focus on risk management.

Internal Audit Report – APF – Risk Management – 20-015B

- The APF Committee has had sight of the three APF Strategies and they have given formal approval for each strategy, after consideration of the risks. The Administration and Funding strategies were last reviewed circa June 2019, while the Investment Strategy is more recent, having been approved in September 2020.
- Appropriate senior officers from the Avon Pension Fund (APF) actively attend the APF Committee where discussions around risk and its management featured in all of the minutes reviewed.
- Investment and Funding risks are managed by specialist teams, within the APF, who are supported by external Investment & Actuarial Advisors. These advisors (Mercers) attend the APF committee meeting to provide Investment updates, funding position updates, or if they are reporting on the results from the full / interim valuation. The Investment Advisors present an annual report on the Risk Management Strategies for Investments and the most recent report was presented in September 2020.
- A review of the APF Committee minutes confirmed that risk management informs proposals put forward such as fossil fuel divestments and the recent impact of the Covid-19 pandemic.
- The APF demonstrates good practice by having a risk management section within the “Avon Pension Fund Annual Report” which also has a summary of the risk register and the actions taken to manage the risks.

We identified the following weaknesses

- The Administration, Funding and Investment strategies have been updated in the last fifteen months but there was limited analysis of risks related to each strategy.
- A formal process to record the outcomes from the Risk Management meetings is not in place.
- The APF Risk Management Life Cycle process document does not provide enough information, such as links to relevant forms.

Audit & Risk Personnel

Audit Manager, IT and Finance: Tariq Rahman.
Head of Audit: Andy Cox.

Acknowledgements:

Sincere thanks to Geoff Cleak, Liz Woodyard and Carolyn Morgan for all their help and assistance throughout the Audit Review.

Action Plan

MEDIUM RISK EXPOSURE				
	Weakness Found	Implication of Potential Risk	Recommendation(s)	Responsible Officer Management Comments Implementation Date
Page 100 M1	<p>There are three strategies (Investment, Funding, and Administration) that provide strategic direction and key objectives for managing the Pension Fund. It was not possible to easily understand the specific risks and mitigating actions required related to each individual strategy document.</p> <p>Furthermore, there is no specific section within the Administration Strategy related to risk and associated counter measures.</p>	<p>Non-compliance with the Code of Practice 14 which requires the main risks associated with objectives, functions and activities to be identified.</p> <p>Those tasked with approving APF Strategy documents (decision makers) are not being provided with all the necessary information to verify that risks directly linked to the adoption of a Strategy have been identified and managed.</p>	<p>A risk assessment for the Administration Strategy should be carried out to identify specific risks and countermeasures.</p> <p>The risks on the strategy documents and the risk register should be reviewed to ensure that there is a direct correlation between the risks and mitigations in the two documents.</p>	<p>Agreed</p> <p>Responsible Officers: Governance & Risk Advisor, Carolyn Morgan.</p> <p>Implementation Date: 31st March 2021.</p> <p>A risk assessment for the Administration Strategy will be carried out by the due date.</p> <p>An extra column will be included within the Risk Register to cross reference to the relevant strategy.</p> <p>Additionally, the risk register will be reviewed to ensure that wording corresponds to the strategy documents.</p>
	<p>A formal Terms of Reference for APF Risk Management Group has not been agreed / adopted. Linked to this the auditor noted that meeting minutes or outcomes are not maintained for monitoring purposes.</p>	<p>Outcomes from the meetings cannot be easily followed-up.</p> <p>Lack of continuation with the risk management life cycle in the event that the Governance & Risk Advisor left.</p>	<p>The Governance & Risk Advisor should write and table a 'Terms of Reference' for the Risk Management Group to adopt.</p> <p>The 'Terms of Reference' should specify the operation of the group including the need to maintain minutes or a record of outcomes for actioning which can then be monitored for implementation.</p>	<p>Agreed</p> <p>Responsible Officers: Governance & Risk Advisor, Carolyn Morgan.</p> <p>Implementation Date: 31st March 2021.</p>

LOW RISK EXPOSURE				
	Weakness Found	Implication of Potential Risk	Recommendation(s)	Responsible Officer Management Comments Implementation Date
L1	A Risk Management process document was seen that outlined the process for the APF risk management lifecycle. However, this document does not provide sufficient detail such as assignment/role of the responsible officer for each risk, importance of implementation dates or hyperlinks to relevant forms.	Staff may not be fully aware of the APF Risk Management Lifecycle.	<p>The Risk Management process document should be updated to ensure that sufficient detail is provided for key stages of the Risk Management Lifecycle as outlined in the Council's Risk Management Toolkit.</p> <p>This document should be version controlled and have an assigned author.</p>	<p>Agreed</p> <p>Responsible Officer: Governance & Risk Advisor, Carolyn Morgan.</p> <p>Implementation Date: 31st March 2021.</p>

This page is intentionally left blank



Internal Audit Report
Confidential

Avon Pension Fund (APF)
Pensions Governance - Code of
Practice 14

July 2021

Executive Summary

Audit Opinion:

Assurance Rating	Opinion
Level 5 - Full Assurance	The systems of internal control are excellent with a number of strengths, no weaknesses have been identified and full assurance can be provided over all the areas detailed in the Assurance Summary.
Level 4 - Substantial Assurance	The systems of internal control are good with a number of strengths evident and substantial assurance can be provided as detailed within the Assurance Summary.
Level 3 - Reasonable Assurance	The systems of internal control are satisfactory and reasonable assurance can be provided. However, there are a number of areas detailed in the Assurance Summary which require improvement and specific recommendations are detailed in the Action Plan.
Level 2 - Limited Assurance	The systems of internal control are weak and only limited assurance can be provided over the areas detailed in the Assurance Summary. Prompt action is necessary to improve the current situation and reduce the levels of risk exposure.
Level 1 - No Assurance	The systems of internal control are poor, no assurance can be provided and there are fundamental weaknesses in the areas detailed in the Assurance Summary. Urgent action is necessary to reduce the high levels of risk exposure.

Assurance Summary:

Assessment	Key Control Objectives
Good	Ensure that Pension Board members are conversant with Pension legislation and Scheme rules & policy (links to 'Resolving Issues' section of COP e.g. reporting breaches of law).
Good	Ensure that the Scheme Manager is satisfied that new/ existing Board Members do not have a conflict of interest.
Good	Ensure compliance with scheme regulations on representation and the principles of proportionality, fairness, transparency and skills.
Good	Ensure that Information about the Pension Board is accessible and up to date.

Detailed Report

Opinion

Internal Audit has undertaken a review of the controls over the Avon Pension Fund (APF) Code of Practice 14. The framework of internal controls has been assessed and given an assurance rating of “**Substantial Assurance**”. A total of three audit recommendations, and one opportunity, are detailed in the Action Plan.

Scope and Objectives

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

Context & Audit Comment

B&NES Council administers the Avon Pension Fund on behalf of approximately 464 employing bodies mostly situated in the former Avon County Council area. The four unitary councils account for circa. 50% of the contributing members. The total number of scheme members as at 31 March 2021 was 125,322, of whom 31% were contributors, 28% were pensioners, 34% deferred pensioners & 7% undecided leavers.

There are 89 Councils which administer the Local Government Pension Scheme (LGPS) in the United Kingdom and the Avon Pension Fund is one of the larger funds, with circa £4.5bn value.

The Local Government Pension Scheme (LGPS) is a statutory scheme, with all benefits guaranteed. The LGPS provides pensions based on final salary for service until 31 March 2014 and on Career Average Revalued Earnings (CARE) for service accruing from 1 April 2014.

The scheme is regulated and overseen by the Pensions Regulator who has a number of regulatory tools, including issuing “**Codes of Practice**”, to enable it to meet its statutory objectives. Other bodies and agencies undertake key roles, particularly the Local Government Pension Scheme Advisory Board (SAB), the Ministry for Housing Communities and Local Government, and CIPFA, which sets the accounting standards.

Codes of Practice provide practical guidance in relation to the exercise of functions under relevant pensions legislation and set out the standards of conduct and practice expected from those who exercise those functions. Code of Practice 14 (COP 14) is particularly directed at scheme managers and the members of pension boards of public service pension schemes and connected schemes. Scheme managers must comply with various legal requirements relating to the governance, management and administration of public service pension schemes. Pension boards must also comply with certain legal requirements, including assisting scheme managers in relation to securing compliance with scheme regulations and other legislation, or requirements, relating to the governance and administration of the scheme.

COP 14 requirements have been subject to Internal Audit review for several years, and for the financial year 2020/ 21, the focus of the audit scope was:

- Appointment of new Pension Board members
- Board Members are conversant with Pension Scheme legislation and standards
- Board Members do not have a conflict of Interest
- The Board has equal representation from employers and employees
- Information about the Pension Board is accessible and up to date.

Attendance at non-mandatory training events was found to be 67% for the financial year 2020/ 21. Pension Fund Management should consider methods for increasing the uptake at these events because they provide an opportunity for Board members to review reports in detail and to understand/ comment on the future direction of the fund.

Overall, the control framework in place and operating for the management of the COP 14 elements reviewed was found to be effective. Good practice was apparent in several areas reviewed and these are detailed in the section below.

We identified the following strengths

- The Council's constitution contains the Terms of Reference for the Pension Board and it clearly states that the Board is a scrutiny function only – i.e. the Board does not have decision-making powers.
- When new members to the Board are appointed, they are sent a detailed communication informing them of the required reading material that would be necessary for them to carry out their scrutiny function adequately. This is further re-enforced at a formal induction training session.

Internal Audit Report – APF – Pensions Governance COP 14 – 20-025B

- For the financial year 2020/21 to date, there is a 100% attendance rate for mandatory induction training for new members.
- The current induction training session is comprehensive and covers key topics such as: the pensions legislative framework, governance arrangements and roles and responsibilities, including that of the Scheme Advisory Board and the Pension Regulator.
- The Governance & Risk Advisor maintains an up to date “Training and Attendance” log. The document is used for recording attendance at meetings and training events. It also records when a member was appointed, and the seminars/ training attended.
- Pension Members’ Work Plan and Training Plan is a standing Pension Board agenda item.
- The Pension Board Terms of Reference document is provided to members as part of the recruitment process and is also presented annually in Board meeting papers. The last time it was reported to the Board was in November 2020.
- In compliance with COP 14 requirements, Pension Board members are asked to declare any conflicts of interest at the start of each meeting. This requirement is recorded in the minutes of the meeting.
- The general principles of conduct identified by the Committee on Standards in Public Life (Nolan Principles), are brought to members attention as part of the induction process and members are required to sign the Code of Conduct.
- There are a number of methods used to inform and educate Board Members of changes in pension legislation, these includes:
 - a monthly bulletin that explains any regulatory updates and changes to the scheme produced by the Local Government Employers (LGE).
 - LGPS regulatory updates is a standard agenda item for Pension Board meetings (which occur four times per year).
 - Member training - attendance at LGPS seminars and workshops.
- The membership of the Avon Pension Fund Pension Board complies with the requirements of the Local Government Pension Scheme regulations.
- Online information about the Pension Board is accessible through the Avon Pension Fund website and this was reviewed and found to be up to date.

We identified the following weaknesses

- Internal Audit was informed that all members have completed the Pension Regulator’s Toolkit, but this was not evidenced for all members.
- One out of three new Board Members had not completed a Register of Interest Form and/ or evidence was not held to record that they had signed a declaration agreeing to abide by the Member Code of Conduct.
- Evidence is not held to verify that an Independent Officer has reviewed declarations and made a judgement or provided guidance on action to be taken based on the declaration submitted.

We identified the following opportunity

- A checklist should be developed that could be used by Pension Fund management to monitor the Pension Board's governance arrangements, including the compliance with the requirements of COP 14.

Audit & Risk Personnel

Audit Manager, IT and Finance: Tariq Rahman.

Head of Audit: Andy Cox.

Acknowledgements:

Sincere thanks to Geoff Cleak, Carolyn Morgan and Mark Durnford for all their help and assistance throughout the Audit Review.

Action Plan

MEDIUM RISK EXPOSURE				
	Weakness Found	Implication of Potential Risk	Recommendation(s)	Responsible Officer Management Comments Implementation Date
Page 109	M1 Declaration of Interest/ Code of Conduct One out of three new Board Members had not completed a Register of Interest Form and/ or evidence was not held to record that they had signed a declaration agreeing to abide by the Member Code of Conduct.	Conflicts of Interest could result in unintentional bias in the scrutiny function that members carry out. Members may not be aware of the standards expected of them when they discharge their duties.	The Democratic Services Officer in liaison with Scheme Manager / Pension Board Lead Officer should write to all Pension Board Members requesting that they: 1) complete and submit the Register of Interests form before attending the next meeting of the Board. 2) sign the Code of Conduct declaration.	Agreed Responsible Officers: Democratic Services Officer, Mark Durnford. Implementation Date: 1 st October 2021
	M2 Pension Regulator's Toolkit Internal Audit was informed that all members have completed the Pension Regulator's Toolkit, but this was not evidenced for all Board Members.	Non-compliance with COP 14 requirements. Poor/ incorrect opinions and advice could be given if members do not have the necessary knowledge or understanding.	The Governance & Risk Advisor should confirm with Pension Board Members that they have completed the Pension Regulator's Toolkit. The individual training records, for each member, should be updated accordingly.	Agreed Responsible Officers: Governance & Risk Advisor, Carolyn Morgan. Implementation date: Immediate The Governance & Risk Advisor has now contacted outstanding members to request for evidence.

LOW RISK EXPOSURE				
	Weakness Found	Implication of Potential Risk	Recommendation(s)	Responsible Officer Management Comments Implementation Date
L1	Independent Review of ‘Declarations of Interest’ submitted Evidence is not held to verify that an Independent Officer has reviewed declarations and made a judgement or provided guidance on action to be taken based on the declaration submitted.	Conflicts of Interest could result in unintentional bias in the scrutiny function that members carry out.	The Democratic Services Officer should liaise with the Governance & Risk Advisor on an annual basis to confirm that they have reviewed the Register of Interest for all members, considered any risks and, if necessary, notified the Scheme Manager. Records of these checks should be maintained.	Agreed Responsible Officers: Democratic Services Officer, Mark Durnford. Implementation Date: 1 st January 2022

Internal Audit Report – APF – Pensions Governance COP 14 – 20-025B

OPPORTUNITY				
	Weakness Found	Implication of Potential Risk	Recommendation(s)	Responsible Officer Management Comments Implementation Date
Page 111	Annual Governance/ COP 14 requirements review Apart from Internal Audit activity, formal review of the governance arrangements related to COP 14 requirements is not carried out.	Potential non-compliance with governance, and COP 14 requirements, may not be identified and corrected in a timely manner.	A checklist should be developed that could be used by Pension Fund management to monitor the Pension Board's governance arrangements, including the compliance with the requirements of COP 14. Examples of areas that could be included are: <ul style="list-style-type: none"> • Annual review of the Terms of Reference. • A review of the Conflicts of Interest and ensuring that these are recorded within a Register of Interest. • A review of attendance at meetings & training sessions. • Completion of relevant documentation by new members. • Online Pension Board information is accessible, relevant, and current. The level of compliance to this checklist should be reported to the Pension Board.	Agreed Responsible Officers: Governance & Risk Advisor, Carolyn Morgan. Implementation Date: 1 st October 2021

This page is intentionally left blank

Bath & North East Somerset Council			
MEETING:	LOCAL PENSION BOARD - AVON PENSION FUND		
MEETING DATE:	21 September 2021	AGENDA ITEM NUMBER	5
TITLE:	Pension Board – Annual Report 2021		
WARD:	ALL		
AN OPEN PUBLIC ITEM			
List of attachments to this report:			
Appendix A – Local Pension Report Annual Report 2021			

1 THE ISSUE

- 1.1 The purpose of this report is to review and approve the Pension Board's annual report.

2 RECOMMENDATION

That the Board

- 2.1 Approves the report.

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 The Public Service Pensions Act 2013 required the Council to establish a local pension board to assist the administering authority with the effective and efficient management and administration of the scheme.
- 4.2 The Pension Board reports annually to Council on the work it has undertaken in the previous twelve months and reference is also made in the report to the future work programme.
- 4.3 The report will be taken to Council on 18th November 2021 along with the Pension Committee's annual report to Council.
- 4.4 Appendix A contains the draft report for review and approval by the Pension Board.

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	

Avon Pension Fund – Local Pension Board – Annual Report 2020/21

1. Chairman's Summary

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

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

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

This report covers the period 1st August 2020 to 31st July 2021 within which the Board has held three formal meetings & two workshops. It has focussed on the Fund's sustainability of its working arrangements while the Pandemic continued and has sought assurances from officers that the fund is able to operate remotely and continue to deliver its service to members & employers.

During this period the members of the LPB have also continued to develop their knowledge and understanding of the LGPS and TPR requirements as required by law.

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

Over the year the LPB has reviewed a wide range of LGPS regulations and TPR requirements. This has included reviewing all administration processes against their legal timeframes as well as locally agreed service level agreements and analysing key issues around data quality & the McCloud remedy implementation plan.

In November 2020 it carried out a review of all the Fund's statutory annual requirements covering the year end process, issue of annual benefit statements and pension savings statements. It also had a more detailed look at the risk register and the breaches log and made recommendations as appropriate.

In May 2021 the Board welcomed an update on the proposed three-year service plan including plans for a revised Administration Strategy including the Fund's digital transformation.

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

Looking ahead the LPB will continue to assist and support the APF and will be particularly looking at how the Fund plans to meet the requirements of the Good Governance review and the Pension Regulator's single code of practice.

It has also stressed the need to support staff as remote working continues and to develop the service for the benefit of its members & employers.

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

Nick Weaver
Independent Chair

2. Legal basis of Local Pension Board

Background

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

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

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

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

Specific Role and Purpose

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

- a) Securing compliance with the regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation and:
- b) To ensure the effective and efficient governance and administration of the Scheme.

The LPB will assist the ‘scheme manager’ by monitoring and advising on compliance with the pension scheme regulations, along with all other legislation and the requirements imposed by the Pensions Regulator to ensure the effective and efficient governance and administration of the scheme.

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

The Pension Regulator (TPR)

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

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

Terms of Reference

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

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

Avon Pension Fund – Local Pension Board – Annual Report 2020/21

3. Establishment of Local Pension Board

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

Two members of the Pension Board complete their four year term this year, but both have agreed to extend their term by a further two years. This will allow the Fund to carry out a recruitment campaign to ensure replacements are recruited and in place before they step down.

Adverts are currently on the website and communications have been sent out to members and employers inviting applicants for a member rep and an employer rep.

All applicants will be reviewed against the published criteria in the person specifications and a shortlist of candidates drawn up for interview with the Service Director One West and Head of Business, Finance and Pensions.

Details of the Local Pension Board Members

Independent Chairman:

Nick Weaver. Appointed 1st November 2019. Term of office 4 years.

Employer Member Representatives:

Steve Harman, active member. Appointed 1st July 2015. Term of office extended to 30th June 2023.

Tony Whitlock, active member. Appointed 1st May 2016. Extended to 1st May 2024

Pete Sloman, active member. Appointed 1st March 2020. 4 year term of office 28th February 2024

Scheme Member Representative:

David Yorath, retired member. Appointed 1st July 2015. Extended to 30th June 2023.

Mark King, active member. Appointed 1st May 2016. 4 year term of office to 30th June 2023

Helen Ball, retired member. Appointed 1 March 2020. 4 year term of office 28th February 2024

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

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

Attendance at Local Pension Board Meetings – August 2020 – July 2021

Due to the Covid 19 Pandemic all meetings & workshops over the last year took place remotely. This was in accordance with regulations made under section 78 of the Coronavirus Act 2020 allowing local authorities in England to have express powers to hold public meetings virtually by using video or telephone conferencing technology.

Role	Board Member	Attendance
Independent Chairman	Nick Weaver	3/3
Employer Representative	Steve Harman Tony Whitlock Pete Sloman	3/3 3/3 2/3
Member Representative	David Yorath Mark King Helen Ball	2/3 2/3 3/3

4. Training

Background

In accordance with the Pension Regulator (TPR) Code of Practice 14 every member of a LPB must:

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

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

Degree of Knowledge and Understanding

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

Areas of Knowledge and Understanding

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

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

Training Undertaken

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

Workshops were held in September 2020 and January 2021. The September workshop covered an overview of the governance arrangements of the Fund, a more detailed look at the administration of the scheme and discussed how the Fund should move forward when reviewing the Administration Strategy particularly with the changes required for staff to work remotely and provide a more digital service to members and employers.

In the January session officers put forward a new roadmap for a digital transformation for the Fund over the next five years. The Board approved the direction of travel and the revised Administration Strategy will be developed and delivered to Committee for approval at the end of the year.

Avon Pension Fund – Local Pension Board – Annual Report 2020/21

Through out the year members attended various virtual seminars and conferences such as CIPFA's Pension Board autumn & spring events, LGE's Trustee Fundamentals and Governance & Investment Update plus Brunel Investor Days. These events help to broaden understanding of topics of relevance to the LGPS and the role of a pension board member.

Along with the Pensions Committee the LPB took part in the LGPS National Knowledge Assessment carried out by Hymans Robertson in May 2020. A number of workshops have been planned over the next year based on the recommendations of the assessment.

The LPB training plan is a topic at each board meeting and a training log is maintained to assist in the identification of on-going training needs.

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

Code of Conduct

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

Conflicts of Interest

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

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

All LPB members have formally completed their declaration of interest forms and at the three formal meetings which have been held during the year no 'conflicts' have been declared. For more information on conflicts of interest and declarations at each meeting please use the following link –

<https://democracy.bathnes.gov.uk/mgCommitteeDetails.aspx?ID=563>

6. Pension Board Costs & Budget

In meeting the requirements of the Public Sector Pension Act (2013) and establishing a Local Pensions Board, Bath & North East Somerset approved terms of reference and necessary supporting arrangements at its meeting of its full Council on the 15th January 2015.

The LPB agrees a budget on an annual basis to enable the Board to perform its duties and a summary of the costs is included below:

Summary Financial Table

Budget Area	2020/21 Budget	2020/21 Actuals
LPB Members Allowances	£8,000	£7,180
LPB Members Training Costs & External Support	£6,000	£1,115

Avon Pension Fund – Local Pension Board – Annual Report 2020/21

Pension Board Recruitment	£25,000	£0
LPB Meeting & Democratic Services Costs	£6,000	£2,332
Total	£45,000	£10,627

As with all elements of the public sector there is exceptional pressure to ensure value for money can be demonstrated and the Board will continue to consider this in its future operations

7. Local Pension Board Compliance with the Pension Regulator's Code of Practice No.14

As part of assessing both the effectiveness and compliance of the Board with its key requirements, the APF carried out a self-assessment of the LPB's current arrangements against TPR Code of Practice No. 14 in 2016/17. The full results of this exercise were reported initially in May 2016 and revisited in November 2016 and are available via the following link.

<https://democracy.bathnes.gov.uk/documents/s44211/LocalPensionBoardTPRCOP14UpdateNov2016.pdf>

This year Internal Audit have carried out a governance review against the requirements of the Code of Practice and their latest report is available via the following link –

(ADD LINK to Internal Audit report)

Overall, the control framework in place and operating for the management of the 'Governing your Scheme' section of Code of Practice 14 was found to be effective and given an assurance rating of "**Substantial Assurance**". A total of 3 audit recommendations, and 1 area of good practice, are detailed in the Action Plan.

Amongst the strengths identified were:

- The Terms of Reference for the Pension Board can be found in The Council's constitution.
- Pension Board members are asked to declare any conflicts of interest at the start of each meeting. This is recorded in the minutes of the meeting.
- Members are expected to observe the general principles of conduct identified by the Committee on Standards in Public Life (Nolan Principles) and signed declarations can be evidenced.
- There are more than four participants, on the Pension Board, with an equal split between employers and members. This structure complies with the requirements of the Local Government Pension Scheme regulations.
- When new members to the board are appointed, they are provided with detailed training material as well as attend an induction training session. Attendance at the training was 100% for new members.
- A "Training and Attendance" log is maintained and kept up to date.
- The Pension Board's work plan and training plan forms part of the standard Pension Board agenda.
- There are several communication channels to inform and educate Board Members, such as the LGE monthly bulletin that explains any regulatory updates and changes to the scheme, LGPS regulatory update is a standard agenda item for Pension Board meetings, Invitations and attendance at LGPS seminars and workshops.

The following weaknesses were identified:

- Internal Audit was informed that all original members have completed the Pension Regulator's Toolkit, but this could not be evidenced for all members.
- One out of three new Board Members had not completed a Register of Interest Form and signed a declaration that they agree to abide by the Code of Conduct.

Avon Pension Fund – Local Pension Board – Annual Report 2020/21

- An Independent Officer has not provided assurance that the declarations are not in conflict based on the interest declared and the members responsibility.

Internal Audit also identified the following opportunity

- A checklist should be developed that would enable measurement of the Pension Board's governance arrangements, including the requirements of COP-14, against governance best practice.

The Board support independent review and the work of Internal Audit and their reports and findings are reported to the Board. Details of previous audits can be found in the Board's meeting notes

<http://vm-civ-mgov/ieListMeetings.aspx?CId=563&Year=0>

8. Pension Fund Communications

Effective member and employer communications form a core part of the role of the APF. During the year the Board reviewed at a high level the APF's communications strategy and website.

The Board continue to work with APF officers on assessing all methods of communication both with Members and Employers, especially where issues have been identified and greater engagement or training is required.

Reviewing the strategy and approach to how the fund communicates to its many stakeholders will remain a key element of the work plan of the Board on a rolling basis.

9. Risk Management

Risk management processes for the APF follow the framework laid down by the LGPS administering authority (BANES Council) as well as CIPFA guidance. The APF Risk Register identifies the significant risks that could have a material impact in terms of value, reputation, compliance or provision of service and sets out the mitigating action taken to manage down each risk.

The Register is reviewed regularly and the key risks fall into one of the following categories –

- (i) Failures in the fund administration & control of operational processes and strategic governance processes and TPR compliance
- (ii) Service delivery partners not delivering in line with their contracts or SLAs
- (iii) Financial loss due to payments in error, loss of assets due to investment strategy and/or managers failing to deliver required return, fraud or negligence of investment managers or custodian
- (iv) Changes to the LGPS nationally and increasing political pressure to reform the scheme structure, governance frameworks and to centrally direct investment decisions

The LPB's ongoing review of the risk register concurred with the Pensions Committee that the top risks facing the fund revolve around –

- Brunel PP Governance, asset pooling and benefit realisation
- Delivering the future funding & investment strategies
- Significant growth of new employers, especially Academies as well as the ongoing financial stability of employers (employer covenants)
- Recruitment and Retention of staff
- Compliance with Legal Timeframes & service delivery to members
- Data Protection & Cyber Security

Avon Pension Fund – Local Pension Board – Annual Report 2020/21

- Business Continuity in response to the Covid-19 outbreak
- Impacts of McCloud Judgement
- Climate change emergency

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

The LPB has actively engaged on the key risks facing the APF and supports increases in resources to mitigate some of these risks as well as discussing issues around capacity, skills gaps and recruitment and retention.

The LPB will continue to ensure that a review of the funds risk register will remain a regular agenda item at each meeting.

10. Review of Areas Covered in 2020/21 & Recommendations Made

Over the last year of operation of the LPB was focussed on key governance themes of legal compliance, risk management, and best practice as well as monitoring the significant developments connected to asset pooling and the Brunel Pensions Partnership. A summary of the areas covered is as follows –

Review of LPB Arrangements	Review of Pension Fund Activities	Review of Pension Fund Administration	Independent Assurance
Review of LPB Terms of Reference, Code of Conduct, Conflicts of Interest, Breaches	Review of Avon Pension Fund Committee & Investment Panel Minutes	Review of Compliance Reports & legal timeframes at all meetings	Review of TPR, SAB & CIPFA external benchmarking exercises
Review of Training Requirements	Review of Project Brunel, Brunel Oversight Board	Review of Risk Register at all meetings	Review of External Audit plan and reports
Review of Work Plan	Review of Funding Strategy Statement	Review of Service Plan annually	Review of Internal Audit plan and reports
	Review of Investment Strategy Statement	Review of Statutory Annual Requirements eg ABSs & PSS	
	Review of Scheme Employers & Admitted Bodies	Review of McCloud remedy implementation plan	
	Review of Business Continuity in response to the Covid-19 outbreak	Review of Annual Report	

Meeting	Area	Action/Minutes
13/11/20	LGPS Regulatory Update Fund & Employer Performance Statutory Annual Requirements Breaches Log Risk Management Workplan & training plan	http://vm-civ-mgov/ieListDocuments.aspx?CId=563&MId=5834&Ver=4
25/02/21	LGPS Regulatory Update Fund & Employer Performance Brunel Update CIPFA Benchmarking Risk Register Update Workplan & training plan	http://vm-civ-mgov/ieListDocuments.aspx?CId=563&MId=5835&Ver=4

Avon Pension Fund – Local Pension Board – Annual Report 2020/21

27/05/21	LGPS Regulatory Update Fund & Employer Performance Brunel Update Service Plan & Transformation Proposals Good Governance Review & TPR Consultation Risk Register Update Workplan & training plan	http://vm-civ-mgov/ieListDocuments.aspx?CId=563&MId=5978&Ver=4
----------	--	---

11. Forward Plan for 2021/22

The work plan for the next 12 months is detailed as follows and will be kept under regular review.

AGENDA ITEM	07/09/21	30/11/21	22/02/22	TBC (6/22)
Board Governance				
Terms of Reference (Governance) review	X			
Code of Conduct/ Conflicts of Interest policy	X			
Work Plan (to be dynamically updated)	X	X	X	X
Annual budget setting and monitoring				X
Training Plan (to be updated as required)	X	X	X	X
Annual Report to PC and Council approval	X			
Scheme and Fund Governance				
Legal, policy, regulatory developments	X	X	X	X
Minutes PC, IP, BOB	X	X	X	X
Annual Service Plan				X
Risk Register review	X	X	X	X
Good Governance Review		X		
TPR Code 14 Compliance updates	X	X	X	X
Internal Audit plan/reports on APF		X		X
External Audit Governance Report and Accounts			X	
Benchmarking against other BPP funds			X	
Funding/Investments				
BPP update (delivery/savings)	X	X	X	X
Benefits Admin/Comms				
Admin Strategy Review		X		
Fund and employers' compliance/TPR reporting	X	X	X	X
Breaches policy/register/TPR reporting		X		X
GDPR compliance				X
Record keeping, data security, business recovery		X		
ABS process annual review		X		
Admin performance benchmarking			X	
Comms policy statement and website review		X		
Complaints policy, IDRs, PO cases review		X		

Avon Pension Fund – Local Pension Board – Annual Report 2020/21

Pension Board Training Plan

Training Plan	Type of Training	Date planned / delivered
Trustee Fundamentals	Seminar	Autumn 2021
Brunel Investor Days	Online Seminar	27 Sept & 6 Oct 2021
Governance Conference	Conference	20 & 21 January 2022
Good Governance Review Workshop	Workshop	Autumn 2021
Actuarial & Valuation Session	Workshop	September 2021
Pension Administration & Governance	Workshop	December 2021
Investment performance & risk management	Workshop	June 2022

Bath & North East Somerset Council		
MEETING:	LOCAL PENSION BOARD - AVON PENSION FUND	
MEETING DATE:	21 September 2021	AGENDA ITEM NUMBER 6
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 latest risk register as at 31 August 2021.

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 – RISK MANAGEMENT PROCESS & RISK REGISTER

- 4.1. The risk register identifies the significant risks that could have a material impact on the Fund in terms of value, reputation, compliance or provision of service and sets out the action taken to manage the risk.
- 4.2. The Risk Register is reviewed every quarter by the pension management team. 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.
- 4.3. The risk register including likelihood, impact and mitigating actions is included in Appendix 1 and overview dashboard is attached as Appendix 2.
- 4.4. 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

5. QUARTERLY REVIEW OF RISK MANAGEMENT & REGISTER

5.1. Following the quarterly review of the risk register one of the risk scores was increased as follows:

5.2. R01- Disaster Recovery & Business Continuity

The score has been increased from:

Likelihood – unlikely & Impact – medium = score of 6

To Likelihood – likely & impact – medium = score of 9

This is to reflect the fact that the Business continuity plan is currently being reviewed by Audit. Plus following the cyber security benchmarking exercise completed with AON we are currently analysing the results and further internal assurances will be required from IT. An action plan will be developed and a full report taken to Pension Board in Nov 2021 & Committee in December 2021.

5.3. Other risks reviewed this quarter were:

5.4. R57 – Introduction of Cost Transparency Disclosures

Full disclosure for FY2020/21. All managers are now reporting in line with CTI templates although not all managers reporting in a consistent manner. Different templates for private and public assets make data consolidation difficult and manually keying data increases risk of human error. Templates do not reflect all pricing conventions e.g. where fees are charged to NAV on a daily basis as opposed to being charged based on an average value over a predefined period. Some managers reported based on legacy CTI templates, others submitted their templates in PDF so had to manually convert data and pooled fund managers continue to report based on fund level (not individual client level). Some managers had to be prompted to submit the data and the use of the SAB platform is sporadic. Differences between CTI disclosures and fees reported as part of Statement of Accounts largely due to timing (where we estimate some fees in SoA to meet statutory deadlines).

5.5. R59 – I-Connect data from Employers

I-Connect portal now has tolerances that stop the data loading and allow APF to accept or reject a load, enabling loading to be handed back to some employers whilst retaining control of the process. Plans are being developed to hand back loading to Employers throughout 2021/22. Risks will be reviewed again as part this process.

R07 – Communication

The Fund recently introduced mass email communication for the first time, which was used in May/June 2021 to communicate with Deferred members regarding the introduction of Annual benefit statements being available to download from My Pension Online. This will be extended to Active members next year alongside a campaign to extend email communications to a greater portion of the membership. The risks associated with communicating in this way have been considered, with additional resource and controls being set up to deal with the increase in communication from members as a result of having to access the portal to read their statements.

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

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	

This page is intentionally left blank

Appendix 1 - Risk Register

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		◀▶	Now into phase 3 of recruitmet plan. Recruitment going well but internal prmotions have created further backfill requirements. Technical & Compliance Advisor leaving in June 2021. Mercer contacted and will provide technical support if required.
McCloud/Sargeant Judgements resulting in the extension of protections	R63	Increase in workload on administration side and for scheme employers		◀▶	On 13 May 2021, a Written Ministerial Statement outlining some key remedy policies was issued. A formal response to the consultation will be published later this year, and the new LGPS regulations giving effect to the changes are expected to come into force on 1 April 2023, and be retrospective to 1 April 2014.
Deterioration in financial stability of employers (employer Covenants)	R23	employers not able to meet their liabilities impact on rest of Fund		◀▶	The covenant work plan has been agreed & is being implemented. Experiencing an increase in contribution queries from outsourcing employers about pension costs on their contracts. Actively considering the changes to the USS debt arrangements with employers which would mean LGPS ranks lower in event of insolvency, which will affect covenant of HE's. Policy being developed for Deferred Debt Arrangements (regulations passed but implementaion guidance is not due until early 2021).
Failure to earn investment returns	R26	scheme cannot meet liabilities, employer conts could rise		◀▶	Review of Investment Strategy & risk management strategies. Specialist advisors used. Revised ISS was approved in April 2020. Market volatility & event risk remains but significant market recovery has led to Fund recovering Q1 losses. Portfolio positioned defensively with min exposure to UK equities.
Increase in employers	R56	increased resources needed to support more employers		◀▶	Additional resources have been put into Employer Services to support & train employers. Phase one of three phases of recruitment started September 20. Trainer has been appointed to train the new recruits. Currently more employer exits than new admissions.
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. 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/
Climate Change Emergency	R60	Significant financial risk to the value of the investments assets		◀▶	SAA revised to a higher allocation to climate positive investments. Unable to control global markets in general only through strategy.
Implementation of changes arising from scheme cost cap mechanism	R47	Additional burden on administration. Awareness of members & employers		◀▶	On 16 July 2020 the Government made an announcement confirming that the cost control mechanism pause will be lifted for public sector schemes and the objective would be to complete the process by next year, taking into account the cost of the proposals to remedy age discrimination. The SAB further 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 the HMT Direction, on how McCloud costs are to be considered, is published early next year along with the final remedy details.
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. New tolerances in IC will stop a load proceeding without the fund's approval enabling loading to be handed back to some employers. Plans being developed to hand back loading to Employers. project.
Failure to secure and manage personal data held by the Fund in line with Data Protection Regulations	R05	Personal data is corrupted, compromised or illegally shared resulting in fines & reputational damage.		◀▶	Cyber security benchmarking exercise completed with AON and results analysed August 2021. An action plan is currently being developed and a full report will be taken to Pension Board in Nov 2021 & Committee in December 2021.
Sustainability of working arrangements during Covid 19 outbreak	R64	Unable to deliver service to members and employers		◀▶	Steps taken 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. TPR/SAB guidance continues to be reviewed as received & procedures reviewed as necessary. Legislation that allows remote Committee & PB meetings has ceased. Planning for Future project continues. Final designs expected for Keynsham Civic Centre shortly and roll out of new IT equipment for all staff is in progress. Review of admin strategy and digital transformation plans in place.
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		◀▶	Hymans NKA reviewed and training planned throughout the year for committee & PB members inline with the recommendations. Plan to recruit in 2022 for ind member and 2021 for PB members. Further requirements expected from Good Governance Review
Brunel fails to deliver its objectives to clients in terms of service delivery	R65	Affects the Fund's ability to achieve its own investment objectives and/or implementing its strategy		◀▶	Client assurance framework is in place providing detailed monitoring by Clinet Group and Brunel Oversight Board. Avon Panel monitors investment performance and related investment issues; Committee monitors overall service delivery, financial aspects, RI aspects and effectiveness of the governance framework. Avon has Brunel Working Group to discuss any issues or emerging risks and to agree response to SRM/RMs
Disaster Recovery & Business Continuity	R01	Fund is unable to operate and members do not receive pension payments in time		▲	Business continuity plan currently being reviewed by Audit. Cyber security benchmarking exercise completed with AON and results analysed August 2021. Further internal assurances required from IT. An action plan is currently being developed and a full report will be taken to Pension Board in Nov 2021 & Committee in December 2021.
Late / incorrect contributions from employers	R10	cashflow, employer funding position, TPR breach		◀▶	Continue to follow TPR code and report late payers as necessary. As at February 2021, contributions from top 34 employeys continued to be paid on time. One employer had expressed an interest to pay contributions late, but subsequently decided not to.
Service delivery efficiency & customer service	R29	poor member outcomes		◀▶	We have recently introduced mass email communication to the fund for the first time, which was used in May/June 2021 to communicate with our Deferred members regarding the introduction of Annual benefit statements being available to download from our online portal. This will be extended to Active members next year alongside a campaign to extend email communications to a greater portion of the membership.

Government plans to reform the LGPS eg The introduction of the exit payment cap	R53	This will place an additional burden on the administration resource		◀▶	MHCLG have confirmed that no action will be taken following the consultation they held on the Further Reforms to Exit Payments proposed for the LGPS, instead further consultation is expected in the future. In April 2021, MHCLG wrote to councils requesting for them to provide data on exit payments, which will be used to inform delivery of the Government's policy to end excessively high exit payments in the public sector.
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 FY2020/21. All managers reporting in line with CTI templates although not all managers reporting in a consistent manner. Different templates for private and public assets make data consolidation difficult and manually keying data increases risk of human error. Templates do not reflect all pricing conventions e.g. where fees are charged to NAV on a daily basis as opposed to being charged based on an average value over a predefined period. Some managers reported based on legacy CTI templates, others submitted their templates in PDF so had to manually convert data and pooled fund managers continue to report based on fund level (not individual client level). Some managers had to be prompted to submit the data and the use of the SAB platform is sporadic. Differences between CTI disclosures and fees reported as part of Statement of Accounts largely due to timing (where we estimate some fees in SoA to meet statutory deadlines).
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.
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
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. However much of the risk has transferred to Brunel, monitored by Client Group and Brunel Oversight Board. Fund retains full oversight of legacy managers and advisors.
Ineffective stakeholder communication	R07	poor public relations with members & employers. TPR breach		◀▶	Recently introduced mass email communication to the fund for the first time, which was used in May/June 2021 to communicate with Deferred members regarding the introduction of Annual benefit statements being available to download from online portal. This will be extended to Active members next year alongside a campaign to extend email communications to a greater portion of the membership. Also plan to introduce social media (LinkedIn) help communicate with employers.
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
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
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.
Exit credits - disputes between exiting employer & outsourcing employer	R62	Court cases to decide who should receive exit credit		◀▶	Regulations changed 20th March 2020. A determination process to comply with the new Regs has been implemented and a policy is now in place.
Failure to comply with Council's policies & codes of practice	R41	fines for non-compliance, disciplinary issues & reputational risk		◀▶	Managers & staff undertake training in accordance with Council's codes of practices and standards
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.
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

Governance Risks						Impact		Investment & Funding Risks						
Total 4	0	0	0	0	0	Negligible	0	0	0	0	0	Total 10		
	1	0	0	0	0	Low	0	0	2	0	2			
	1	0	0	1	0	Medium	0	0	0	0	0			
	0	0	0	0	0	High	0	3	0	0	1			
	0	0	0	0	1	Critical	0	0	1	1	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		
Total 13	0	0	4	1	1	High	0	0	0	0	0	Total 2		
	2	0	2	0	0	Medium	0	0	1	0	1			
	0	0	1	1	0	Low	0	0	0	0	0			
	0	1	0	0	0	Negligible	0	0	0	0	0			
	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

This page is intentionally left blank

Bath & North East Somerset Council		
MEETING:	LOCAL PENSION BOARD - AVON PENSION FUND	
MEETING DATE:	21 September 2021	AGENDA ITEM NUMBER
TITLE:	Pension Board – Training and Work Plan Update	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendix A – Pension Board Workplan 2021/22		
Appendix B – Pension Board Training Plan 2021/22		

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 2021/22.

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.

1.1 Appendix B contains the current training for the year to date. Following participation in the National Knowledge Assessment conducted by Hymans Robertson LLP a training plan has been put together based on the recommendations of the assessment, which covers the requirements of the CIPFA Knowledge & Skills Framework. The workshops will be held jointly with the APF Pension Committee.

4.4 Members are asked to consider any other training needs through the rest of 2021/22 to fit into the working cycle of the Board.

4.5 Work Plan

4.6 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.

4.7 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.

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

5 RISK MANAGEMENT

5.1 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	

This page is intentionally left blank

Appendix 1

Pension Board Workplan	21/09/21	30/11/21	22/02/22	TBA - 05/2022
Quarterly Updates				
Administration Update (KPIs)				
Regulatory Update				
Brunel Update				
Risk Register review				
Workplan & training plan				
Annual Updates				
Breaches Log - review of regulatory & data Breaches				
Statutory annual requirements (year end/ABS/PSS)				
Annual review of committee & PB governance arrangements				
Pension Fund annual report & statement of accounts				
Pension Board's annual report				
Review of Audit reports				
CIPFA Benchmarking				
Update on service plan				
Administration Strategy				
Funding Strategy				
Investment Strategy				

This page is intentionally left blank

Appendix 2
Pension Board Training Plan

Training Plan	Type of Training	Date planned / delivered
Trustee Fundamentals	Seminar	Autumn 2021
Brunel Investor Days	Online Seminar	27 Sept & 6 Oct 2021
Governance Conference	Conference	20 & 21 January 2022
Good Governance Review Workshop	Workshop	Nov-21
Actuarial & Valuation Session	Workshop	Feb-22
Pension Administration & Governance	Workshop	May-22
Investment performance & risk management	Workshop	TBA

This page is intentionally left blank