

Pension Board

Date: Thursday, 27th May, 2021

Time: 11.00 am

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

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

Board Members: Nick Weaver, 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

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NOTES:

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

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

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

3. Broadcasting of Meetings

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

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

4. Public Speaking at Meetings

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

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

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 - Thursday, 27th May, 2021

**at 11.00 am in the Virtual Meeting - Zoom - Public Access via YouTube
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AGENDA

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 - 25TH FEBRUARY 2021 (Pages 7 - 14)
8. LGPS REGULATORY UPDATE (Pages 15 - 44)

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

9. FUND & EMPLOYER PERFORMANCE (Pages 45 - 64)

The purpose of this report is to inform the Pension Board of the performance for Fund Administration for the period up to 31st March 2021 and ongoing actions undertaken following the Coronavirus outbreak and UK lockdown on 23rd March 2020.

10. BRUNEL UPDATE (VERBAL UPDATE)

The Head of Business Finance & Pensions will provide the Board with a verbal update on this item.

11. UPDATE ON SERVICE PLAN & TRANSFORMATION PROPOSALS (Pages 65 - 98)

The purpose of this report is to notify the Local Pensions Board of the updated 3 Year Service Plan and Budget for the period 1 April 2021 to 31 March 2024.

12. GOOD GOVERNANCE REVIEW & TPR CONSULTATION (Pages 99 - 124)

This report sets out a summary of the Scheme Advisory Board's (SAB) Good Governance Review and The Pension Regulator's (TPR) Single Code of Practice.

13. RISK REGISTER UPDATE (Pages 125 - 134)

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

14. WORKPLAN & TRAINING PLAN (Pages 135 - 146)

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, 25th February, 2021

Present:- Nick Weaver (Chair), Pete Sloman (Employer Representative), Helen Ball (Member Representative), Steve Harman (Employer 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), Anna Capp (Member Services Manager) and Claire Newbery (Employer Services Manager)

14 WELCOME & INTRODUCTIONS

The Chair welcomed everyone to the meeting.

15 APOLOGIES FOR ABSENCE

Mark King (Member Representative) had sent his apologies to the Board.

16 DECLARATIONS OF INTEREST

There were none.

17 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

There was none.

18 ITEMS FROM THE PUBLIC

There were none.

19 ITEMS FROM MEMBERS

There were none.

20 MINUTES OF PREVIOUS MEETING - 13TH NOVEMBER 2020

The Board approved the minutes of the meeting held on 13th November 2020 as a correct record.

21 LGPS REGULATORY UPDATE

The Technical & Compliance Advisor introduced this report to the Board. Referring to the HMT Public Sector Exit Payments Cap she explained that on February 12th, the Government issued directions which disapply parts of the regulation with immediate effect.

She said the exit cap therefore doesn't apply to anyone leaving on or after 12th February, and as such a member who is dismissed on grounds of redundancy or business efficiency, who is over the age of 55, can once again receive a fully unreduced pension regardless of the cost to their employer. The guidance on the directions further set out HM Treasury's expectation that employers should pay any additional sums that would have been paid had the cap not applied for employees who left between 4 November when the regulations came into force and 12th February.

She stated that following this decision the Fund has no cases to respond to and therefore no rectification exercise to complete. She added that it was possible that a revised cap might be proposed by the end of the year and if so a further consultation exercise on any changes required to the LGPS regulations, as a result, would be carried out.

She informed the Board that the Phase III report of the Good Governance in the LGPS had now been published on the Scheme Advisory Boards website along with the Board's action plan which has been submitted to the Local Government Minister for consideration.

The Head of Business Finance & Pensions asked if the Judicial Reviews relating to the Restriction of Public Sector Exit Payment Regulations 2020 would now be suspended.

The Technical & Compliance Advisor replied that as far as she was aware they were still going ahead.

Steve Harman asked if there was any indication of what changes, if any were being considered with regard to the Exit Payments Cap.

The Technical & Compliance Advisor replied that she was not aware at this stage of the likely proposals and said that it might depend on the outcome of the Judicial Reviews.

The Chair asked if resetting the system had been difficult following the decision in terms of calculation of the strain charge.

The Technical & Compliance Advisor replied that when the process was setup for dealing with the £95k cap additional processes were put in place, including additional information sheets for members in advance of any further possible changes to the LGPS.

She added that the Actuary has advised to carry on with strain costs with what has already been implemented and that they may carry out a review at some point in the future.

The Board **RESOLVED** to note the current position regarding the developments that could affect the administration of the fund.

22 FUND & EMPLOYER PERFORMANCE / ADMINISTRATION

The Pensions Manager introduced this report to the Board. He explained that the report seeks to inform them of the performance for Fund Administration for the period up to 31st December 2020 and actions undertaken following the Coronavirus outbreak and UK lockdown on 23rd March 2020.

He said that the prioritisation of critical administration processes as advised by the TPR, focussing on the continued payment of pensioner and dependent members and the processing of retirements and death cases remains the focus for the team.

He stated that KPI performance is monitored and reported to the Pensions Manager for review on a biweekly basis. He added that some processes were slightly slower where limited access to the office remains in place.

Helen Ball asked if members were frustrated by any of the delays.

The Member Services Manager replied that some niggles have been raised on timings, but there had not been an increase in complaints, and she felt that most members were understanding of the situation faced by the team.

The Pensions Manager informed the Board that with regard to Employer Performance they were only currently reporting on retirement cases and planned to expand the report in time for the next meeting.

The Employer Services Manager commented that Bristol City Council had changed their payroll provider which has caused a delay in submitting monthly data via IConnect. She added that some errors had been identified and worked through to get them corrected which has led to them to being 2-3 months behind. She said that they were up to date in terms of all other monthly data providers.

The Head of Business Finance & Pensions asked if within a future report a trend analysis of cases over the past five years can be included to provide performance evidence to the Board.

The Pensions Manager replied that this should be possible and that he would look to provide this in the next report to the Board.

He explained that there were a small number of late payments in the reporting period, none of which were of material significance and therefore recorded internally but not reported to TPR. He added that the Fund has taken mitigating action in each case to ensure employers are aware of their responsibilities going forward.

He added that on a monthly basis they engage with the top 34 employers, which accounts for around 80% of the Fund membership to ensure there are no issues.

He stated that the administration recruitment project is still ongoing and currently in Phase 2 of 3. He said that the induction and training of newly appointed members of staff via the new training officer program is in place and working well and that around 8-9 vacancies remain.

He added that a project lead has now been appointed for the McCloud Data Collection project, this was an internal appointment and backfilling is currently underway.

The Chair asked how the morale of the team is in general.

The Pensions Manager replied that an in-house survey had recently been completed and that he felt that most staff were now used to be working at home. He added that in the future a balance would need to be found to support staff working arrangements. He said that he believed the stress levels for team managers had increased.

The Head of Business Finance & Pensions agreed that future planning was required and said that the work of the managers over the past year can't be underestimated.

The Chair asked if the appropriate equipment and technical support has been provided to staff.

The Pensions Manager replied that hardware and support has been made available to staff and continues to do so.

The Chair asked what could be done to improve staff resourcing.

The Pensions Manager replied that to recruit and retain has been a problem in the past and that they can look at how posts are advertised, whether the post on offer is attractive enough and revise the job description.

The Employer Services Manager said that the salary offered can sometimes be an issue and that adverts are normally only placed on the B&NES website, but they have recently applied to advertise some posts externally.

The Member Services Manager added that applications for the posts are received, but there is a set criteria on experience and financial background required.

Steve Harman asked if there was any opportunity for apprenticeships to take on these roles as a career path.

The Head of Business Finance & Pensions replied that they have taken on apprenticeships before with mixed success and proposed whether a high-level trainee position might be a better option, along the lines of a graduate apprenticeship.

Helen Ball commented that she had previously managed a graduate trainee system across different areas of a local Council where many went on to have successful careers.

The Head of Business Finance & Pensions said that the local universities have been approached on these roles. He added that London is still seen as a popular destination, although questioned whether that would now change in the future.

The Board **RESOLVED** to note the report, including Fund and Employer performance for the three months to 31st December 2020.

23 CIPFA BENCHMARKING

The Chair announced that this report would need to be deferred to a future meeting of the Board.

24 BRUNEL UPDATE

The Head of Business Finance & Pensions addressed the Board. He informed them that as of 31st December £3.3bn, representing 70%, had been transitioned to Brunel from within the Fund and that this exercise was due to be completed in May 2021.

He stated that there are a number of legacy assets to run down, including the unwinding of the Property and Hedge Fund Portfolios that we do not want to sell off cheaply.

He explained that the Client Group were working on performance reports and that these would continue to be developed over the next 12 months.

He said that officers were liaising with Mercer and Brunel over the future presentation of the strategic monitoring reports.

He stated that there was a new structure to the Brunel Board that had been agreed by the Brunel Oversight Board and Shareholders to increase the number of Non-Executive Directors to five, giving it a total composition of nine and therefore the balance of power sits with the Non-Executives in line with best practice.

He said that a new Shareholder Non-Executive Member had been appointed, a new Investment Officer (David Vickers) recruited and a new Chair of the Oversight Board (Robert Gould) was now in place.

He commented that the Oversight Board has been working on the Governance Review and that this remains ongoing and would continue to do so for the next few months.

He stated that a budget of £10.5m had been agreed with the Brunel Board which includes some room for growth in resources in terms of private markets and risk management.

He said that post transition a focus will remain on Climate Change and how portfolios can achieve the 2 degree threshold, potentially 1.5 degree threshold in temperature rises and reduced carbon footprint.

The Chair asked if any investment fee cost savings could be identified as part of this work.

The Head of Business Finance & Pensions replied that overall there was, but on an individual Fund basis it might not appear that there are fee savings. He said that following transition he would be preparing a report to submit to the Investment Panel which summarises the overall position. He added that fund growth has occurred alongside portfolio changes.

The Board **RESOLVED** to note the update that had been provided.

25 RISK REGISTER UPDATE

The Pensions Manager introduced the report to the Board. He explained that the Risk Register had only been reviewed within the last week so the document published in the agenda pack was the same as in November 2020. He said that following the recent announcement the entry relating to the exit payment cap would likely be moved to a lower risk category.

The Chair commented that employers were pivotal to the Fund receiving the correct information and asked if they were taking enough responsibility for this.

The Employer Services Manager replied that in the main they are engaged and provide data on time. She added that the last year end in particular was really good.

Pete Sloman asked which of the eight red risks were of most concern.

The Pensions Manager replied that there remains a need to manage business as usual. He added that the Exit Cap work was a huge drain on resources and that the forthcoming McCloud remedy will be one of the biggest challenges faced by the administration.

The Head of Business Finance & Pensions added that in his opinion politics / policy have the potential to have a big impact on the Fund.

The Board **RESOLVED** to note the report.

26 PENSION BOARD WORKPLAN & TRAINING PLAN

The Service Director, One West introduced this report to the Board. He explained that it was a standard agenda item to give them an outline plan for the year ahead. He said that Board members could request either formal or informal training and then following any such event their attendance should be updated on their individual training logs.

He added that he was aware that members had recently attended some seminars.

Helen Ball commented that she had recently attended a CIPFA Update Session. She asked if the members of the Avon Pension Fund Committee and the Pension Board should attend a training session together at least once a year.

The Pensions Manager replied that previous events such as Valuation Training have been held jointly and they could look to hold similar events or joint workshops in the future.

The Board **RESOLVED** to note the report and recommends high level training needs through 2021.

The meeting ended at 3.15 pm

Chair(person)

Date Confirmed and Signed

Prepared by Democratic Services

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Bath & North East Somerset Council		
MEETING	Local Pension Board	
MEETING	27 May 2021	Agenda Item Number
		8
TITLE:	LGPS Regulatory Update	
WARD:	All	
AN OPEN PUBLIC ITEM		
<p>List of attachments to this report: Appendix 1 – Current matters affecting LGPS administration</p>		

1 THE ISSUES

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

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

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

- (1) The government first consulted on plans to cap exit payments in the public sector in 2015 and subsequently launched a further consultation in April 2019 the key points of which were:-
- a) A maximum exit payment of £95,000 which was to apply to a wide range of public sector employers, however, excluding some LGPS employers such as Universities and Colleges.
 - b) The cap was to include the value of any early retirement strain costs payable as a result of the exit.

- c) There would be a provision for the cap to be waived in some exceptional circumstances.
- (2) In July 2020, the Government published its response to this consultation, confirming their intention to proceed with the implementation of the cap which remained set at £95,000 with no intention for this amount to be index linked going forward.
 - (3) On 7 September 2020, MHCLG launch their own consultation on the changes required to the LGPS regulations to accommodate the cap, but also proposals for further reforms to exit payments for the LGPS only, which are:-
 - a) The actual pay used in severance calculations will be limited to £80,000;
 - b) The maximum severance (including statutory redundancy pay) will be limited to 3 weeks' pay per year of service or 15 months' pay, whichever is the lower
 - c) The amount available for any strain cost will be reduced by the statutory redundancy payment in all cases
 - (4) On 15 October 2020, the regulations to implement the £95k cap, across the whole of the public sector, were signed and come into force on 4 November 2020. However, the LGPS amendment regulations required to implement the £95k cap are not likely to be implemented before 2021.
 - (5) This leaves us in a position of legal uncertainty from the 4 November 2020 until such time as the LGPS amendment regulations come into force. APF obtained legal advice on the best course of action to take in the interim period, and as a result of that advice 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 inline with the Government and Scheme Advisory Board recommendations.
 - (6) 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.
 - (7) On 12 February 2021, HMT published directions disapplying the cap with immediate effect with the regulations revoking the cap coming into force on 19 March 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.
 - (8) 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 and we understand an exit cap may be in force later in 2021.

3.2 McCloud and Sargeant Court Case

- (1) This case concerns the transitional protections provided to older members of the judges and firefighter pension schemes following their reform in 2015 as part of the public sector pension scheme changes.
- (2) In December 2018, the Court of Appeal found the transitional protections to be unlawful on the grounds of age discrimination

- (3) In June 2019, the Supreme Court denied the Government's request for an appeal and as such the case has been returned to an Employment Tribunal for remedy.
- (4) In July 2019, the Chief Secretary to the Treasury announced in a written statement that 'the government believed that the difference in treatment will need to be remedied across all public sector schemes, including the LGPS'.
- (5) This is likely to have a significant impact on the administration team.
- (6) The SAB agreed to establish two working groups, one to assist MHCLG in considering any areas of policy not centrally determined and the second to consider the challenge of implementing and communicating any changes.
- (7) In July 2020, MHCLG launched a consultation on amendments to the statutory underpin which are designed to remove age discrimination from the LGPS. The consultation closed on 8 October 2020 and we await their response which is expected in early 2021.
- (8) In the meantime, APF will be looking to carry out a data collection exercise with their employers to ensure any additional hour change and service break data is available for members that will be covered by the changes, as this data will be required to apply the remedy once it has been decided.
- (9) On 4 February 2021, HMT published its response to the consultation on changes to the transitional arrangements in respect of the unfunded public service pension schemes only.
- (10) Changes to the LGPS were consulted on separately by MHCLG and, on 13 May 2021, a Written Ministerial Statement outlining some key remedy policies was issued and a full consultation response and draft regulations are expected to follow later in the year.

3.3 LGPS SAB Cost Management Process

- (1) The Public Service Pensions Act 2013 set out that public sector schemes were to be monitored to ensure that they are affordable and sustainable. Unlike the unfunded schemes LGPS also has a built in check driven by the Scheme Advisory Board
- (2) In September 2018 HM Treasury announced that as a result of scheme valuations all public service pension schemes, including the LGPS had breached the 2% cost cap floor which would lead to member benefits improvements. However, the SAB has its own cost management which allowed any changes to benefits to be taken into account before the HM Treasury process begins.
- (3) A proposed package of changes was put forward to SAB for approval with the intention that all scheme changes would be effective from 1 April 2019 and will apply until at least March 2023.
- (4) However, in January, the Government announced a pause in the cost cap process due to uncertainty caused by the McCloud and Sargeant court ruling on elements of the 2014/15 scheme reforms and subsequently the SAB confirmed that they would also be pausing their own cost management process until the effects of the outcome of this case is clear.
- (5) Therefore, scheme changes were not put in place for 1 April 2019 and the LGPS SAB Cost Management Process continues to be paused until the effects of the outcome of the McCloud and Sargeant Judgement is clear.

- (6) When this process resumes, if changes are still required, this will have a significant impact on the administration team.
- (7) On 16 July 2020, the Government announced that the cost control mechanism pause would now be lifted, for the unfunded public sector schemes, and the process restarted taking into account the costs of the McCloud remedy. We await further confirmation from SAB as to the position in relation to the LGPS process which is likely to be clarified in 2021 following the outcome of the McCloud consultation.
- (8) On 4 February 2021, 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.

3.4 SAB Good Governance in the LGPS

- (1) Previously known as the separation project which was developed to identify the potential benefits of further increasing the level of separation between the host authority and scheme manager role. In November 2018, the project was awarded to Hymans Robertson and was also re-named to “Good Governance in the LGPS” which better reflected the aims and ambitions of the project to enhance the delivery of the function within local authority structures.
- (2) 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 Phase I report which was presented to the SAB in July 2019.
- (3) In November 2019, a Phase II report which made recommendations for new standards of governance and administration and proposed how they could be measured and assessed independently was presented to the Board.
- (4) 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 provides further details on some of the recommendations that were included in the Phase 2 Report.
- (5) The Board agreed that the Chair should submit the Board’s Good Governance Action Plan to the Local Government minister for consideration.

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 in the process of addressing this through its strategic asset allocation to Low Carbon Equities and renewable energy opportunities. The strategy is monitored and reviewed by the Committee.

8 OTHER OPTIONS CONSIDERED

8.1 None

9 CONSULTATION

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

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

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List of current developments affecting or expected to affect Scheme Administration – 30 April 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 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>Previous Updates:-</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 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</p>	Updated

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

Organisation	Item	Details	Status
		<p>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 total of £95,000. Exit payments include redundancy payments, severance payments, pension strain costs and other payments made as a consequence of termination of employment. The Regulations will need to be approved by both houses of parliament and will come into force 21 days after that process is complete. We understand it is the intention that the cap will be in force for the end of the 2020 calendar year. This will affect LGPS members in England and Wales who currently qualify for an unreduced pension because of redundancy or efficiency retirement. It will also apply to members whose employer agrees to the early release of their benefits without actuarial reduction, apart from ill health retirement which is excluded. If the cap is breached, then the member may have to take a reduced pension. MHCLG is looking at options to introduce choice to allow members in this position to opt for a deferred pension instead. We also expect the introduction of a standard strain cost calculation so that the cap will apply equally to members across the country. We are expecting a consultation on changes required to the LGPS regulations imminently.</p> <p>Background:-</p> <p>The government first consulted on plans to cap exit payments in the public sector in 2015.</p>	

Organisation	Item	Details	Status
		<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. • 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 Judgment	<p>Risk Register Item – R63</p> <p>Latest Update:-</p> <p>On 4 February 2021, HMT published its response to the consultation on changes to the transitional arrangements in respect of the unfunded public service pension schemes only. Changes to the LGPS were consulted on separately by MHCLG and we expect them to make a Written Ministerial Statement (WMS) outlining some key remedy policies shortly and a full consultation response later in the year. Once the WMS is laid, they will be continuing discussions with the SAB on next steps.</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 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>	

Organisation	Item	Details	Status
		<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>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 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>Previous Updates:-</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</p>	Updated

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

Organisation	Item	Details	Status
		<p>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>	
SAB	Good Governance in the LGPS	<p>Latest Update:-</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>Previous Updates:-</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>	Updated

Organisation	Item	Details	Status
		<p>In November 2019, a draft Phase II report into the findings of both working groups was made available to the Board who considered it and agreed that it should be published with comments invited from scheme stakeholders. The report made recommendations for new standards of governance and administration and proposed how they could be measured and assessed independently. The recommendations covered the areas below:</p> <ul style="list-style-type: none"> • general governance • conflicts of interest • representation • skills and training • service delivery for the LGPS function • compliance and improvement <p>You can find the report as follows:-</p> <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>	

Organisation	Item	Details	Status
		<p>Work to develop a detailed plan then began and two working groups were established, one to focus on defining good governance outcomes and the guidance needed to clearly set them out and the other to focus on options for the independent assessment of outcomes and mechanisms to improve the delivery of those outcomes.</p> <p>Background:-</p> <p>Previously known as the separation project which was developed to identify the potential benefits of further increasing the level of separation between the host authority and scheme manager role. In November 2018, the project was awarded to Hymans Robertson and was also re-named to “Good Governance in the LGPS” which better reflected the aims and ambitions of the project to enhance the delivery of the function within local authority structures.</p>	
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:-</p> <p>http://lgpsboard.org/images/PDF/Tier_3_employers_in_the_LGPS_FINAL.pdf</p> <p>At the SAB meeting in Jun 2018, Aon presented members with a summary of the final draft report. The Board was anxious to point out that the report makes no attempt to make any recommendations, instead, it outlines a range of issues raised by stakeholders and how they envisage these concerns being resolved.</p> <p>The Board agreed that the report should be published and that a small working group of Board members will be established to review the concerns expressed by third tier employers in the report and the ways in which they could be resolved. The working group will be tasked to report back to the Board later in the year with a set of recommendations for further consideration. Once approved, scheme</p>	No Further Update

Organisation	Item	Details	Status
		<p>stakeholders will be given the opportunity to comment on the Board’s recommendations before any formal approach is made to MHCLG Ministers for changes to the scheme’s regulations or guidance.</p> <p>Background:-</p> <p>As part of its work plan for 2016/17, SAB wanted to identify the potential funding, legal and administrative issues and liabilities relating to admitted and scheduled bodies that do not benefit from local or national tax-payer backing (Tier 3 employers).</p> <p>The work was split into two concurrent phases:</p> <ol style="list-style-type: none"> 1) The Board was to work with LGPS administering authorities to gather data regarding the number, membership, liabilities and covenants of these employers. 2) Separately the Board appointed Aon to assist it in further analysis in this area. <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>	No Further Update

Organisation	Item	Details	Status
		MHCLG received around 79 responses, one of which was from APF.	
HMT	Written Ministerial Statement on Survivors Benefits	<p>Previous Update:-</p> <p>On 20 Jul 2020, the Chief Secretary to the Treasury made a written statement on public service pensions, survivor benefits for opposite-sex widowers and surviving male civil partners. The statement was in relation to a Teachers Pension Scheme Employment Tribunal case where male survivors of female scheme members remain entitled to a lower survivor benefit than a comparable same-sex survivor and confirmed that government believes that this difference in treatment will also need to be remedied in those other public service pension schemes, where the husband or male civil partner of a female scheme member is in similar circumstances. We await guidance from MHCLG on what action administering authorities in England and Wales should take.</p>	No Further Update
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 Update:-</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> <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>Previous Updates:-</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</p>	Updated

Organisation	Item	Details	Status
		<p>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> <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 	

Organisation	Item	Details	Status
		<p>consultation in Feb 2020 and Amendment Regulations in Mar 2020).</p> <p>5. Proposals for policy changes to employers required to offer LGPS membership</p> <p>MHCLG received around 280 responses, one of which was from APF.</p>	
HMT	Equalisation of GMPs in public service pension schemes	<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. MHCLG has confirmed that GAD will issue guidance on the impact of the ruling for public service pension schemes in due course.</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>	No Further Update
HMT	Indexation of GMPs in public service pension schemes	<p>Latest Update:-</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. 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>	Updated

Organisation	Item	Details	Status
		<p>Previous Updates:-</p> <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.</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>	
TPR	Codes of Practice	<p>Latest 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>Previous Update:-</p> <p>On 1 September 2020, TPR confirmed that it intends to launch the formal consultation on a single Code of Practice in late 2020 or early 2021.</p> <p>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>	Updated

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Government	Pension Schemes Bill	<p>Latest Update:-</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> <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>Previous Updates:-</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</p>	Updated

Organisation	Item	Details	Status
		<p>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. 	
DWP	Pensions Dashboard	<p>Latest 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>Previous Update:-</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> <ul style="list-style-type: none"> • the Pension Dashboards Programme’s (PDP) high level activity plan 	Updated

Organisation	Item	Details	Status
		<ul style="list-style-type: none"> • 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 • 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). 	

Organisation	Item	Details	Status
		<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	<p>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”.</p>	No Further Update
SAB	Responsible Investment	<p>Latest Update:-</p> <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</p>	Updated

Organisation	Item	Details	Status
		<p>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 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</p>	

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

Organisation	Item	Details	Status
		<p>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>	
HMT	<p>Consultation on the Increase to the Normal Minimum Pension Age (NMPA)</p>	<p>Latest 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>	<p>New Item</p>

Bath & North East Somerset Council	
MEETING:	LOCAL PENSION BOARD
MEETING DATE:	18 May 2021
TITLE:	PENSION FUND ADMINISTRATION Overview & Summary Performance Report to 31st March 2021
WARD:	ALL
AN OPEN PUBLIC ITEM	
<p>List of attachments to this report:</p> <p>Appendix 1 – Membership data</p> <p>Appendix 2 – Performance against SLA & Workload</p> <p>Appendix 2a – Performance against Statutory Legal Deadlines</p> <p>Appendix 3 – Employer Performance</p> <p>Appendix 4 – TPR Data Improvement Plan</p> <p>Appendix 5 – Late Payers</p>	

1 THE ISSUE

1.1 The purpose of this report is to inform the Pension Board of the performance for Fund Administration for the period up to 31st March 2021 and ongoing actions undertaken following the Coronavirus outbreak and UK lockdown on 23rd March 2020.

2 RECOMMENDATION

The Pension Board is asked to Note:-

2.1 Fund and Employer performance for the three months to 31st March 2021.

3 COVID-19 AND FUND BUSINESS CONTINUITY

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

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

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

4 GOVERNANCE

4.1 Advice and guidance from the Pensions Regulator remains in place whilst the COVID-19 pandemic continues to evolve. Whilst the prioritisation of critical administration remains focussed on the payment of pensioner and dependent members and the processing of retirements and death cases, funds have been also been reminded of their responsibility to maintain other administrative processes.

5 MEMBERSHIP TRENDS

5.1 **Appendix 1** provides a detailed breakdown of employer/member ratio and split between whole time and multiple employment membership as well as a snapshot of individual employer and member make up. The number of new smaller employers to the Fund can be attributed mainly to the continued fragmentation of the employer base (newly created Academies/MAT's and Transferee Admitted Bodies) and this has a direct impact on the administration workload with increased movement between employers, especially within the education sector.

6 APF PERFORMANCE

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

6.2 KPI performance is monitored and reported regularly to the Pensions Manager for review. **Appendix 2 (Annex 3)** reflects the situation at the end of March with an overall 4,942, cases 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.

7 EMPLOYER PERFORMANCE

7.1 **Appendix 3** highlights employer SLA performance for notification of member retirements for the previous year and separately by case number over the three months to 31st March 2021. Further reports are currently being developed to include the timely receipt of i-Connect data and it is anticipated that these will be made available from the next quarterly report.

8 TPR DATA IMPROVEMENT PLAN

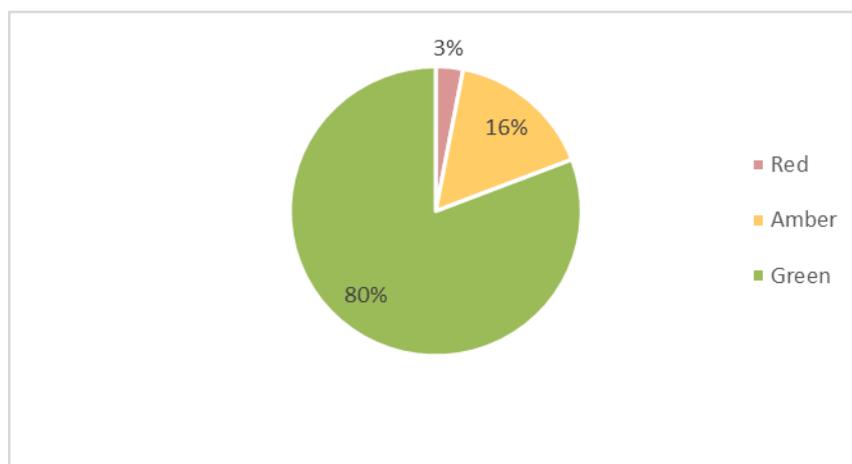
8.1 There has been a reduction in recorded common data errors across most membership categories, with an improved overall data score of 95.64% for the quarter ending March 2021.

8.2 Due to work being undertaken on the Interim Valuation this year, data cleansing has been a main focus for the quarter.

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

No of Employers Dec 2020	No of Employers March 2021	Queries	RAG rating
20	14	10% >	Red
96	73	0.1 to 10%	Amber
336	360	0%	Green

March 2021



Data for the Unitary Authorities is listed below.

Unitary authorities	Queries Jun 20	Queries Sept 20	Queries Dec 20	Queries Marc 21	Member ship	RAG	
BANES	41	74	44	21	3342	0.62%	Amber
Bristol City	224	196	173	122	10603	1.15%	Amber
North Somerset	10	17	10	10	2167	0.46%	Amber
South Gloucestershire	134	166	106	104	6871	1.51%	Amber

9 RESOURCE UPDATE

9.1 The administration recruitment project is still ongoing and currently in Phase 3. The induction and training of newly appointed members of staff is ongoing.

9.2 Recruitment for McCloud remedy project team is progressing with the appointment of two temporary posts required for the data collection element of the project with 1 position remaining vacant at this time. Employer Services have 3 FTE vacant positions with a further 4 FTE vacancies outstanding on Member Services.

10 LATE PAYERS

- 10.1 The Fund is required to monitor the receipt of contributions and report materially significant late payments to the Pensions Regulator.
- 10.2 The Fund maintains a record of all late payments, showing the days late, the amount of payment and reason for delay and whether the amount is of significance.
- 10.3 **Appendix 5** reports late payers in the period to 31st March 2021. There were a small number of late payments in the reporting period, none of which were of material significance and therefore recorded internally but not reported to TPR. The Fund has taken mitigating action in each case to ensure employers are aware of their responsibilities going forward.

11 RISK MANAGEMENT

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

12 EQUALITIES STATEMENT

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

13 CLIMATE CHANGE

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

14 OTHER OPTIONS CONSIDERED

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

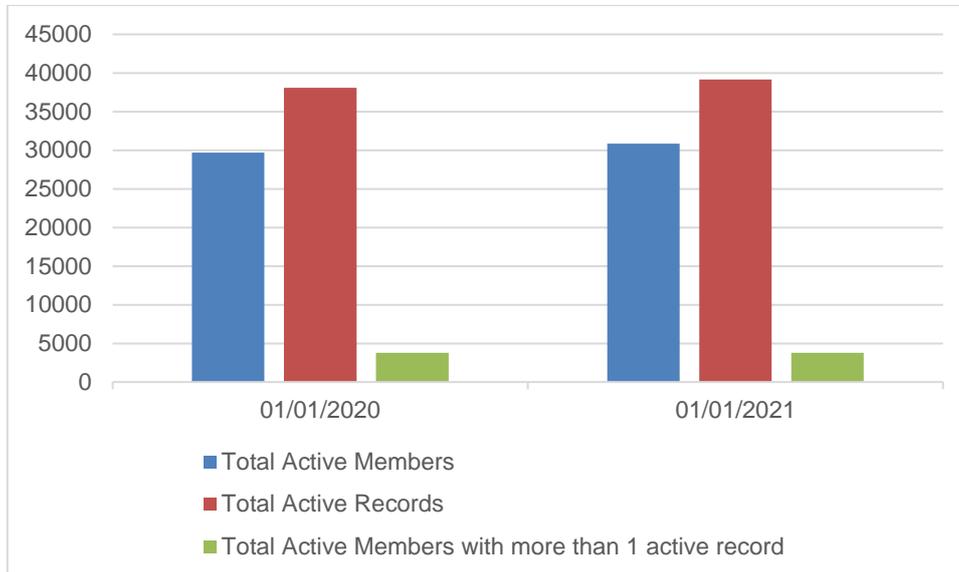
15 CONSULTATION

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

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

Annex 1

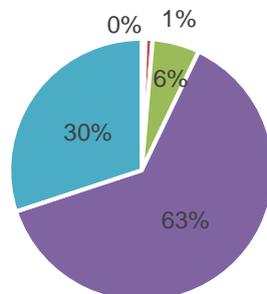
Active membership	31/03/2020	31/03/2021	+/-
Total Active Members	29708	30868	+1160
Total Active Records	38089	39164	+1075
Total Active Members with more than 1 active record	3796	3770	-26



Annex 2

Employers/Active Members Ratio	31/03/2020	31/03/2021	+/-
Number of employers with 5000+ members	2	2	+0
Number of employers with between 1000 and 4999 members	4	4	+0
Number of employers with between 100 and 999 members	23	26	+3
Number of employers with between 11 and 99 members	271	284	+13
Number of employers with between 0 and 10 members	140	136	-4
Total	440	452	+12

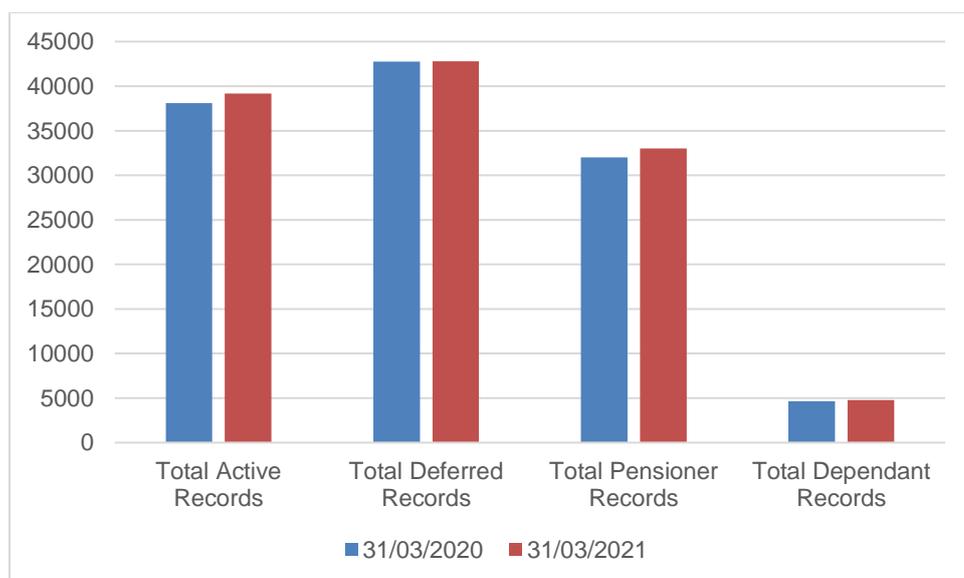
Employer/Active Member Ratio as at 31/03/2021



- Number of employers with 5000+ members
- Number of employers with between 1000 and 4999 members
- Number of employers with between 100 and 999 members
- Number of employers with between 11 and 99 members
- Number of employers with between 0 and 10 members

Annex 3 – Total number of member records by type

	31/03/2020	31/03/2021	+/-
Total Active Records	38089	39164	+1075
Total Deferred Records	42748	42788	+40
Total Pensioner Records	31998	33014	+1016
Total Dependant Records	4654	4784	+130



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	174	124	71.26%	33	90.23%
	Payment - 15 days	139	105	75.54%	27	94.96%
Retirement (from Deferred)	Quote - 30 days	83	38	45.78%	16	65.06%
	Payment - 15 days	117	94	80.34%	17	94.87%
Deaths	Notification - 5 days	131	122	93.13%	3	95.42%
	Payment - 10 days	96	81	84.38%	10	94.79%
Refund of contributions	Quote - 10 days	286	42	14.69%	21	22.03%
	Payment - 10 days	70	23	32.86%	6	41.43%
Deferreds (early leavers)	30 days	376	276	73.40%	100	100.00%
Transfers In	Quote - 10 days	83	30	36.14%	2	38.55%
	Payment - 10 days	49	6	12.24%	0	12.24%
Transfers Out	Quote - 10 days	229	11	4.80%	15	11.35%
	Payment - 10 days	16	10	62.50%	0	62.50%
Estimates	Member - 15 days	85	59	69.41%	11	82.35%
	Employer - 15 days	42	33	78.57%	6	92.86%
Divorce	Quote - 45 days	78	71	91.03%	0	91.03%
	Actual - 15 days	0	0	N/A	0	N/A
Starters	40 days	3113	2568	82.49%	0	82.49%
		5167	3693	71.47%	267	76.64%

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	45	39	40	33	12	4	1
	Payment - 15 days	8	42	29	34	27	5	2	0
Retirement (from Deferred)	Quote - 30 days	10	54	6	2	4	6	4	7
	Payment - 15 days	9	50	26	18	17	3	1	2
Deaths	Notification - 5 days	11	122	3	1	0	0	0	5
	Payment - 10 days	5	68	13	10	3	2	0	0
Refund of contributions	Quote - 10 days	32	27	15	21	37	28	20	138
	Payment - 10 days	15	14	9	6	25	6	8	2
Deferreds (early leavers)	30 days	13	163	51	32	14	8	8	100
Transfers In	Quote - 10 days	25	11	19	2	12	6	12	21
	Payment - 10 days	36	3	3	0	4	1	4	34
Transfers Out	Quote - 10 days	39	9	2	15	8	11	20	164
	Payment - 10 days	20	6	4	0	0	3	1	2
Estimates	Member - 15 days	12	33	10	16	11	11	0	4
	Employer - 15 days	7	25	5	3	6	1	1	1
Divorce	Quote - 45 days	23	16	21	14	0	4	3	20
	Actual - 15 days	0	0	0	0	0	0	0	0
Starters	40 days	24	88	347	90	142	308	151	504

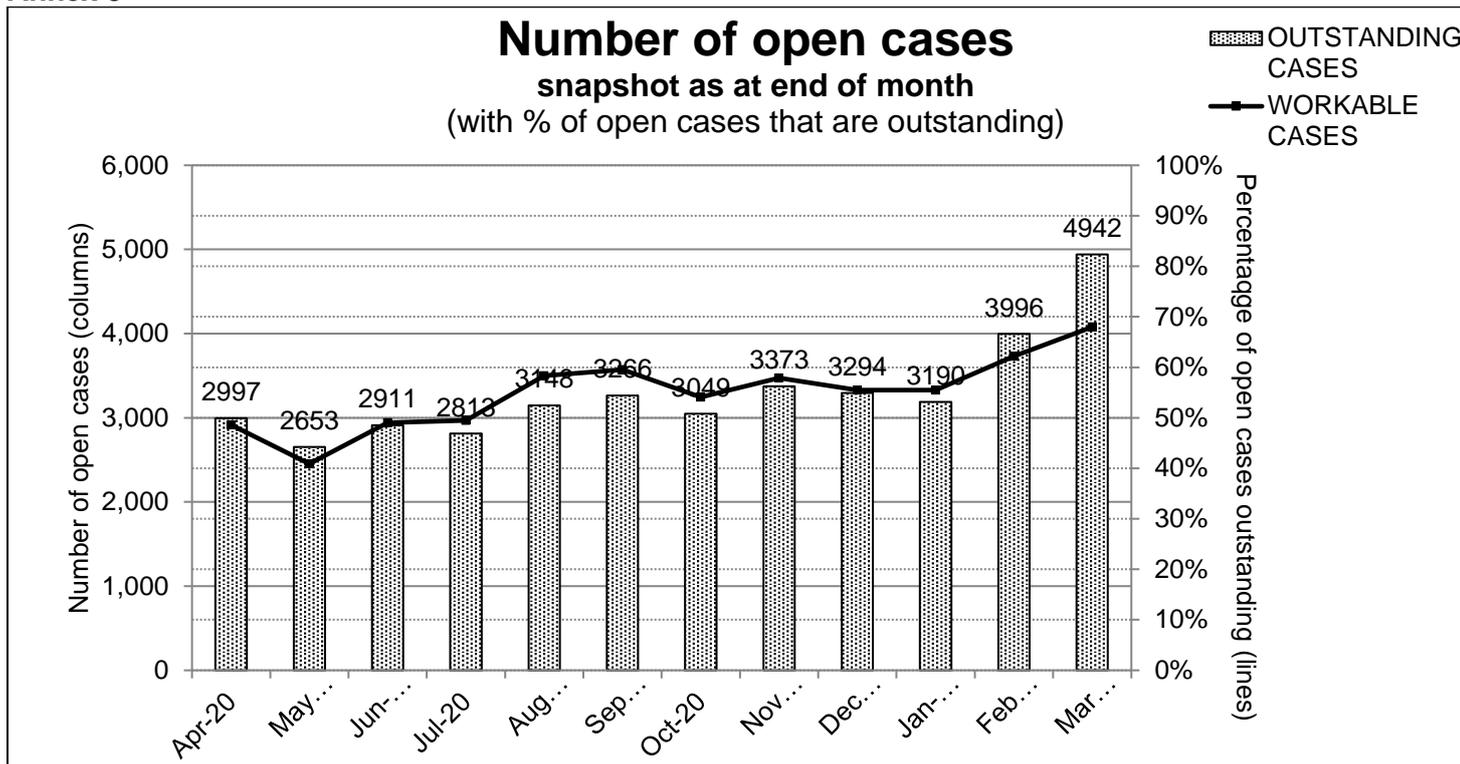
RAG key	Processed
Red	More than 5 days over target
Amber	Within 5 days of target
Green	Within target

Annex 2

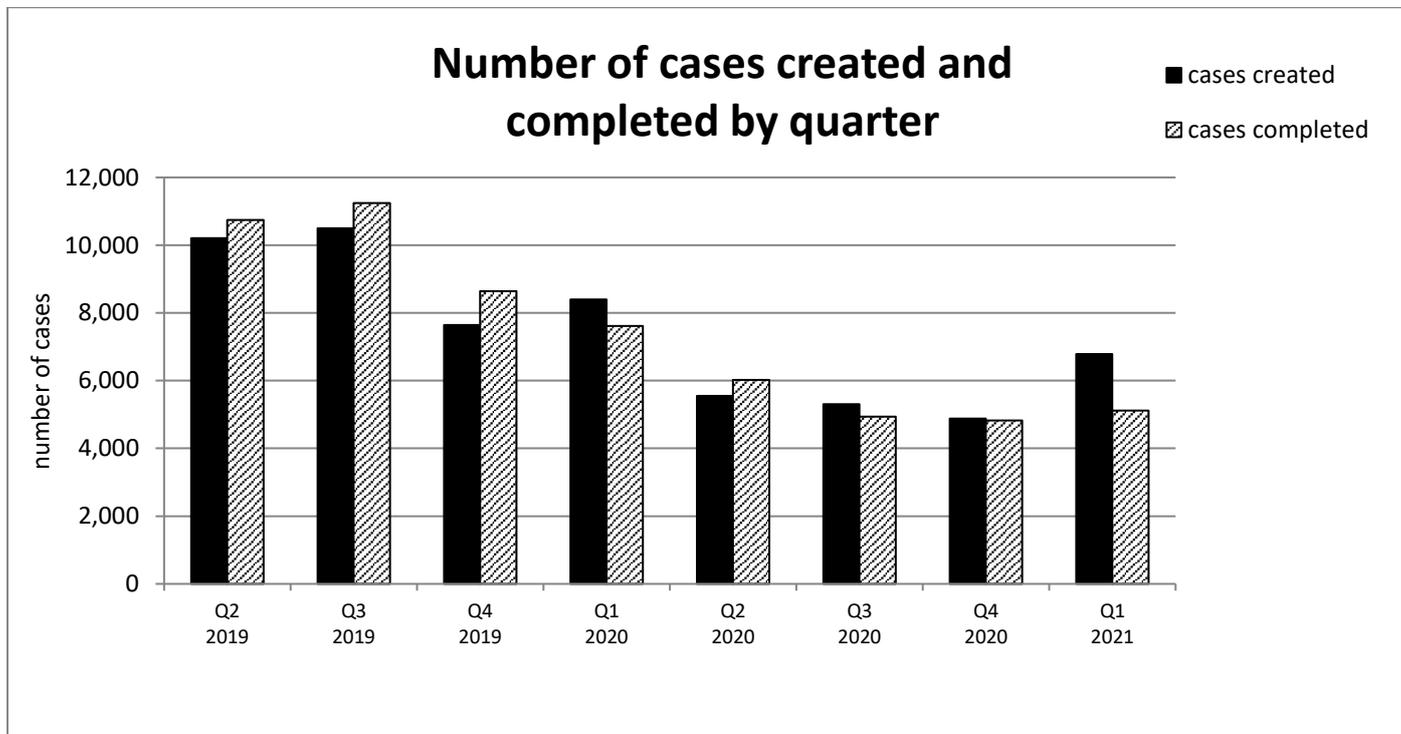
SLA Standards for Processing Admin Tasks						
Work Type	Target Processing SLA (Old/New)	Q2 Apr 20 - Jun 20	Q3 Jul 20 - Sept 20	Q4 Oct 20 - Dec 20	Q1 Jan 21 - Mar 21	Trend
Retirement (from Active)	Quote - 5 / 15 days	93.94%	84.98%	80.88%	71.26%	
	Payment - 5 / 15 days	98.16%	97.26%	86.24%	75.54%	
Retirement (from Deferred)	Quote - 30 days	73.58%	56.04%	64.94%	45.78%	
	Payment - 5 / 15 days	98.75%	97.47%	95.09%	80.34%	
Deaths	Notification - 5 days	97.20%	100.00%	100.00%	93.13%	
	Payment - 5 / 10 days	92.16%	94.51%	97.78%	84.38%	
Refund of contributions	Quote - 10 days	45.07%	58.31%	14.06%	14.69%	
	Payment - 10 days	97.27%	97.04%	71.43%	32.86%	
Deferreds (early leavers)	Notification - 20 / 30 days	42.86%	18.24%	24.92%	73.40%	
Transfers In	Quote - 10 days	46.59%	38.46%	81.82%	36.14%	
	Payment - 10 days	47.83%	64.58%	62.50%	12.24%	
Transfers Out	Quote - 10 days	30.93%	18.42%	14.58%	4.80%	
	Payment - 10 days	31.25%	57.14%	53.33%	62.50%	
Estimates	Member - 10/15 days	86.84%	87.15%	76.24%	69.41%	
	Employer - 15 days	94.23%	50.00%	85.71%	78.57%	
Divorce	Quote - 45 days	92.00%	95.56%	90.91%	91.03%	
	Actual - 15 days	100.00%	100.00%	100.00%	100.00%	
Starters	40 days	99.42%	100.00%	71.21%	82.49%	
Total Cases Processed		3053	2342	2319	5167	

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

Annex 3



Annex 4



Appendix 2a

APF Completed Cases - Performance against Statutory Legal Deadline

		Cases Last Quarter - January 21 - March 21			
		Measured Against Statutory Legal Requirement			
		Target	Total Processed	Total Processed in Target	Percentage Processed within Target
Retirement (from Active)	Notification of Benefits	46 days	113	76	67.26%
Retirement (from Deferred)	Notification of Benefits	23/46 days	158	152	96.20%
Deaths	Notification of Benefits	46 days	79	79	100.00%
Refund of contributions	Notification of Entitlement	46 days	286	286	100.00%
Deferreds (early leavers)	Notification of Entitlement	46 days	376	376	100.00%
Transfers In	Provision of Quotation	46 days	79	69	87.34%
Transfers Out	Notification of Trf Value	69 days	182	145	79.67%
	Payment of Trf Value	138 days	79	77	97.47%
Estimates	Provision of Quotation	46 days	134	115	85.82%
Divorce	Provision of Quotation	69 days	78	71	91.03%
	Application of Order	92 days	0	0	N/A
Starters	Statutory Notice Issued	46 days	2786	2458	88.23%

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

Comments where performance has fallen below expected target:-

Retirements – Home working and lockdown restrictions with further limited access to the office has impacted case work completion. We have also experienced a number of delays with obtaining information from employers once a member has left.

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

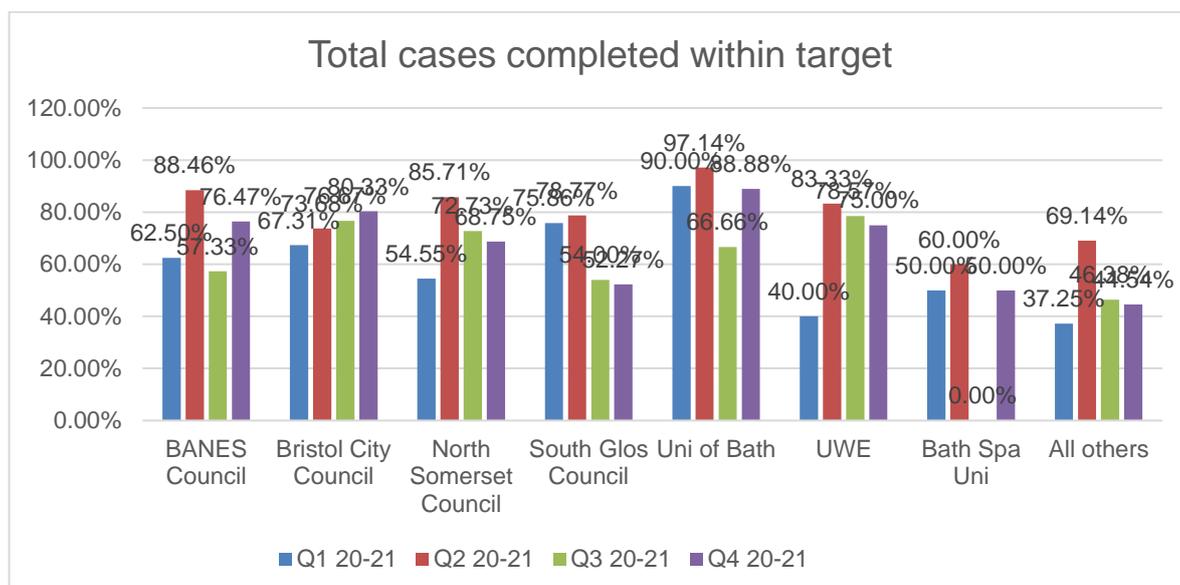
Transfer out – Due to working from home and limited access to the office with the increase in numbers these tasks are not as high a priority.

Starters – The delays have been due to the late submission of some i-Connect monthly returns causing a backlog of starters once the data has been loaded to the system.

Completed leaver forms by employers for retirements within SLA targets.

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

	Q1 20-21	Q2 20-21	Q3 20-21	Q4 20-21
BANES Council	62.50%	88.46%	57.33%	76.47%
Bristol City Council	67.31%	73.68%	76.67%	80.33%
North Somerset Council	54.55%	85.71%	72.73%	68.75%
South Gos Council	75.86%	78.77%	54.00%	52.27%
Uni of Bath	90.00%	97.14%	66.66%	88.88%
UWE	40.00%	83.33%	78.57%	75.00%
Bath Spa Uni	50.00%	60.00%	0.00%	50.00%
All others	37.25%	69.14%	46.38%	44.54%



Annex 2 – Breakdown by case type within target

Within target	Retirements		
	Cases	Within	%
BANES Council	17	13	76.47%
Bristol City Council	61	49	80.33%
North Somerset Council	16	11	68.75%
South Gos Council	44	23	52.27%
Uni of Bath	9	8	88.88%
UWE	16	12	75.00%
Bath Spa Uni	4	2	50.00%
All others	119	53	44.54%

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Annex 1 – TPR Errors by Member Numbers

	December 2020				March 2021				Trend
	Member Records	TPR Errors	% Errors	Data Score	Member Records	TPR Errors	% Errors	Data Score	
ACTIVE	38249	317	0.83%	99.17	39146	245	0.63%	99.37	▲
UNDECIDED	5318	295	5.55%	94.45	5433	270	4.97%	95.03	▲
DEFERRED	42387	3784	8.93%	91.07	42768	3608	8.44%	91.56	▲
PENSIONERS	32813	275	0.84%	99.16	33014	270	0.82%	99.18	▲
DEPENDANTS	4950	119	2.40%	97.60	5019	123	2.45%	97.55	▼
FROZEN	3783	1105	29.21%	70.79	4055	1132	27.92%	72.08	▼
TOTALS	127500	5895	4.62%	95.38	129435	5648	4.36%	95.64	▲

Annex 2 – Outstanding Queries by Type (there may be multiple queries per member)

	December 2020		March 2021		Trend
	TPR Errors	%	TPR Errors	%	
Age 75 exceeded LGPS eligibility issue	64	0.99%	66	1.07%	▼
CARE pay for 2014-2015 required	17	0.27%	16	0.26%	▲
CARE pay for 2015-2016 required	18	0.28%	14	0.23%	▲
CARE pay for 2016-2017 required	26	0.40%	23	0.37%	▲
CARE pay for 2017-2018 required	46	0.72%	47	0.76%	▼
CARE pay for 2018-2019 required	60	0.93%	43	0.70%	▲
CARE pay for 2019-2020 required	83	1.29%	50	0.81%	▲
Casual hours data required	7	0.11%	16	0.26%	▼
Historic refund case	537	8.35%	532	8.64%	▲
Leaver form required	182	2.83%	154	2.50%	▲
Correct Forenames required	11	0.17%	11	0.18%	▼
Correct gender required	4	0.06%	6	0.10%	▼
Correct NINO required	167	2.60%	176	2.85%	▼
Correct address required	5179	80.51%	4965	80.6%	▲
Correct title required ie Miss or Mr	2	0.03%	6	0.10%	▼
Pay Ref required	3	0.04%	2	0.03%	▲
Date joined fund	1	0.01%	1	0.01%	▲▼
Data required from a previous employer	26	0.40%	33	0.53%	▼
Grand total	6433	100	6161	100	▲

Common Data

Scheme Specific Data

Annex 3 – Outstanding TPR by status

	TPR Errors December 2020	%	TPR Errors March 2021	%
1 ACTIVE	375	100	293	100
Age 75 exceeded LGPS eligibility issue	1	0.27%	2	0.68%
CARE pay for 2014-2015 required	14	3.73%	13	4.44%
CARE pay for 2015-2016 required	15	4.00%	12	4.1%
CARE pay for 2016-2017 required	17	4.53%	14	4.78%
CARE pay for 2017-2018 required	32	8.53%	30	10.2%
CARE pay for 2018-2019 required	44	11.73%	29	9.9%
CARE pay for 2019-2020 required	73	19.47%	36	12.3%
Casual hours data required	3	0.80%	11	3.75%
Correct address required	139	37.07%	103	35.2%
Correct NINO required	10	2.67%	11	3.75%
Correct gender required	2	0.53%	5	1.71%
Pay Ref required	2	0.53%	1	0.34%
Leaver form required	7	1.87%	5	1.71%
Correct Title required ie Miss or Mr	0	0.00%	4	1.37%
Data Required from a previous employer	16	4.27%	17	5.8%
2 UNDECIDED	337	100	305	100
Age 75 exceeded LGPS eligibility issue	0	0.00%	0	0.00%
CARE pay for 2014-2015 required	3	0.89%	3	0.98%
CARE pay for 2015-2016 required	3	0.89%	2	0.66%
CARE pay for 2016-2017 required	9	2.67%	9	2.95%
CARE pay for 2017-2018 required	13	3.86%	16	5.25%
CARE pay for 2018-2019 required	16	4.75%	14	4.59%
CARE pay for 2019-2020 required	10	2.97%	14	4.59%
Casual hours data required	1	0.30%	3	0.98%
Correct address required	93	27.60%	76	24.9%
Leaver form required	174	51.63%	148	48.5%
Pay Ref required	1	0.30%	1	0.33%
Correct NINO required	4	1.19%	3	0.98%
Date joined fund required	1	0.30%	1	0.33%
Data Required from a previous employer	9	2.67%	15	4.92%
4 DEFERRED	3824	100	3646	100
Age 75 exceeded LGPS eligibility issue	8	0.21%	9	0.25%
CARE pay for 2017-2018 required	0	0.00%	0	0.00%
Casual hours data required	3	0.08%	2	0.05%
Correct address required	3767	98.51%	3588	98.4%
Correct NINO required	46	1.20%	47	1.29%

5 PENSIONERS	277	100	271	100
Correct address required	273	98.56%	268	98.9%
Correct gender required	2	0.72%	1	0.37%
Correct NINO required	2	0.72%	2	0.74%
6 DEPENDANTS	122	100	125	100
Correct address required	63	51.64%	59	47.2%
Correct title required ie Miss or Mr	1	0.82%	1	0.8%
Correct Forenames required	2	1.64%	2	1.6%
Correct NINO required	56	45.90%	63	50.4%
9 FROZEN	1498	100	1521	100
Age 75 exceeded LGPS eligibility issue	55	3.67%	55	3.62%
CARE pay for 2017-2018 required	1	0.07%	1	0.07%
Correct Forenames required	9	0.60%	9	0.59%
Correct title required ie Miss or Mr	1	0.07%	1	0.07%
Correct address required	844	56.34%	871	57.3%
Correct NINO required	49	3.27%	50	3.29%
Historic refund case	537	35.85%	532	35%
Data Required from a previous employer	1	0.07%	1	0.07%
Leaver form required	1	0.07%	1	0.07%
Grand Total	6433	100%	6161	100%

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APPENDIX 5

Late Payers to 31st March 2021

Employer	Payroll Month	Days late	Cumulative occasions	Amount £	Significance	Reason / Action
January to March						
Greenwich Leisure Limited	January	59	4	5.57	Days	Settled by Guarantor. Employer is no longer in the Fund.
Bristol Disability Equality	January	67	7	262.13	Days	Employer was difficult to contact but has now settled the outstanding balance. They have been informed of the necessity to make payments on time.
Glen Cleaning Limited (BSC)	January	2	1	3,061.65	Value	Payment is processed on 19 th of every month. Payment delayed due to the weekend.
Greenwich Leisure Limited	February	31	5	4.46	Days	Settled by Guarantor. Employer is no longer in the Fund.
Bristol Disability Equality	February	39	8	262.13	Days	Employer was difficult to contact but has now settled the outstanding balance. They have been informed of the necessity to make payments on time.
Circadian Trust	February	8	1	30,939.32	Days and value	Payment was overlooked by the employer's payroll department. The payment for March was made on time.
Bristol Disability Equality	March	8	9	262.13	Days	Employer was difficult to contact but has now settled the outstanding balance. They have been informed of the necessity to make payments on time.
South West Grid for Learning	March	6	1	3,508.97	Days and value	Payment overlooked. Rectified immediately after being notified.
Relyon Cleaning Services	March	12	1	130.12	Days	Query over iConnect submission delayed payment. Payment further delayed over Easter weekend.
				38,436.48	Over The 3 Months	
Total Contributions in Period (excluding deficit payments)				41,580,207.41	Late payments value as a % of total = 0.09%. Late Payments received from 6 out of 418 employers.	

All late payers are contacted and reminded of their obligations regarding the timing of payments. Where appropriate they are advised on alternative, more efficient methods of payment. Where material, interest will be charged on late payments at base rate plus 1% in accordance with the regulations.

Calculation of cumulative occasions is based on a rolling 12 month period, consequently the number of cumulative occasions can go down as well as up.

Bath & North East Somerset Council			
MEETING:	LOCAL PENSION BOARD		
MEETING DATE:	27 May 2021	AGENDA ITEM NUMBER	11
TITLE:	Update on Service Plan and Transformation Proposals		
WARD:	'ALL'		
AN OPEN PUBLIC ITEM			
<p>List of attachments to this report:</p> <ul style="list-style-type: none"> Annex 1: 2021-24 Service Plan and Budget Report Appendix 1 – Scope of Avon Pension Fund Appendix 1a – Admin & Investment Resource Appendix 2a – Service Plan Monitoring of Objectives 2021 Appendix 2b – Service Plan Completed 2020 Appendix 2c – Service Plan Projects on hold 2021 Appendix 3 – Digital Transformation Roadmap Appendix 4 – High Level Structure Chart Appendix 5 – Budget & Cash Flow Forecast 			

1 THE ISSUE

- 1.1 The purpose of this report is to notify the Local Pensions Board of the updated 3 Year Service Plan and Budget for the period 1 April 2021 to 31 March 2024.
- 1.2 The Service Plan and Budget were formally approved by the Pensions Committee at its meeting in March 2021.
- 1.3 The Service Plan (Annex 1) details development proposals that are planned to be undertaken during the next 3 financial years. These are designed to respond to known legislative changes and Committee initiatives as well as to take the Service forward by improving performance and overall quality of service to its stakeholders.

2 RECOMMENDATION

2.1 That the Pension Board notes:

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

3 FINANCIAL IMPLICATIONS

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

4 SERVICE PLAN 2021-24

- 4.1 The Service Plan sets out the Pension Fund's objectives for the next three years. The three-year budget supports the objectives and actions arising from the plan including work relating to the investment strategy, risk management and compliance and improvements in the administration of the Fund.
- 4.2 The main focus of this plan is as follows:
 - (i) Develop and implement fully digitalised services to members and employers to increase operational efficiency and capacity; this will include gap analysis and specification of digital requirements across all stakeholders
 - (ii) Embed the training and development programme to support digitalisation
 - (iii) Monitor transition of final assets to Brunel and ongoing performance of portfolios and Brunel ensuring Brunel is delivering the Fund's strategic objectives
 - (iv) To meet our climate objectives, review the equity allocation with objective to having all equity assets managed in sustainable or Paris Aligned investment strategies
 - (v) In light of the interim valuation, consider whether the current investment strategy meets the funding objectives or whether the level of risk embedded in the strategy is too low
 - (vi) Implement policies that enable greater flexibility in managing employer risk and scheme exits
 - (vii) Develop further the stakeholder communications strategy for investment strategy and climate change
 - (viii) Plan for the expected burden on Fund administration resulting from the McCloud remedy (including potential Fire scheme related Immediate Detriment cases) and GMP rectification exercises.
 - (ix) Undertake any necessary work to ensure the objectives of the Good Governance Report are met once scheme regulations and statutory guidance are in place.
 - (x) Prioritise the introduction of a staff training and development programme to support the resourcing of operational and digital transformation needs and ensure that these meet with and encompass the requirements of health and wellbeing in accordance with council policy.
- 4.3 Full details of the 2021-24 Service Plan are included in the Annex 1. Appendix 2 of the Service Plan shows the new medium-term targets for 2021-24 together with completed targets against the 2020/21 plan and planned projects temporarily paused.

5 BUDGET FOR 2021-24

- 5.1 The Service Plan includes details of the proposed budget and cash flow forecast over this period. The three-year budget and cash flow forecast commencing 1 April 2021 are included as **APPENDIX 5** to the Service Plan.
- 5.2 The budget is split between those areas that relate to the administration of the Fund in terms of providing the administration service to members and employers, and those areas where there is less scope to directly control the costs. The latter areas include Investment Management and Custody costs where the fee structure is agreed by the Fund but the actual costs incurred are highly dependent upon investment performance. They also include governance and compliance expenses which are a consequence of the Fund's policy response to regulations, employer activity and investment strategy. The budget also includes the estimated costs of the pension board. The LGPS regulations require the costs of local pension boards to be met by the local fund.
- 5.3 The budget approved for Administration in 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 and the temporary additional resource to support administration requirements as a result of the expected McCloud remedy. 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.
- 5.4 Governance and compliance costs are set to rise mainly driven by increasing actuarial costs due to employer activity, changes to regulations and new regulations and preparation work for the next valuation cycle including an interim valuation.
- 5.5 Investment management fees (including those for Brunel) are expected to be slightly lower due to reduced fee rates on assets that have transitioned to Brunel. Performance fees (on legacy mandates) are forecast to be lower this year as a result of the pandemic affecting the values of some real assets. The management costs for Brunel (for operations and service delivery) are shown separately. Transition costs are not included as these are taken off the value of the assets at point of transfer.
- 5.6 Cash flow management is crucial as the Fund becomes less cashflow positive (which is exacerbated by prepayments of employer contributions) and investments in private markets increases. The notice period for private market drawdowns are relatively short, thus the investment strategy must ensure there is adequate cash or near cash on a continuous basis. Monitoring of the 3-year cashflow forecast is part of the process.

6 RISK MANAGEMENT

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

7 EQUALITIES

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

8 CLIMATE CHANGE

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

9 OTHER OPTIONS CONSIDERED

9.1 None

10CONSULTATION

10.1 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 persons	Service Plan -- Tony Bartlett, Head of Business, Finance and Pensions (01225 477302), Geoff Cleak, Pensions Manager (01225 395277), Liz Woodyard, Group Manager Funding, Investments & Risk (01225 395306) Budget – Dave Richards, Finance & Systems Manager (Pensions) (01225 395259)
Background papers	Various Accounting Records

THE AVON PENSION FUND

SERVICE PLAN

2021 - 2024

PREPARED BY:

TONY BARTLETT, LIZ WOODYARD, GEOFF CLEAK and DAVE RICHARDS

MARCH 2021

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APPENDICES

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APPENDIX 2	OBJECTIVES TARGETS & PROGRESS OF THE 2021-24 PLAN
APPENDIX 3	TRANSFORMATION WORKSTREAM
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APPENDIX 5	BUDGET & CASHFLOW FORECAST 2021-24

AVON PENSION FUND SERVICE PLAN

2021-24

1 BACKGROUND

This service plan is written against the backdrop of the continuing Coronavirus pandemic and the ongoing battle to prevent its spread across nations and across the globe. Whilst the emergence of several vaccines brings refreshed optimism that the fight against the virus will eventually be won, this will weigh heavily against the human and economic cost that nations have been left to deal with. How governments respond in the bid to stimulate flagging economies amidst calls for greater ethical and social balance and political commitment for a greener future, will have a significant impact on the financial position of the Fund, whilst it is already recognised that “normality” when it returns, will be different and effect ongoing operations and services.

Whilst the Fund has managed to maintain services, enabling almost all activity to be undertaken remotely and online during the past year, several developments have struggled to gain traction, a product of the operational environment. The service has adopted a “make do” or “needs must” approach to both communications and operations which now requires a more robust solution, to enable sustained digital operation. The existing Administration Strategy reflects an evolutionary approach to digital enablement with a number of long term projects ongoing; the dramatic change in circumstances is now challenging this approach and rather demanding a revolutionary step change in digital services and functionality; whilst it is expected that the market offer will continue to be developed in this area, the specialist nature of pensions means there is still likely to be a gap between requirements and available products which could be expensive to bridge.

Running alongside the growing digital challenge is an equally demanding management challenge. “Wellbeing” currently takes top billing on the agenda but the supporting cast of training and development, performance management, communications, security, relationship management and cultural development are becoming co-starring roles and need considerable attention as the service moves into the brave new world. How the service intends to respond to these challenges will be the subject of a revised Administration Strategy in the second half of the year, but there will be a number of key investments to kick start some of this work as Strategy development takes place.

The impact on financial markets of the Covid outbreak in March 2020 was staggering, but equally remarkable was the response of international governments to prop up their economies, creating large amounts of public debt in the meantime. For the Fund, it caused a pause and reappraisal of some of the investment strategy decisions to ensure that strategic direction was still appropriate. Since that time, the Fund has strengthened its equity risk management approach; but the economic outlook remains uncertain and a lot will depend on how governments seek to rebalance their debt positions and for the UK the impact this has on employers will have a direct impact on the Funding Strategy.

Having moved from one period of austerity with the likelihood of facing another, the only strategic dependable now seems to be ongoing uncertainty. The challenge to the public sector purse, uncertain economic outlook and the need to maintain an affordable pension scheme for employers now raises a question for the Fund which may not be unexpected –

“do we need to take more risk?” Appetite for risk is a key component of the Fund’s investment strategy and it has endeavoured to minimise risk in an effort to stabilise employer contributions. This strategy has been successful, stabilising contributions and closing the funding gap over successive valuations, but with the next valuation only 12 months away, the Fund’s appetite for risk will be seriously challenged unless government intervention provides a stay of execution.

The Covid pandemic has increased risk across all the Fund’s strategies and the focus of 2021 will therefore be to work towards mitigating measures. In the case of the administration a more fundamental review of Strategy is required focusing on technology, staff and operational development.

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. As stated earlier 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, more detail of the planned transformation workstreams and timetable being contained in Appendix 3. A high-level admin structure chart to support the transformation process and maintain business operational needs is shown as Appendix 4. It is anticipated that the net cost of this structural change will be £116k with some of the costs being met by existing budgets.

Investments & Funding

The investment team has been strengthened in the past year and it is not proposed to make any further changes albeit the situation will need to be kept under review. The Brunel transition work should complete by the end of 2021 leaving the Fund with some legacy assets to manage down over time. The focus will turn to Paris aligned portfolios with significant regulation and policy development expected in this area to be navigated by the Fund and the Brunel Partnership. In addition, the Fund will increase its transparency around its strategy by reporting in line with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations for example. The economic impact of the pandemic will no doubt

be apparent for some time and the interim valuation in 2021 will provide a benchmark to consider any further changes to the investment strategy; in particular the fund will need to consider the level of investment risk necessary to maintain funding objectives.

The employer portfolio continues to evolve and there is a need to increase covenant assessment work to reflect the increase in employer risk. In addition, scheme employers are more actively monitoring and managing their pension liabilities which in turn leads to greater engagement and workload for the team. Therefore, it is prudent to review the current resources in the actuarial team, in particular to ensure there is adequate resource for policy development and employer engagement.

Addressing the Climate Emergency

The Fund's strategy to reduce its carbon emissions and exposure encompasses all aspects of its activities. As part of B&NES Council it is committed to achieving the Council's goal of enabling the Bath and North East Somerset area to be carbon neutral by 2030. In respect of its operations it will achieve this by fully digitalising its service delivery to members and employers, accepting that it will have to provide non digitalised service to those that are not electronically enabled in the meantime. In addition, use of technology to enable remote working and online learning and seminars will reduce the carbon emissions from commuting to work and travel to conferences and seminars.

Alongside side the operational strategy the investments strategy embeds responsible investing throughout the investment process starting with setting the investment objectives. A set of climate change objectives have been agreed and the implementation of the investment strategy will be consistent with achieving these goals. These goals will be kept under review as the development of UK and international government policies, advances in technology and creation of investment solutions should mean the milestones can be brought forward over the next 5-10 years.

As a responsible investor the Fund will improve and increase its disclosure on its climate related and broader stewardship activities by reporting in line with the Task Force on Climate-Related Financial Disclosures and the Financial Reporting Council's Stewardship Code in 2021/22. In addition, we will be increasing our interaction with members and employers about our activities and how, as an investor, we are promoting change and demonstrating leadership in the field of responsible investment.

Governance

The Scheme Advisory Board (SAB) launched the Good Governance Review back in 2018 and appointed Hymans Robertson to examine the effectiveness of current LGPS governance models and to consider alternatives or enhancements. The aim of the project is to further improve the high standards of governance and administration of the scheme on a consistent and measured basis across all 87 LGPS Funds, that will better match the standards expected by the Pensions Regulator.

On 15 February 2021, SAB published Good Governance: Phase 3 Report which was produced by the Hymans Robertson project team. 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.

The Fund previously measured itself against the recommendations and has an action plan for implementation of the additional measures once all the details are confirmed. The additional requirements include:

- Introduction of an LGPS senior officer responsible for the delivery of LGPS activity for a fund.
- Enhanced governance compliance statement
- Conflicts of interest policy specific to the LGPS.
- Representation: policy on how scheme members and non-administering authority employers are represented on its committees.
- Skills and training: pension committee members and section 151 officers, to have the appropriate level of knowledge and understanding to carry out their duties efficiently.
- Service delivery: compulsory administration strategy.
- KPIs: defined service standards and governance in place to monitor those standards.
- Business planning process: resource and budget allocated to administer the LGPS each year.
- Biennial independent governance review

Work will be planned in to meet the requirements once the scheme regulations and statutory guidance are in place.

Workload

For a number of years the Fund has increased resources to meet the ongoing challenge of employer and regulatory growth and for the time being there is no sign of this abating. The operating circumstances have been challenging over the past twelve months and with the prospect of this continuing, productivity and particularly the management of new developments and projects will remain challenged in respect of delivery times. The service plan priorities have been reviewed and realigned with the current operating constraints in mind to provide a more realistic delivery timescale. The key to success now very much hinges on the necessary developments in technology to enable efficient remote working but with sufficient opportunities to ensure collaborative working can still take place; essential for project delivery strategy and policy development, cultural and social cohesion. The Administration Strategy is under review to ensure that all the issues experienced by the service through this difficult period can be recognised and as far as possible addressed as we continue to operate in an arms-length fashion. The admin strategy will be refocused on areas of communications, training and transformation but the size of the challenge ahead should not be underestimated.

Budget

The budget has been adjusted to reflect a revised structure and the costs of kick starting some of the necessary work in advance of a revised Administration Strategy. At this point the budget is incomplete and will require a further discussion when the Administration Strategy comes back to the Committee in the autumn/winter; by then there should be a clearer indication of digital investment required and over what period in order to make the necessary and/or available changes if this is a direction the committee feel able to support, at which point the net impact on benchmark costs should also be clearer.

2 KEY OBJECTIVES – 2021/22 to 2023/24

Funding Strategy:

1. Undertake an interim valuation during 2021 to identify the issues that may materially affect the 2022 valuation (which will set employer contribution rates with effect from April 2023).
2. Finalise and then implement the Fund's policies within the Funding Strategy Statement that will enable greater flexibility in managing employer risk and scheme exits.
3. Ongoing covenant assessment for incorporating into the Funding Strategy and funding plans.
4. Explore further options for bespoke portfolios to manage the funding and liability position of specific employer risk groups.
5. Ongoing management of smaller employers to ensure pension costs remain affordable for the employer and financially sustainable for the Fund.

Investment Strategy:

6. Monitor the transition of assets to the Brunel Portfolios (expected to complete by end 2021) and performance of Brunel and their portfolios, ensuring Brunel are delivering the Fund's strategic objectives.
7. To meet our climate objectives, review the equity portfolio with the objective of having all the equity assets managed in sustainable or Paris aligned (with low carbon transition) investment strategies.
8. In light of the interim valuation and expectations of future returns, consider whether the current investment strategy meets the funding objectives or whether the level of risk embedded in the strategy is too low.
9. Monitor and develop the Risk Management Framework as required as a mechanism for managing liability risk through the investment portfolio and mitigating investment risk.
10. Support initiatives and undertake activity to demonstrate the Fund's commitment to meeting its climate emergency targets such as reporting in line with the TCFD recommendations in 2021, as a signatory to IIGCC initiatives to influence government policy and regulatory change.
11. Increase communications with our broad array of stakeholders about the investment strategy with a focus on how the strategy is mitigating the financial risk of climate change.
12. Realign the investment advice required post transition of assets to Brunel.
13. Maintain the Investment Strategy Statement reflecting strategy developments and changes due to Brunel operations.

Administration Strategy:

14. To continue the move towards digital delivery of Scheme communications to members.
15. To complete the rollout of I-Connect and the receipt of monthly member data returns.
16. Prioritise the introduction of a staff training and development programme to support the resourcing of operational and digital transformation needs and

- ensure that these meet with and encompass the requirements of appropriate health and wellbeing criteria in accordance with council policy
17. To complete the final phase of the GMP data reconciliation exercise as required by HMRC to ensure the fund is not at risk of erroneous pension liability.
 18. To complete the member address rectification project to identify missing data and implement actions to resolve outcomes.
 19. To monitor outcomes of McCloud judgement and implement actions to manage remedy including actions to support Fire Schemes Immediate Detriment cases.
 20. Undertake gap analysis and specification for digital requirements across all stakeholders.
 21. Develop revised Admin Strategy proposals to include digital transformation and to take to Pensions Committee.

Governance:

22. Keep governance arrangements under review to ensure effective monitoring of Brunel and the transition of the assets.
23. Implementation of the Good Governance Review (SAB) requirements.
24. To ensure the Committee and the Pensions Board is fully trained and briefed on current strategies and operations and in position to scrutinise and make decisions effectively.
25. Retender advisory contracts to align contracts with Fund objectives.

A report on objectives, targets & progress towards objectives and those rebased and temporarily put on hold is given in Appendix 2.

3 RESOURCE IMPLICATIONS

Despite assets transferring to Brunel, significant resources are still required to manage and develop the relationship with Brunel and the client side of the pool as well as delivering the investment strategy including Responsible Investing and Risk Management. In addition, internal specialist capability ensures the Fund strategy evolves efficiently to meet the Fund's objectives, there is proper control of implementation, that members are trained and supported, and there is adequate internal challenge of expert advice.

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). Strategic projects such as the review of the equity assets will be delivered by the Fund's investment advisors.

To address the changing work of the actuarial team, the team's resources will be reviewed during the year to ensure there is adequate support for the Funding and Valuation Manager in developing and implementing policies and funding plans.

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 seven 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 the 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. Appendix 1a details the increase in establishment resource since 2014 highlighting the continuing void between agreed establishment and actual posts filled; set against a background of regulatory change and increased governance and compliance.

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.

4 BUDGET

This Service Plan period includes the costs of managing investment assets through Brunel; savings in investment management fees are materialising as the transition of assets progresses. The Fund is expected to realise net (of transition costs) cumulative savings by 2024-25, with the business case forecasting cumulative savings of £73m by 2036.

The Fund budget (excluding investment fees) proposed for 2021/22 is £ 5.35m.

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

The budget includes the costs of supporting the Fund's RI strategy to manage the impact of climate change on the asset portfolio. The total budget committed to RI including staff costs, affiliations, advice and communications is around £0.13m p.a.

Within the directly controlled budget for Administration there is a proposed increase in net expenditure over the 2020/21 budget of £0.31m. This includes additional resource to strengthen the management team and to also implement and manage the transformation program. Included within this increase is £0.13m relating to posts added in 20/21 part way through the year.

It also includes continued additional temporary resources to meet expected increased workload resulting from the McCloud remedy. £0.12m is provided in the budget for extra resources and advice to implement the McCloud remedy with provision to increase this up to £0.3m in the 2022/23 budget subject to requirements once legislation has been made. Previous budget provision for consultancy on IT systems has been removed pending the revised admin strategy and digital development requirements. The provision of £20,000 made in the previous budget to provide equipment to support flexible working during the pandemic will continue into 2021/22 and an additional £10,000 has been made to provide office meeting space. The budget also includes the cost of one-off projects to undertake the final phase of the address tracing project and completion of the GMP rectification exercise.

Investment Management fees:

The annual management fees of £18.4m are lower than in last year's budget for 2021/22 of £19.8m despite an increase in asset values between the data points used. During the year further recurring fee reductions were achieved on assets that transitioned to Brunel portfolios. Significant savings of c.£1.6m p.a. were achieved on the Brunel Diversified Returns Funds (DRF) portfolio. Lower fees for the Global Sustainable Equity portfolio save c.£0.2m p.a. and transferring management of the UK Property portfolio to Brunel in 1Q21 will

save c.£0.4 p.a. when the transition completes during 2021/22. To date the cumulative investment fee savings from transitions are c. £3.4m p.a. (when comparing to the fees paid prior to transition).

However, strategic allocation changes will affect the actual savings achieved. For example, switches from lower to higher cost portfolios (e.g. switching from Brunel's UK and Global High Alpha Equity portfolios to the Global Sustainable Equity portfolio) and from lower cost listed asset portfolios to higher cost private market assets puts upward pressure on fees. Compared to previous years, very low performance fees are anticipated to be incurred in 2021/22; this reflects the fall in some property and infrastructure values due to the pandemic which are not expected to recover to pre-pandemic levels this year; therefore performance fees will not accrue until pre-pandemic values are exceeded.

As at 31/12/20, Brunel manage £3.4 billion or 66% of the Fund's assets as follows:

Brunel portfolio	Value at 31/12/20	Date of transition
Passive Low Carbon Equities	£666m	July 2018
UK Equities	£0m	Nov 2018
Emerging Market Equities	£281m	Oct 2019
Global High Alpha Equities	£391m	Nov 2019
Risk Management Strategies	£878m	Oct 2019
Diversified Return Funds	£508m	July 2020
Sustainable Equities	£539m	Sept 2020
Private Market Assets	£182m	n/a

The fees do not include the cost of transitions which is deducted from the asset values. In addition, the budget does not include planned transitions during 2021/22 but assumes legacy mandates are retained.

The actual fees paid in 2021/22 will depend on the change in asset values over the year and the performance of the assets subject to the performance fees (performance fees accrue within each year but are only payable when the underlying assets are realised).

Brunel management costs:

The shareholders are in the process of approving the 3-year budget and Business Plan for Brunel for 2021/22 to 2023/24. The budget ensures there are adequate resources to

- (i) deliver the transition plan within an agreed timeline in order that clients can implement their investment strategy efficiently;
- (ii) support the clients' RI objectives;
- (iii) ensure resilience and capability in the private markets team as the assets under its management increase and
- (iv) develop the reporting to clients as the business moves from the transition phase to business as usual.

The overall costs of Brunel of £10.9m for 2021/22 is c.3% increase year on year. As more assets transition from clients to Brunel, more of the costs are applied to the portfolios on an

AUM basis (rather than on an equal 1/10th basis). Therefore, Avon's share is slightly more than 10% at £1.28m p.a.

Governance Costs:

Ongoing governance costs, primarily actuarial and investment advice are forecast to be higher than last year. The actuarial workload has increased significantly over the last 12 months as the team deals with more employer specific issues and changes to regulations lead to more activity (for example the introduction of exit credits). The main pressure on the 2021/22 budget is the extra activity as a result of the new regulations that permit more flexible funding plans and the interim valuation exercise. Overall, there is a 20% increase in actuarial costs (over 2020/21 revised budget) which this includes a 10% contingency to cover implementation of McCloud, GMP rectification and elements of the pre 2022 valuation work which may fall into the fiscal year.

There is an increase in the budget for Investment Advice, primarily due to the cost of implementing the Dynamic Equity Protection Strategy. This is a one-off cost and the ongoing monitoring and related costs will be lower once the new structure is in place.

Salaries:

There is slight upward pressure on the salaries in the Finance & Investments Team where following unsuccessful recruitment in 2019/20 posts were regraded, enabling vacant posts to be filled last year.

Pensions Board:

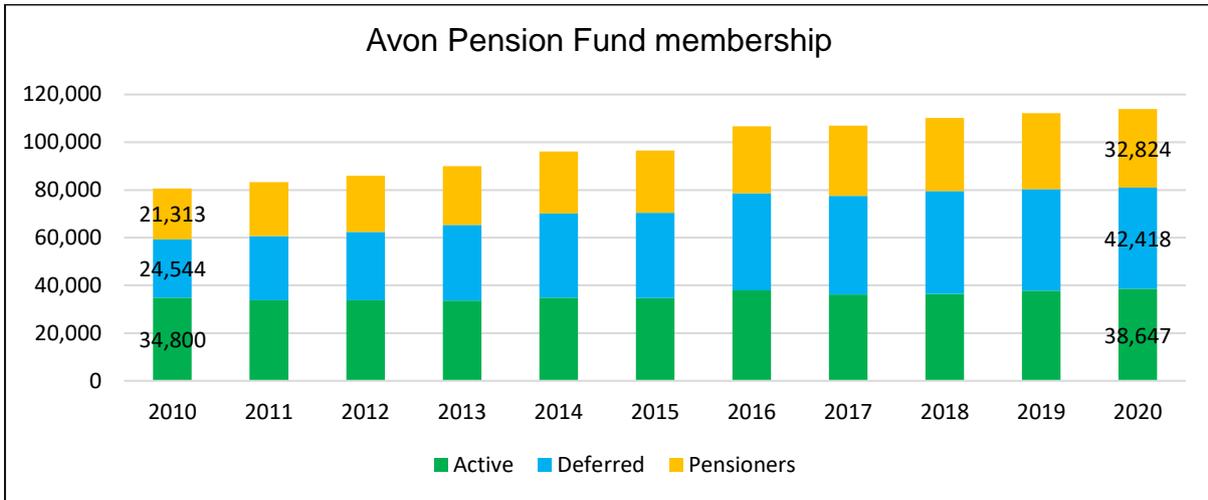
The Pension Fund is required to meet the costs of the Pensions Board. The estimated cost of the Board is included in the Fund's the three year budget.

5 CASH FLOW

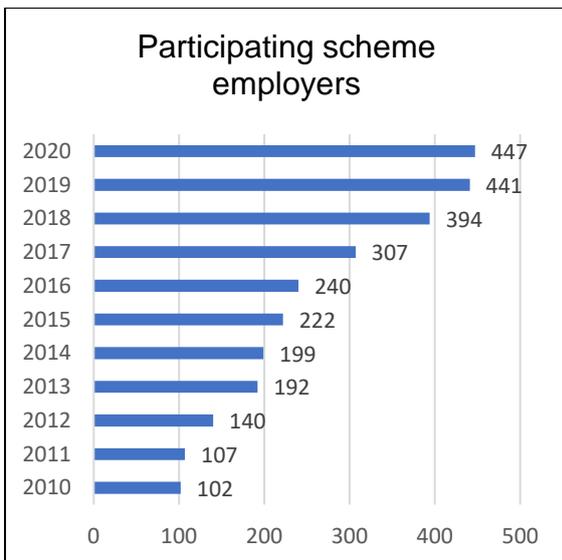
As the Fund's profile matures, monitoring future cash flow trends increases in importance. The Fund is transitioning from being cash flow positive (accumulating cash from contributions at a greater rate than paying out cash in benefits and expenses) to being cash flow negative. The cash flow is currently monitored on a monthly basis and reported quarterly to Committee. As a result of the advance future service rate payments, due to be made by the major employers in April 2021, the Fund will have larger cash in-flows at the start of the financial year. The consequent absence of these in the following months will result in greater negative monthly cash flows. The negative cash flows are managed by using income from the investment portfolio and divestments as required. Divestments are delegated to Officers as part of their operational duties. Consideration is given to the actual allocation against the strategic allocation as well as the view of investment markets.

Full details of the budget between 2021-22 and 2023-24 together with a cash flow forecast for the payment of benefits and the receipt of contributions are given in **Appendix 5**.

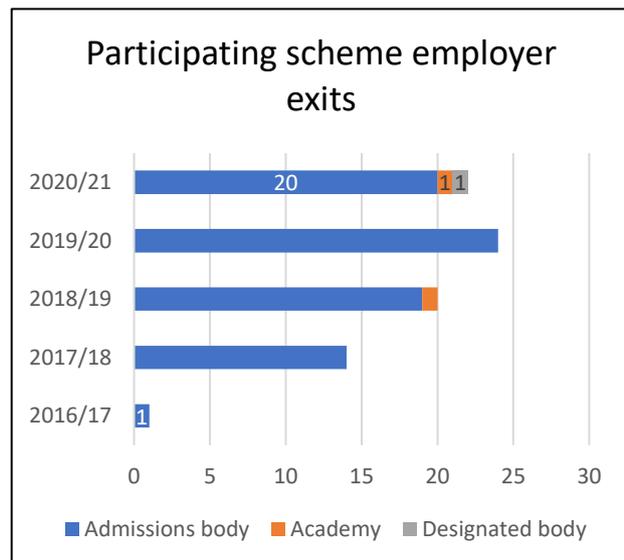
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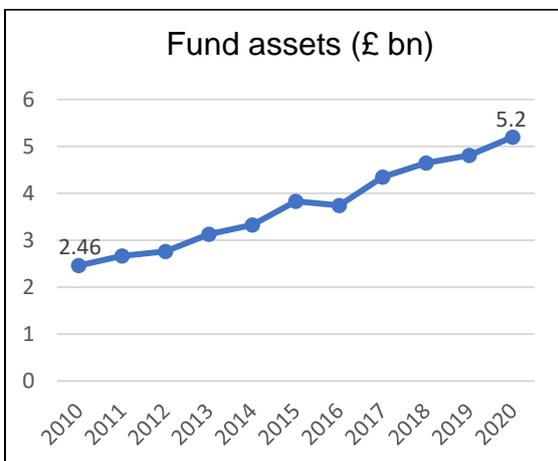
(Data: 31 December 2020)



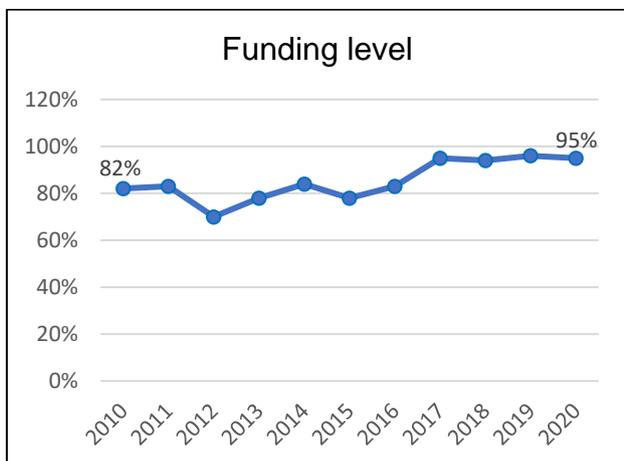
(Data: 31 December 2020)

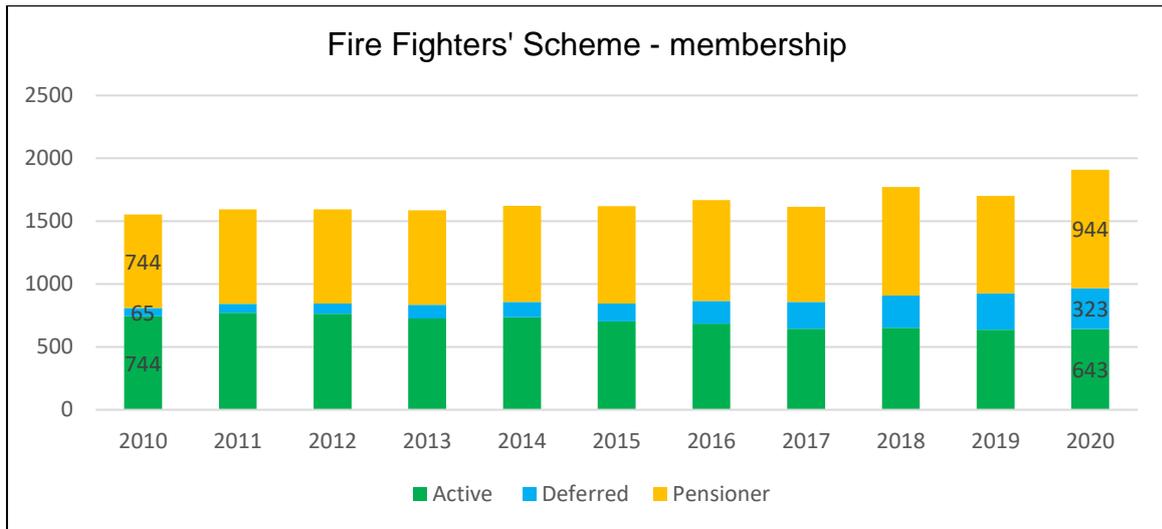


(Data: 4 March 2021)

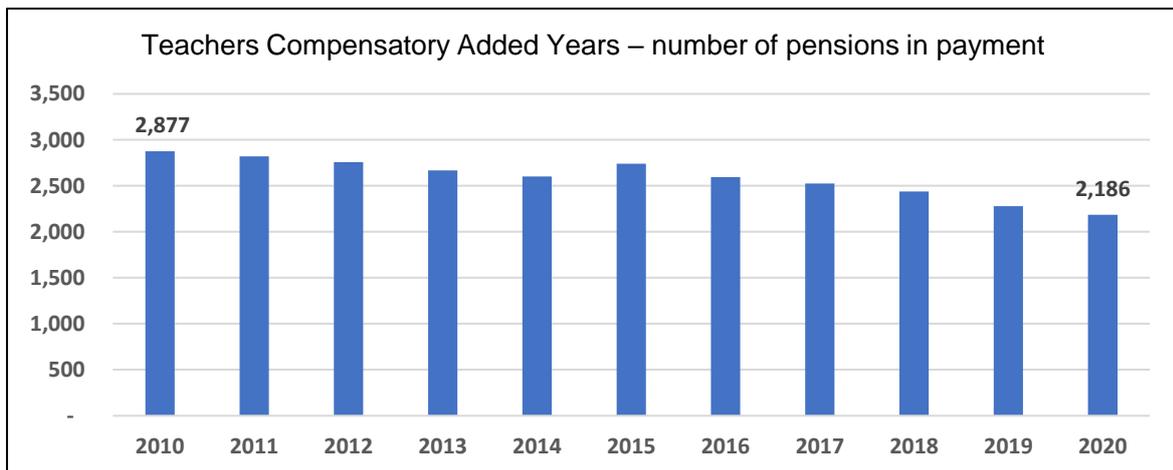


(Data: 4 March 2021)





(Data: 4 March 2021)

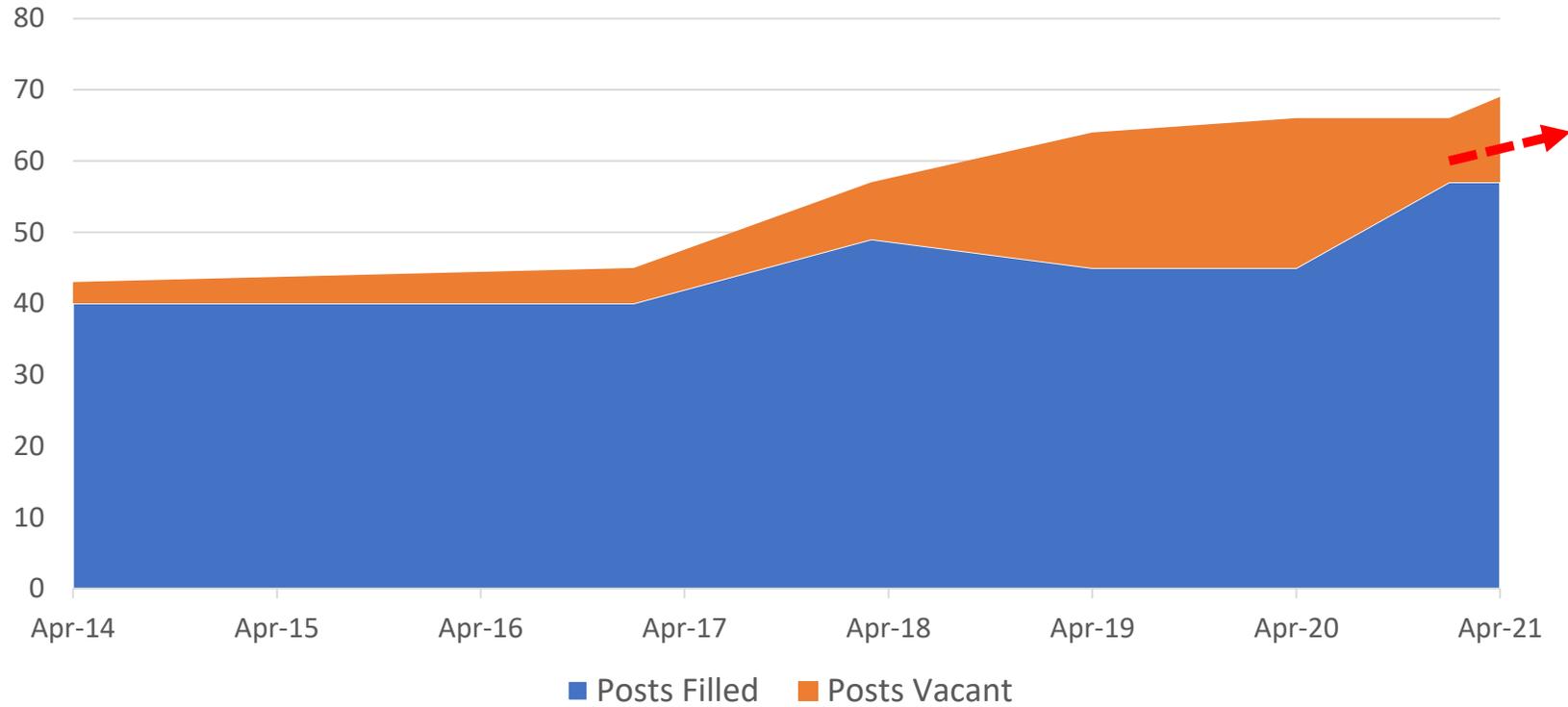


(Data: 4 March 2021)

Admin & Investment Resourcing

Appendix 1a

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Apr 2014
New LG
Scheme
Introduced

Jan 2017
Admin Restructure
and Brunel

Apr 2018
Additional Resource for
Projects Allocated

Jan/Apr 2020
Resource for i-Connect /
Investments & Temp
Resource for McCloud
Remedy

Apr 2021+
Digital Transformation

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Appendix 2a - Service Plan 2021

Key Objectives	Tasks	Original Target Date	Completion Date	Status
Administration Strategy				
COMMUNICATION				
Member digital engagement	Activate online ABS availability - deferreds	Aug-21	Aug-21	In progress
	Activate online ABS availability - Actives		Aug-22	In progress
	Strategy to Maximise MSS take up	Dec-22	Mar-22	In progress
IT STRATEGY				
Improvements				
Progress full employer electronic data delivery	Completion of i-connect project	Mar-22	Mar-22	In progress
Development				
Progress software developments with Heywood	Development of online leaver form	Dec-20	Mar-22	In progress behind schedule
	Enhanced secure 2 way portal functionality	Dec-21	Mar-22	In progress behind schedule
	Iconnect reporting - Dashboard in place and development of pre load data validation in progress	Dec-20	Mar-22	In progress
RECRUITMENT & TRAINING				
Recruitment	Project to fill app 10 posts across Member & Employer Services	Sep-20	Jun-21	In progress
Training & development plan	Introduce staff training programme covering operational & digital transformation requirements	Jun-20	Mar-22	In progress
OTHER PROJECTS				
Revise Fire Service model	Develop revised service offer and SLA	Apr-19	Mar-22	In progress
Data improvement	Address Rectification		Mar-22	In progress
	Care Roll up	Jun-20	Mar-23	In progress
McCloud	Implementation of remedy - Fire	Apr-22	Oct-23	In progress
	Implementation of remedy - LGPS	Apr-22	TBA	In progress
LGPS Cost Cap Mechanism	Preparation required in case of backdated implementation	Mar-21	TBA	In planning
GMP data reconciliation project	Data match exercise with HMRC to mitigate risk of pension overpayment – GMP Rectification of identified cases	Mar-21	Mar-22	In progress
Processing Backlogs	To clear outstanding task work set at 'Reply Due' (4000 cases)	review 2021	Mar-22	In progress behind schedule
Internal Dispute Resolution Policy	Review general complaints process prior to IDRPs and incorporate learning into processes	Jul-21	Jul-21	In progress
NEW ADMIN STRATEGY	Service plan & budget to committee	Mar-21	Mar-21	In progress

	Develop new strategy document & committee approval	Dec-21	Dec-21	In planning
	Consultation & implementation	Mar-22	Mar-22	In planning
DIGITAL TRANSFORMATION PROJECT	Review structure & recruit Digital Transformation Manager	Mar-22	Mar-22	In planning
	Gap analysis & specification for digital requirements	Mar-22	Mar-22	In planning
	Revise Communications Strategy	Mar-22	Mar-22	In planning
	Staff training & development plan for digital transformation	Mar-22	Mar-22	In planning
	Procurement process for pension system	Dec-22	Dec-22	In planning
	System implementation	Dec-23	Dec-23	In planning
	Develop control framework	Mar-24	Mar-24	In planning
	Implement Digital Office to better support staff	Mar-24	Mar-24	In planning
	Channel shift to enable support & consultancy to members & employers	Mar-24	Mar-24	In planning
Funding Strategy				
Covenant assessment of employers during valuation period	Establish policy for monitoring employer covenant between valuations: rolling timetable for reviewing employers; collection and collation of data; identifying higher risk employers for closer monitoring.	Report annually to committee	Jun-21	In progress
	Explore options with employers to mitigate covenant risks	Ongoing	ongoing	In progress
Valuation and FSS	Interim review, identify issues to be considered in 2022 valuation	new	Oct-21	In progress
	Update policies for changes in regulations	Dec-20	Mar-21	In progress
Actuarial advisory contract retender	Procure using National Framework	2020/21	Oct-21	In progress behind schedule
Review AVC arrangements	Review range of investment choices for members – high level review by advisor to meet governance requirement	2021	2022/23	In planning
	Further work to decide on any changes.	2021	2022/23	In planning
Funding Communications Strategy	Agree strategy primarily for employers	Jul-20	Jun-21	In progress behind schedule
	o Website	Ongoing updating	ongoing	In progress
	o Forums/ meetings	Ongoing updating	ongoing	In planning
Recruitment	Review resource requirements of Team	new	Mar-22	In planning

Investment Strategy				
Transition of assets	Input as member of Brunel Client Group	Ongoing	Ongoing	In progress
	Monitor Avon plan for transitioning assets based on Brunel plan	Ongoing	Ongoing	In progress
Review of equity allocations	Assess potential to invest all equity assets in sustainable and paris aligned strategies	Dec-21	Dec-21	In progress
Review investment Strategy and appropriate risk level	Post interim valuation review risk appetite required to meet funding objective	new	Mar-22	In progress
Monitor risk management strategies ensuring collateral managed efficiently and decisions taken in timely manner	Liaise with Mercer and Blackrock as to exposures, trigger points and monitoring framework	Ongoing	Ongoing	In progress
	Annual review of trigger points and strategy	Annually 3Q	Annually 3Q	In progress
	Arrange Panel & committee training as needed	ongoing	ongoing	In progress
Climate Change disclosures	TCFD: Report in line withh TCFD recommendations for 2020/21 year end reports	new	Sep-21	In progress
	IIGCC: report in line with asset owner commitment	new	Sep-21	In progress
Review of Responsible Investing Policy	Review policy as to effectiveness and incorporate new initiatives post transition of assets , when Brunel service offering more developed	2022/23	2022/23	In planning
CMA Order Compliance Statement	Prepare compliance statement and process for monitoring Investments Consultant	new	30/11/21	In progress
FRC Stewardship Code	Prepare compliance statement	new	01/12/21	In progress
Team Resources	Appoint Senior Investment Officer	2020	2021	In planning
	Consider team structure post asset transition	2022	2022	In planning
Investment Communications Strategy	Agree strategy across all stakeholders	ongoing		In progress
	o Website	ongoing		In progress behind schedule
	o Newsletters	ongoing		In progress
	o Forums/ meetings	ongoing		In progress behind schedule

Governance				
Review governance arrangements following Good Governance Review & the pooling of assets	Review ToR of Committee and Investment Panel	Jun-21	Jun-21	In planning
	Review Governance Compliance statement	Jun-21	Jun-21	In planning
	Conflicts of Interest Policy	Mar-22	Mar-22	In planning
	Policy on Committee Representation	Mar-22	Mar-22	In planning
	Training policy	Mar-22	Mar-22	In planning
	R&R matrix	Mar-22	Mar-22	In planning
	Cyber security	Mar-22	Mar-22	In planning
	Review disaster recovery / business continuity plan	Mar-22	Mar-22	In planning
	Document process for dealing with ineffective pension boards	Mar-22	Mar-22	In planning
Reporting to Avon Pension Fund Pension Board and Fire Service Pension Board	Support Board, education and training needs as required	Ongoing		In progress
Training Plan for Committee & Board members	Plan annual training programme for members	Annually in March	Mar-22	In progress
Committee & Pension Board	Develop online portal for PC & LPB members – public and secure areas	Jun-20	Jun-21	In progress
	Review papers and content that go to committee and set up library on Modern Gov	Jun-20	Jun-21	In progress behind schedule
Recruitment for Pension Board	new member & employer rep required	Jun-21	Dec-21	In planning
GDPR	Ensure ongoing compliance with regulations	ongoing		In progress
	Training for staff			In progress
Finance				
Improve Financial reporting to management team	Prepare standard monthly /quarterly reports	Sep-20	Jun-21	In progress

Appendix 2b - Completed 2020			
Key Objectives	Tasks	Original Target Date	Status
Administration Strategy			
Member Website	Review member website - accessibility issues	Sep-20	Complete
Employer website	Review Employer website - accessibility issues	Sep-20	Complete
Fire Scheme Member digital engagement	Launch AF&R website with MSS functionality	Mar-21	Complete
Iconnect	Implement monitoring & controls	Jul-20	Complete
Enhance employer support/decision making capabilities	Roll out of employer online discretionary policy tool/including training & support	Aug-20	Complete
Software Developments	Progress ability to bulk delete member records according to data retention policy	Jan-21	Complete
Recruitment	Project to make temp posts permanent	Mar-20	Complete
	Implement temporary training & support role	Jul-20	Complete
McCloud	Plan needed to prepare	Dec-20	Complete
	Review requirement for hour changes	Dec-20	Complete
£95k Exit Payments Cap	Implementation Project	Nov-20	Complete
Statutory refund payment	Review of member data to establish qualifying entitlement to statutory refund under LGPS Regs 2014	Ongoing	Complete
Internal Dispute Resolution Policy	Review internal process – identify resource for stage 1 & 2 review and develop employer engagement	Dec-20	Complete
Investment Strategy			
	Renewable infrastructure	Commitments made	Complete
	New private market allocations	Commitments made	Complete
	Strategic Benchmark review	3Q20	Complete
Monitor risk management strategies ensuring collateral managed efficiently and decisions taken in timely manner	Implement new Equity Protection Strategy	1Q20	Complete
	Explore dynamic hedging	3Q20	Complete
Annual review of Investment Strategy Statement (ISS)	Annual or when make significant changes to ISS	Jun-20	Complete
CMA Order Compliance Statement	Prepare compliance statement	31/12/20	Complete
Investment Communications Strategy	Agree strategy across all stakeholders	Jun-20	Complete
Funding Strategy			
Valuation and FSS	Identify FSS aspects/policy reviews required post 2019 valuation	Jun-20	Complete
Governance			
Legal contract retender	Procure using National Framework	2020	Complete
Effectively manage risks	Implement new process	Jun-20	Complete
Scheme of Delegations	Produce and publish document	Jun-20	Complete

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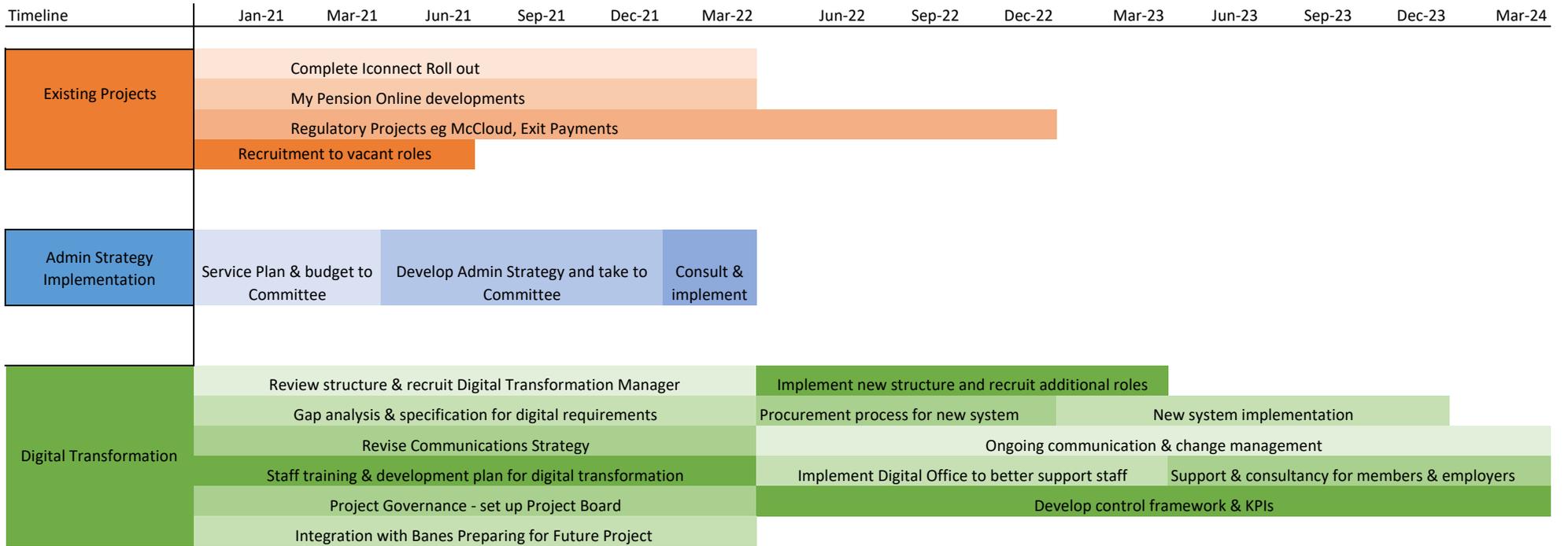
Appendix 2c - Service Plan projects on hold 2021

Key Objectives	Tasks	Original Target Date	Completion Date	Status
Administration Strategy				
Member Website	Content review	Feb-21	Mar-23	On hold
Employer website	Develop an improved employer online experience- linking directly to relevant SLA and employer responsibilities	Dec-21	Mar-23	On hold
	Provide 'knowledge hub' including video training elements	Dec-21	Mar-23	On hold
	Implement plan for ongoing review of content	Feb-21	Mar-23	On hold
Development of management information hub (ERM)	Management Information & Reconciliation of contributions & i-connect extract. Await further development from Heywood	Mar-20	Mar-24	On hold
Review & Implement employer training programme	Employer responsibilities, data & TPR requirements, HR, Iconnect & Discretionary tool	Sep-20	Mar-24	On hold
Chargeable Services Offer	Set up framework to manage chargeable services	end 2021	Mar-25	On hold
Implement new SLA's with employers	Roll out of new SLA to all employers	Aug-20	Mar-23	On hold
MHCLG Further Reforms to Exit Payments	Implementation Project	Feb-21	await regs	On hold
GMP Equalisation	GMP equalisation project		await details	On hold
DWP Pensions Dashboard	Plan required for implementation	2022	Dec-23	On hold
Investment Strategy				
Investment advisory contract retender	Procure using National Framework	2021/22	2022/23	On hold
Governance				
Independent Members on Committee	Appoint Independent Member. Terms end 2Q22 (end of 2nd term for one member)	Start January 2022		On hold

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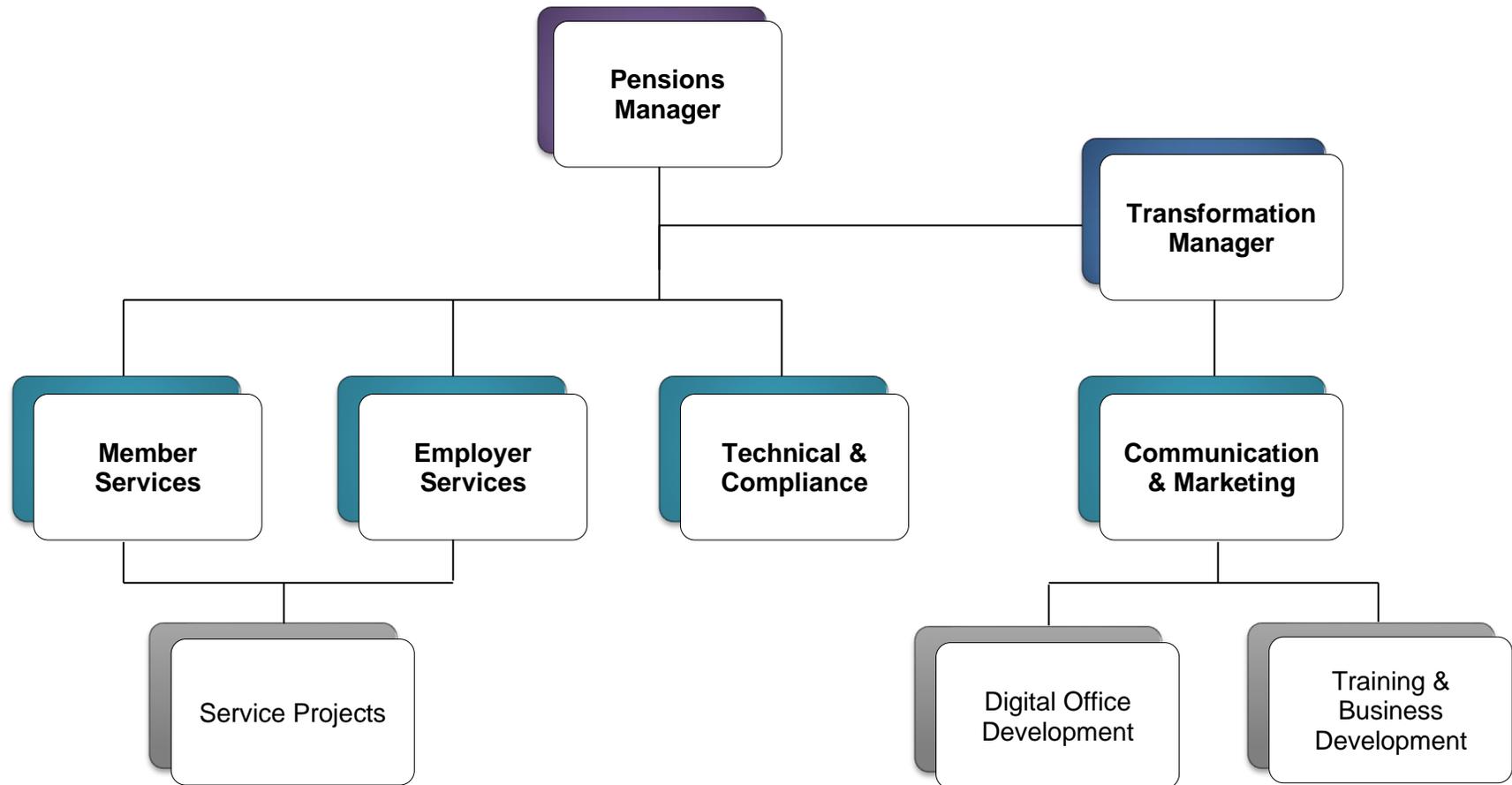
Appendix 3

Roadmap for Admin Strategy 2022 - 2025



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Appendix 4 – High Level Structure



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Budget and Cash Flow Forecast

APPENDIX 5

<u>Three Year Budget</u>	Budget for 2020/21 £	Forecast 2020/21 £	Budget 2021/22 £	Budget 2022/23 £	Budget 2023/24 £
Investment Expenses	28,280	9,929	17,629	17,922	18,220
Administration Costs	89,147	54,518	122,166	95,959	97,879
Communication Costs	144,073	84,326	162,655	133,178	135,242
Payroll Communication Costs	107,669	104,339	152,718	130,272	132,878
Information Systems	374,841	339,903	292,761	298,617	304,589
Salaries	2,620,255	2,209,818	2,953,004	3,202,309	3,052,405
Central Allocated Costs	538,652	538,789	514,212	524,496	534,986
IT Strategy	0	0	0	0	0
Miscellaneous Recoveries/Income	(220,500)	(207,500)	(220,821)	(225,237)	(229,742)
Total Administration	3,682,417	3,134,122	3,994,325	4,177,516	4,046,457
Governance Costs	475,800	476,255	575,600	437,292	434,998
- Members' Allowances	42,080	42,080	40,735	41,550	42,381
- Independent Members' Costs	58,000	47,735	58,000	58,960	59,939
Compliance Costs	567,930	712,000	801,075	847,097	833,438
Brunel Expenses	25,000	17,000	25,000	25,000	25,000
Compliance Costs recharged	(200,000)	(200,000)	(192,000)	(195,840)	(199,757)
Governance & Compliance	968,810	1,095,069	1,308,410	1,214,058	1,195,999
Pensions Board	45,000	11,049	45,000	45,900	46,818
Global Custodian Fees	67,000	67,000	44,000	44,880	45,778
Brunel Management Fees	1,635,000	1,251,487	1,280,000	1,280,000	1,280,000
<u>Investment Manager Fees</u>					
Annual Management Fees	19,380,394	18,244,098	18,057,997	19,141,476	20,289,965
Performance Related Fees	9,470,866	0	1,000,000	1,060,000	1,123,600
Investment Fees	30,553,260	19,562,585	20,381,997	21,526,356	22,739,343
TOTAL COST TO FUND	35,249,487	23,802,825	25,729,731	26,963,831	28,028,617

<u>Cash Flow Forecast</u>		<u>2021/22</u>	<u>2022/23</u>	<u>2023/24</u>
(Excluding Administration and Investment costs)		£'000	£'000	£'000
<u>Benefits Outflows</u>				
Benefits	Pensions	(163,714)	(166,661)	(169,828)
	Lump sums	(22,392)	(22,795)	(23,228)
Total Benefits Outflows		(186,106)	(189,456)	(193,056)
<u>Inflows</u>				
Deficit recovery		3,958	4,113	4,274
Deficit recovery - paid in advance		7,553	7,848	46,644
Future service Contributions		102,113	106,981	112,080
Future service Contributions - paid in advance		55,487	54,439	55,759
Total Contributions		169,111	173,381	218,757
Net Cash Flow (excluding Administration & Investment costs)		(16,995)	(16,075)	25,701
Divestments & Investment income received as cash		27,000	26,500	(12,500)
Net Pension Transfers In / Out		0	0	0
Cash outflow due to administration of the Fund		(9,838)	(10,035)	(10,235)
Net Cash Flow (Out-Flow)		167	390	2,966
Notes				
- Net cash requirements will be met from divestments and cash balances				
- Transfers in and out are assumed to net to zero				
- The cash outflow due to administration includes Investment Management Fees that are invoiced to the Fund.				
- The forecast for 2023/24 includes the assumption that employers will make up-front three year deficit payments in advance. The deficit payments in 2021/22 and 2022/23 are smaller due to some employers making three year advance deficit payments.				

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Bath & North East Somerset Council		
MEETING:	LOCAL PENSION BOARD - AVON PENSION FUND	
MEETING DATE:	27 May 2021	AGENDA ITEM NUMBER 12
TITLE:	GOOD GOVERNANCE REVIEW & FUND GOVERNANCE FRAMEWORK	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
<p>List of attachments to this report:</p> <p>Appendix 1 – Scheme of Delegation – Schedule Appendix 2 – Scheme of Delegation – Authorisations Appendix 3 – Terms of Reference for APF Committee & Investment Panel Appendix 4 – Governance Compliance Statement</p>		

1 THE ISSUE

- 1.1 This report sets out a summary of the Scheme Advisory Board's (SAB) Good Governance Review and The Pension Regulator's (TPR) Single Code of Practice
- 1.2 It also provides an overview of the annual governance review undertaken by Committee in June.

2 RECOMMENDATIONS

- 2.1 That the Board notes the report

3 FINANCIAL IMPLICATIONS

- 3.1 There are no financial considerations as this report is for information only.

4 SAB GOOD GOVERNANCE REVIEW

- 4.1 The Scheme Advisory Board (SAB) launched the Good Governance Review in 2018 and appointed Hymans Robertson to examine the effectiveness of current LGPS governance models and to consider alternatives or enhancements.
- 4.2 The aim of the project is to further improve the high standards of governance and administration of the scheme on a consistent and measured basis across all 87 LGPS Funds, that will better match the standards expected by the Pensions Regulator.
- 4.3 On 15 February 2021, SAB published 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.

4.4 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.

4.5 The additional requirements include:

- a) Introduction of an LGPS senior officer responsible for the delivery of LGPS activity for a fund.
- b) Enhanced governance compliance statement
- c) Conflicts of interest policy specific to the LGPS.
- d) Representation: policy on how scheme members and non-administering authority employers are represented on its committees.
- e) Skills and training: pension committee members and section 151 officers, to have the appropriate level of knowledge and understanding to carry out their duties efficiently as set out in a Fund specific training strategy policy.
- f) Service delivery: compulsory administration strategy and roles and responsibilities matrix.
- g) KPIs: defined service standards and governance in place to monitor those standards.
- h) Business planning process: resource and budget allocated to administer the LGPS each year.
- i) Biennial independent governance review

5 TPR SINGLE CODE OF PRACTICE

5.1 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/document-library/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. TPR stated that the existing format of multiple separate codes created duplication, were difficult to navigate and created some confusion about which codes applied to which schemes.

5.2 The new code of practice will be introduced in phases. The draft currently available comprises 51 web-based modules which will replace 10 of the existing codes and incorporate some new elements. As the new code applies to all types of schemes covered by TPR, the modules are signposted to make it clear which type of scheme they are relevant to. There is an appendix which provides a full break down of the modules and confirms whether they are existing guidance, new guidance or best practice and to which schemes they relate.

5.3 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.

5.4 Some of the newer elements are:

- a) **Use of the term 'Governing bodies'** – TPR has broadened its reference to those governing pension arrangements from the usual 'trustee' to recognise

that those managing occupational pension schemes are a broad spectrum e.g. managers of personal pension schemes, and managers and pension boards of public service schemes. The code does however endeavour to make clear when a requirement is applicable to a particular governing body e.g. where it is a requirement for local pension board members in particular.

- b) **Cyber Security** - Whilst TPR has existing guidance available on cyber security, this topic has not previously featured in a Code of Practice. To ensure more schemes address this pressing issue there will now be direct expectations for LGPS funds.
- c) **New areas for the LGPS** - There are 12 areas which are flagged as new for Public Service Schemes and another 4 which are recommended as best practice. Among the more notable are the module on transfers and scams, which when considered alongside cyber security show TPR is expecting that all schemes have robust processes in place to protect members. TPR has also flagged the modules on Investment Governance and Investment Monitoring as being best practice for the LGPS.

5.5 The consultation closed on 26 May 2021 and the new code is expected to come into force by the end of 2021. Schemes will have 12 months from the effective date to ensure they are acting in accordance with the requirements.

5.6 The Fund has responded to the consultation and will review current processes against the new code. It will also consider the code in the context of the SAB's Good Governance review as part of a joined up project.

6 APF ANNUAL GOVERNANCE REVIEW

6.1 Annually in June the Avon Pension Fund Committee review its governance arrangements as follows:

6.2 Members are reminded of the roles and responsibilities of members, advisors and officers of the Avon Pension Fund and the governance framework for the Fund as a whole.

1.1 Approve the Scheme of Delegation (Appendix 1 & 2) which sets out how the Committee delegates some of its responsibilities to Officers. The Schedule details the responsibilities delegated, and the authorisation list sets out who is authorised and the limit of transaction they can authorise.

6.3 Approve the Terms of Reference for the Committee and Investment Panel set out in Appendix 3.

6.4 Approve the Governance Compliance Statement set out in Appendix 4.

6.5 Invites members to nominate themselves to the Investment Panel. The term of appointment to the Panel is for one year; however, given the nature of the Panel's work, it is not expected that the membership will alter from year to year.

6.6 Members are invited to nominate themselves as the Fund's representative on the Local Authority Pension Fund Forum.

6.7 Members are requested to give delegated powers to Officers and the Chair to draft the Annual Report to Council on Committee activity in the past twelve months.

6.8 It should be noted that the appendices are the documents approved in 2020 as the amended versions for the June committee were not finalised in time for this meeting.

7 RISK MANAGEMENT

7.1 An effective governance structure, defining clear responsibilities, and ensuring that the decision making body has an adequate level of knowledge and access to expert advice, is a key aspect of the risk management process.

8 EQUALITIES STATEMENT

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

9 CLIMATE CHANGE

9.1 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 has addressed this through its strategic asset allocation to Low Carbon Equities and renewable energy opportunities. The strategy is monitored and reviewed by the Committee.

10 OTHER OPTIONS CONSIDERED

10.1 None

11 CONSULTATION

11.1 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	Carolyn Morgan, Governance & Risk Advisor, 01225 395240
Background papers	None
Please contact the report author if you need to access this report in an alternative format	

Scheme of Delegations – January 2020

In addition to the responsibilities listed in the Council's schemes of delegation, some additional responsibilities for functions specifically related to pension fund activities have been delegated to officers by the Pension Fund Committee.

Power of Attorney – Custody Accounts and Investment Managers	The authorisation of Power of Attorney's on behalf of the Pension Fund is delegated to Officers on the Authorised Signatory list.
Termination of Contracts and Investment Managers	The Section 151 Officer has authority to dismiss investment managers, advisors and 3 rd party providers if urgent action is required (does not refer to performance failures but to their inability to fulfil their contractual obligations or a material failing of the company).
Debt management	The Section 151 Officer has authority to manage the liabilities of the Fund including the recovery of debt.
Admissions of new bodies	Officers have authority to admit new admission bodies that are guaranteed subject to them meeting Fund policy. If a body is not guaranteed or does not meet Fund policy, approval is required from the Pension Fund Committee
Approval of Pension Fund Accounts	In consultation with the Chair of the Committee, the Head of Business Finance & Pensions has delegated authority to approve the draft Statement of Accounts and Annual Report for audit.
Reports back to the Committee	In all cases where a decision has been delegated to Officers, decisions made will be reported back to the Committee or Panel at the next meeting for information only.
Internal Dispute Resolution Procedure	Members can appeal against decisions made by the employer or the Fund about pension entitlement. This is a two-stage process: Stage 1 – Employer decision - dealt with by the appointed person at the employer organisation. Stage 1 – Fund decision - dealt with by the Fund's Technical & Compliance Advisor. Stage 2 – Employer decision - dealt with by the Fund's Technical & Compliance Advisor. Stage 2 – Fund decision – dealt with by Head of Legal & Democratic Services.
Death Grants	The decision to pay a death grant to the member's beneficiary: <ul style="list-style-type: none"> - Non contentious cases sign off from the relevant Service Manager plus Pension Manager - Contentious cases require the third signature of the Head of Business Finance & Pensions

Discretions	Officers are responsible for exercising the Administering Authority discretions specified in the LGPS regulations. Full details of the discretions can be found here S:\Pensions\Technical and Compliance\Discretions\Avon Pension Fund Administering Authority Discretions Dec 2019.docx
Early release of Benefits	The decision to release benefits early for members where their employer no longer exists is delegated to the Administering Authority (Bath & North East Somerset Council)
Strategies & Policies	Officers are responsible for the day to day implementation & monitoring of the investment, funding & administration strategies and related policies with progress reported regularly to the Pension Committee
Strategic Asset Allocation	The Pension Committee has delegated the following to Officers which are reported back to the next Committee or Panel if not discussed prior to the decision:
	Implementing investments in emerging opportunities within strategic allocations, either to be managed outside Brunel or instruct allocation to Brunel portfolio.
	Implementing investment management arrangements in line with the strategic policy as follows: <ul style="list-style-type: none"> a. For assets managed outside Brunel, this includes the setting of mandate parameters and the appointment of managers, in consultation with the Investment Panel. b. For assets managed within Brunel, deciding and instructing the allocation to each Brunel portfolio. One authorised signatory required to approve instruction.
	Restructuring the risk management strategies as required where sensitive to market prices or technical in nature, having taken expert advice.
	Rebalancing the investment assets to target strategic allocations, when deemed prudent to do so, taking account of tactical allocations approved by the Investment Panel.
	The Section 151 Officer has authority to suspend policy (in consultation with the Chairs of Committee and Panel) in times of extreme market volatility where protection of capital is paramount.

Contracts and Agreements	Officers have authority to enter into contracts on behalf of the pension fund. Where appropriate, agreements are sealed under the Sealing arrangements of Bath & North East Somerset Council. Other contracts are signed by two Officers from the Authorised Signatory list.
	Where an investment is made (i.e. via a pooled fund), Officers have authority to subscribe/redeem units on behalf of the pension fund (notices to be signed by two Officers from the Authorised Signatory list).
	Officers have authority to commission Elective Services from Brunel and issuing instructions as permitted under the Brunel Service Agreement to Brunel Pension Partnership Ltd.
	Officers have authority to appoint specialist advisors to support the Committee and Officers in discharging their functions. Appointments must be in line with the Council's procurement framework and make use of LGPS National Frameworks where available.

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Scheme of Delegations – Authorisations January 2020

The Pension Fund Committee has delegated responsibility for agreeing authorisation of transactions to officers. The s151 officer for Pensions (Head of Business Finance & Pensions) agrees the job role or person authorised and the limits as set out below and in the appropriate schedules.

Authorised Signatory List	<p>Instructions which result in the movement of cash with a value of under £10m can be authorised by one of the signatories. Movement of cash with a value of £10m or more must be authorised by two of the signatories. Legal agreements require two authorised signatories unless the agreement is sealed by Bath & North East Somerset Council. All other instructions of a more routine nature can be signed by only one of the signatories.</p>			Names as per schedule ..\Delegations
Authorisation of Pension Benefits	Up to £100,000	Up to £150,000	Over £150,000	
	Member Services Senior Pension Officers	Member Services Team Leaders (excluding Pensions Payroll TL)	Administration Managers Plus Pension Manager or Head of Service	
Authorisation of payments list to be paid via PT-X	Individual cases	Administration Managers & Pension Manager		
Authorisation of PT-X (Payroll Bacs Payments)	All Amounts	Named Pension & Finance Managers not involved in day to day processing of Benefits	Names as per schedule ..\Delegations	
Agresso Payments (Invoices & pension related payments)	Limits as per schedule (link)	Head of Business Finance & Pensions Pensions Manager Investments Manager Payroll Services Manager	Names as per schedule ..\Delegations	

		Head of Audit (Pension Board Transactions)	
Treasury Management transactions (on behalf of Pension Fund)	All amounts	Treasury Management Team on authorised list	Names as per schedule ..\Delegations

TERMS OF REFERENCE

1 Avon Pension Fund Committee

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

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

Function and Duties

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

The key duties in discharging this role are:

1. Having taken appropriate advice determining the following:
 - a. the investment strategy and strategic asset allocation
 - b. the administration strategy
 - c. the funding strategy.
2. Monitoring the performance of the investment strategy, scheme administration, and external advisors.
3. Ensuring that the investment strategy can be delivered by the portfolios offered by BPP Ltd. If not, agree alternative arrangements. In relation to Brunel Pension Partnership:
 - a. Monitoring the performance of BPP Ltd in delivering investment services to the Fund. Make representations to the Brunel

Oversight Board on matters of concern regarding the service provided by BPP Ltd and the performance of its portfolios.

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

Delegations

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

Membership of the Committee

Voting members (14)	5 elected members from B&NES (subject to the rules of political proportionality of the Council) 3 independent members 1 elected member nominated from each of Bristol City Council, North Somerset Council and South Gloucestershire Council 1 nominated from the Higher and Further education bodies 1 nominated from the Academy bodies 1 nominated by the trades unions
Non-voting members (3)	1 nominated from the Parish Councils Up to 2 nominated from different Trades Unions

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

Meetings

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

Quorum

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

Substitution

Named substitutes to the Committee are allowed.

2 Investment Panel

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

The Investment Panel will:

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

And have delegated authority for:

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

11. Delegate specific decisions to Officers as appropriate.

Panel Membership

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

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

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

The Council will nominate the Chair of the Panel.

Panel Meetings

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

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

Panel Quorum

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

Panel Substitution

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

Panel Minutes

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

3 Brunel Oversight Board Representative

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

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

Subject to the terms of reference for the Board and the applicable shareholder documentation, the Board's role is to consider and address relevant matters

on behalf of the administering authorities. These include the monitoring and strategic oversight functions necessary to its role, as well as acting as a conduit and focus of shareholder requirements and views.

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

The main duties of the Board Representative are:

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

4 Brunel Pension Partnership Working Group

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

This group will consist of:

- a) the BOB Representative,
- b) named BOB substitute
- c) the Chair and/or Vice Chair if not the BOB representative /substitute
- d) an independent committee member.
- e) Head of Pensions
- f) Investments Manager

The Working Group shall be quorate if three members are in attendance, with at least 2 that are not fund officers. The Head of Pensions shall chair the Working Group.

The Working Group shall meet as and when required as determined by the Head of Pensions. Meetings may be via telephone conference.

Key discussions and action points from the Working Group will be recorded and the committee will be updated at the next committee meeting.

The responsibilities of the working group are as follows:

With regard to any matters arising from Brunel Pension Partnership where the Avon Pension Fund have an interest:

- a) to consider each matter that will be brought to the Pension Committee and / or Shareholder representative for decisions in due course
- b) to provide guidance to the Pension Committee and / or Shareholder Representative in relation to each matter when they are being considered
- c) to provide guidance to the BOB representative as required
- d) to make recommendations to the Pension Committee regarding general oversight of the pool, as considered appropriate.

5 Officer Delegations

In addition to the responsibilities listed in the Council's scheme of delegation, some additional responsibilities for functions specifically related to pension fund activities and the authorisation of transactions have been delegated to officers by the Pension Fund Committee. These are set out in the Fund's Scheme of Delegation and include the following:

1. Implementation and day to day monitoring of the administration, investment and funding strategies and related policies.
2. Implementing investments in emerging opportunities within strategic allocations, either to be managed outside Brunel or instruct allocation to Brunel portfolio.
3. Implementing investment management arrangements in line with the strategic policy as follows:
 - a. For assets managed outside Brunel, this includes the setting of mandate parameters and the appointment of managers, in consultation with the Investment Panel.
 - b. For assets managed within Brunel, deciding and instructing the allocation to each Brunel portfolio.
4. Restructuring the risk management strategies as required where sensitive to market prices or technical in nature, having taken expert advice.
5. Rebalancing the investment assets to target strategic allocations, when deemed prudent to do so, taking account of tactical allocations approved by the Investment Panel.
6. Representing the Fund on the Brunel Client Group to develop Brunel investment strategies and policies which effectively support the interests of the Fund.

7. Commissioning Elective Services from BPP Ltd and issuing instructions as permitted by the Brunel Service Agreement to BPP Ltd.
8. The appointment of specialist advisors to support the Committee and Officers in discharging their functions.
9. Determining policies that support the investment and funding strategies having taken expert advice.
10. In consultation with the Chair of the Committee, the Head of Pensions will approve the draft Statement of Accounts and Annual Report for audit.
11. Authorising expenditure from the Fund in accordance with the annual budget.
12. Admitting new admitted bodies into the Fund subject to them meeting Fund policy.
13. The Section 151 Officer has authority to dismiss investment managers, advisors and 3rd party providers if urgent action is required (does not refer to performance failures but to their inability to fulfil their contractual obligations or a material failing of the company).
14. The Section 151 Officer has authority to suspend policy (in consultation with the Chairs of Committee and Panel) in times of extreme market volatility where protection of capital is paramount
15. Under its wider delegated powers, the Section 151 Officer has delegated authority to effectively manage the liabilities of the Fund including the recovery of debt.
16. Exercising the discretions specified in the Local Government Pension Scheme Regulations in connection with deciding entitlement to pension benefits or the award or distribution thereof.

Approved by Avon Pension Fund Committee 26 June 2020

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Avon Pension Fund - Governance Compliance Statement

The Local Government Pension Scheme Regulations 2013 (as amended) require the administering authority to prepare a Governance Compliance Statement. This statement should be read in conjunction with the Avon Pension Fund Terms of Reference.

Statutory Governance Principles	Compliance status and justification of non-compliance
A - Structure	Compliant
<p>a) The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.</p> <p>b) That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.</p> <p>c) That where a secondary committee or panel has</p>	<p>Bath & North East Somerset Council, as administering authority, has executive responsibility for the Fund. The Council delegates its responsibility for administering the Fund to the Avon Pension Fund Committee (APFC) which is the formal decision making body for the Fund. The committee is subject to Terms of Reference as agreed by the Council, the Council's standing orders and financial regulations including the Codes of Practice. In addition to the responsibilities listed in the Council's scheme of delegation, some additional responsibilities for functions specifically related to pension fund activities and the authorisation of transactions have been delegated to officers by the Pension Fund Committee and these are set out in the Fund's Scheme of Delegation.</p> <p>The APFC consists of 14 voting members, viz:</p> <ul style="list-style-type: none"> - 5 elected members from Bath & North East Somerset Council - 3 elected members from the other West Of England unitary councils - 1 nominated by the trades unions - 1 nominated by the Higher/Further education bodies - 1 nominated by Academy bodies - 3 independent members <p>and 3 non-voting members, viz:</p> <ul style="list-style-type: none"> - 2 nominated by the trades unions - 1 nominated by the Parish/Town Councils <p>The Avon Pension Fund has a sub-committee, the Investment Panel, to consider</p>

been established, the structure ensures effective communication across both levels.

- d) That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.
- e) The terms, structure and operational procedures relating to the Avon Pension Fund Pension Board have been established

matters relating to the management and investment of the assets of the Fund in greater detail. The Investment Panel is made up of members of the main committee. The Panel has delegated powers to take decisions on specific issues and otherwise makes recommendations to the Committee. The minutes of Investment Panel meetings form part of the main committee agenda.

Every member of the Investment Panel is a member of the main committee.

The Board's remit is to assist the administering authority to

- (i) secure compliance with the LGPS regulations, any other legislation relating to the governance and administration of the Scheme, the requirements imposed by the Pensions Regulator in relation to the Scheme and
- (ii) ensure the effective and efficient governance and administration of the Scheme.

The Pension Board comprises 7 members, 3 employee members, 3 employer members and an independent chairperson. Employer and employee members have voting rights.

The Board will publish an annual report to Council containing any recommendations on process or governance. The Board will report any material concerns to the S151 Officer.

Board minutes will be circulated to the administering authority (the Pension Committee), S151 Officer and Monitoring Officer. The Board is required to report breaches of law or material (and not actioned) breaches of the Code of Practice to the Pensions Regulator.

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

<p>f) The Avon Pension Fund is represented on the governance arrangements of Brunel Pension Partnership.</p>	<ol style="list-style-type: none"> 1. Discuss the breach or alleged breach that is identified with Pension Committee Chair and the proposed actions to be taken by the Board 2. Enable the Chair of the Committee to review the issue and report back to the Board on the breach 3. The Board will determine action and if sufficiently material will report the breach to the Pensions Regulator or the Scheme Advisory Board as set out in the regulations. <p>The Fund has established an FCA regulated company (Brunel) with 9 other LGPS funds which implements the investment strategies of all 10 funds (known as the Brunel Pension Partnership). The Fund allocates its assets to portfolios offered by Brunel in line with the Investment Strategy agreed by the Committee. The Chair of the APFC represents the Avon Pension Fund on the Brunel Oversight Board (BOB). The Investments Manager represents the Fund on the Client Group, a practitioner group to support BOB and engage directly with Brunel.</p> <p>Minutes of BOB meetings are included in Pension Fund Committee and Pension Board agendas.</p> <p>A Brunel Working Group, comprising the Chair and Vice Chair of the Committee, the BOB representative (if not the Chair or Vice Chair), the Head of Pensions and the Investments Manager has been established to consider in detail any issues arising from Brunel Pension Partnership such as reserve Matters.</p>
<p>B – Representation</p>	<p>Partial Compliance</p>
<p>a) That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include:</p> <ol style="list-style-type: none"> i) employing authorities (including non-scheme employers , e.g. admission bodies); 	<p>In 2019 The Avon Pension Fund changed the structure of the Committee to represent a wider range of employers by including an Academies representative plus a further independent representative.</p>

<p>ii) scheme members (including deferred and pensioner scheme members);</p> <p>iii) where appropriate, independent professional observers;</p> <p>iv) expert advisors.</p> <p>b) That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings,</p>	<p>There are 14 voting members representing employers across the unitary authorities, Higher and Further Education bodies and now Academies, plus 1 non-voting member representing the Parish /Town Councils. Admission Bodies are not formally represented within the committee structure as it is difficult from a purely practical perspective to have meaningful representation from such a diverse group of employers. The appointment of independent members with voting rights was, in part, to provide representation on the committee independent of all the employing bodies. All employing bodies are included in all consultation exercises that the Fund undertakes with its stakeholders.</p> <p>There are arrangements in place for the public, including employing bodies and members of the Avon Pension Fund to make representations to the committee at the committee meetings.</p> <p>There are up to 3 trades union representatives (1 with voting rights and 2 non-voting), nominated by the individual trades unions on the committee. These committee members also represent the deferred and pensioner members.</p> <p>The Fund has not appointed an independent professional observer. The committee has procedures in place to monitor and control risk and there is significant external oversight of the Fund, committee and decision-making process.</p> <p>Furthermore, three members are appointed to the committee independent of the administering authority and other stakeholders to strengthen the independence of the governance process. Lastly the pension fund and its governance processes are scrutinised annually by the external audit.</p> <p>The Fund's investment consultant attends all committee and panel meetings and other expert advisors, such as the Scheme Actuary, attend on an adhoc basis when appropriate.</p> <p>All members of the committee are treated equally in terms of access to papers, meetings and training. Although some members do not have voting rights, they</p>
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training and are given full opportunity to contribute to the decision making process, with or without voting rights.	are given full opportunity to undertake training and contribute to the decision making process.
C – Selection and role of lay members	Compliant
<p>a) That the committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.</p> <p>b) That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.</p>	<p>The Fund has separate job descriptions for the voting and non-voting members, which set out the role and responsibilities for each position within the committee. These are circulated to the relevant bodies prior to members being appointed to the committee.</p> <p>Declarations of interest is a standing item on every committee agenda.</p>
D – Voting	Compliant
<p>a) The policy of individual administering authorities on voting rights is clear and transparent, including justification for not extending voting rights to each body or group on main LGPS committees.</p>	<p>The Fund has a clear policy on voting rights and has extended the voting franchise to non-administering authority employers and scheme member representatives.</p>
E – Training/Facility time/ Expenses	Compliant
<p>a) That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision making process.</p> <p>b) That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.</p> <p>c) That the administering authority considers the adoption of annual training plans for committee</p>	<p>The Fund has a clear policy on training and maintains a training log. The costs of approved external training courses are paid by the Fund for all members. All members are invited to workshops organised by the Fund. Expenses are paid in line with the allowances scheme for each employer/stakeholder.</p> <p>See above.</p> <p>The Fund requires new members without prior experience of the Local Government Pension Scheme to attend a customised training course. A formal</p>

members and maintains a log of all such training.	training plan is not set on an annual basis as it is responsive to the needs of the committee agenda. A training log is maintained.
F – Meetings (frequency/quorum)	Compliant
<p>a) That an administering authority’s main committee or committees meet at least quarterly.</p> <p>b) That an administering authority’s secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.</p> <p>c) That administering authorities who does not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.</p>	<p>The committee meetings are held quarterly.</p> <p>The Investment Panel meets at least quarterly, synchronised to occur ahead of the main committee meetings.</p> <p>Lay members are included in the formal arrangements.</p>
G – Access	Compliant
<p>a) That subject to any rules in the council’s constitution, all members of main and secondary committees or panels has equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.</p>	All members of the committee have equal access to meeting papers and advice.
H - Scope	Compliant
<p>a) That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.</p>	The terms of reference include all aspects of benefits administration and admissions to the Fund.
I – Publicity	Compliant
<p>a) That administering authorities have published</p>	All statutory documents including the Governance Compliance Statement are

details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.

made available to the public via the Avon Pension Fund's website or are available on request from the Investments Manager. A summary of the governance compliance statement is included in the Annual Report.

Approved by Avon Pension Fund Committee on 26 June 2020

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Bath & North East Somerset Council		
MEETING:	LOCAL PENSION BOARD - AVON PENSION FUND	
MEETING DATE:	27 May 2021	AGENDA ITEM NUMBER 13
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 March 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. ANNUAL REVIEW OF RISK MANAGEMENT & REGISTER

5.1. 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

5.2 The main increases to risks throughout the year were:

- i. 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.
- ii. Other risks were also affected by the uncertainty caused by the Pandemic particularly around the possibility of lower investment returns and the covenant of scheme employers. Although the risk scores have increased as markets remain volatile, significant market recovery has led to the Fund recovering 1Q20 losses. The Fund's portfolio is positioned defensively with risk management strategies in place to mitigate risks where possible and protect capital. A workplan is in place to monitor employer covenant over the year ahead.
- iii. Scheme regulations also caused uncertainty particularly with the introduction of the Exit Payment Cap which has now been temporarily revoked and the ongoing McCloud rectification project. Preparation work has been put in place, but the increased administration burden will continue to be a challenge as further regulation and guidance is awaited

5.3 Some of the actions taken to mitigate risks during the year were:

- (i) 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 risk score has reduced slightly.

- (ii) Significant work has been done to improve the controls for IConnect following a data breach in 2019. Following an audit of the system and a data protection impact assessment an IConnect Team was set up and new tools are being developed to improve the system controls further.
- (iii) Regulations changed regarding the payment of exit credits to employers in March 2020. A robust policy has been written & agreed by Committee in December 2020 setting out the Fund's determination process to comply.

5.4 One of the risks that has remained a challenge during the year is:

- (i) Recruitment of staff continues to be a challenge for the Fund. A phased recruitment campaign has been in operation since September 2020 and is making good progress. The inclusion of a full time training role has been a great success in rolling out induction and ongoing training to new recruits and existing staff.

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	

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Appendix A - 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		◀	First phase of three phases of recruitment for Administration posts started in September 20. Trainer has been appointed to train the new recruits. A new member of the Investments Team started in January 2021.
McCloud/Sargeant Judgements resulting in the extension of protections	R63	Increase in workload on administration side and for scheme employers		▶	The consultation has now closed and we expect a response to be issued by MHCLG in early 2021 outlining the final remedy. Changes to primary legislation not expected until April 2022. Work is underway to develop a comprehensive project programme with multiple workstreams contained within it. Initial analysis has been carried out to identify the number of members that are impacted by the consultation proposals, the action required to implement the remedy and which employer they fall under. The current priority is to collect missing data from employers in respect of working hours and details of service breaks, since 1 April 2014, for all members in scope of protection.
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 implementation guidance is not due until early 2021).
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. Developing comms strategy to manage ESG information and debate more proactively with all stakeholders. Government policy stalled temporarily due to pandemic but DWP/MHCLG/SAB guidance on ESG being issued and still high on agenda.
Failure to earn investment returns	R26	scheme cannot meet liabilities, employer costs 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.
Climate Change Emergency	R60	Significant financial risk to the value of the investments assets		▶	Climate Change still represents significant risk to investment strategy and value of underlying holdings due to lack of clarity on how companies will meet respective emissions reductions targets. Interim equity allocation review commencing May/June 2021 to better understand impact of increased allocation to sustainable equities and move into next generation passive equity indices building on funds low carbon approach. Brunel portfolios seek to reduce emissions by 7% YoY to facilitate client net zero ambitions. 2022 stocktake to assess whether on track to achieve this.
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
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.
Delays in transition of assets to Brunel or Brunel fails to deliver its objectives	R54	delays could impact pool's ability to deliver savings in line with business case or pool could fail if objectives are not met		◀	Monitoring of transition plan by Inv Panel & Committee. Transition plan nearing completion. Focus shifting to BAU/strategic developments.
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. DPIA to be reviewed 2021 & audit actions complete. New tolerances in IC will stop a load proceeding without the fund's approval enabling loading to be handed back to some employers.
Sustainability of working arrangements during Covid 19 outbreak	R64	Unable to deliver service to members and employers		▶	Steps have been 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. A review of staff identified as needing to return to the office was done but due to latest Government guidance all staff will continue to work from home for time being. Roll out of new IT equipment to all staff expected app April 2021
Failure to secure and manage personal data held by the Fund in line with Data Protection Regulations	R05/R58	Personal data is corrupted, compromised or illegally shared resulting in fines & reputational damage.		▶	Working through Data Protection project plan with assistance of Banes DPO. New processes put in place for remote working due to Coronavirus (DPIA assessment carried out) Cyber Security E-Learning for all staff

Service delivery efficiency & customer service	R29	poor member outcomes		◀	We are working on a number of initiatives that will increase the resilience of our communications: We have started to expand our use of MSS (Member Self-Service) for member communications starting with developing the Deferred payment request initiated with a digital request. This will then form a template on how future services can be digitised. We have started to develop a Digital ABS option for Deferred members and will soon be testing a Word template. We are also exploring the options for the relocation of our Altair Scanner to a remote location which will improve our organisational resilience, and safeguard staff members.
Late / incorrect contributions from employers	R10	cashflow, employer funding position, TPR breach		◀	Monthly reconciliation, follow up in line with TPR code and late payers reported to Committee & Board. Top 34 employers contributing into the fund continue to pay on time. No significant increase in terms of other employers paying late, but this should still be monitored very closely as the situation continues to evolve.
Political pressure to reform the LGPS eg The introduction of the exit payment cap	R53	This will place an additional burden on the administration resource		▼	Exit Payment Regulations no longer apply with effect from 12 Feb 21, removing the position of legal uncertainty. No cases were processed during the period 4 Nov 20 to 11 Feb 21 therefore no retrospective adjustments are required. There are not likely to be any changes to the LGPS regulations in this area before the government reconsider the changes that are required to tackle unjustified exit payments, which is likely to take some time and require consultation.
Loss of capital or income on treasury investments	R39	Delayed return of principle or investment income		◀	Annual report on Treasury Management Policy (TMP) will be taken to committee in March. The TMP for APF closely aligns with the Council's (approved by Corporate Audit Committee in February). The Council recognises the importance of robust treasury management and appointed a qualified accountant with specific responsibility for treasury issues (appointed 13 months ago). It also uses the advice of Arlingclose in its decision making.
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
Disaster Recovery & Business Continuity	R01	Fund is unable to operate and members do not receive pension payments in time		◀	Disaster Recovery & Business Continuity plans in place and reviewed. APF - BCP (COVID-19) summary overview report produced detailing actions undertaken by the Fund to manage COVID risk. Report circulated to Pensions Committee for comment. Osborne Clark Business Continuity template completed. Risk assessment being carried out for all staff regarding home working conditions and mental health as per Banes guidance and in line with business recovery plan. Further procedures to be reviewed to ensure fit for purpose for remote working.
Introduction of Cost Transparency Disclosures	R57	full disclosure requirements may not be met (presentation of data in AR on a best endeavours basis)		◀	Full disclosure for FY19/20 was not met although there was significant improvement on the prior year. Disclosure rates moved from 70% to 87% of managers reporting in line with CTI guidance. Improvement in disclosures due to private markets mandates coming into scope and improvements to the reporting templates which facilitated more granular reporting from listed markets mandates. Reporting remains on a best endeavours basis. Certain risk management strategies were unable to report as templates not appropriate. Brunel reported for all of their portfolios. All managers to submit to SAB platform. Consultation on LDI template to conclude.
Governance risk of Investment Managers, custodian & other investment suppliers	R20	loss of assets or inability to trade due to assets being inaccessible		◀	Robust procurement & contract management processes to protect Fund. Risk transferring to Brunel, monitored by Client Group
Brexit	R55	negative impact on investment strategy & returns		◀	Paper on Brexit risks taken to Nov 20 Panel. Cashflow monitoring being developed to ensure sufficient ongoing cash collateral to support strategy. UK property transition due in Jan 2021 - UK property portfolio positioned defensively i.e. underweight retail and office space; overweight industrials.
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 to PTX including increased security features
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 we have to monitor our cash position regularly to ensure these limits aren't breached. Top 34 employers continue to pay on time.
Ineffective stakeholder communication	R07	poor public relations with members & employers. TPR breach		◀	Member & employer comms planned and issued to keep updated re the Coronavirus outbreak. Working closely with our supplier we were able to ensure that mailings were sent to all members (Active/Pensioner/Deferred) detailing our actions in response to the Coronavirus outbreak and also the Climate Emergency. We have kept our employers updated about our response to Coronavirus. We have also ensured that advice and information (including webinars) from the LGA, TPR etc. is communicated effectively via email.
Internal Controls are not adequate & independently checked	R08/R09	committee & employers do not receive independent assurances		◀	Schedule of internal & external audits throughout the year. Results reported to Committee & Board
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	◀▶	JLT/Mercer consultancy work in progress and expected to complete in March 2021. Outcomes determining potential incorrect liability will be reviewed pending decision on any further action.
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. Review to be carried out with Brunel.
Exit credits - disputes between exiting employer & outsourcing employer	R62	Court cases to decide who should receive exit credit	◀▶	Regs changed 20th March 2020. We have implemented a determination process to comply with the new Regs and adopted. We are paying 3 small exit credits to employers at present following our new procedure. We can anticipate disputes in future so having a strong policy will be essential. A policy is drafted ready to sending it to Mercer to finalise before the December committee meeting

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Appendix B - Dashboard

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

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

Key:- Based on Risk Score

	1-6
	7-14
	15-25

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Bath & North East Somerset Council			
MEETING:	LOCAL PENSION BOARD - AVON PENSION FUND		
MEETING DATE:	27 May 2021	AGENDA ITEM NUMBER	14
TITLE:	Pension Board – Training and Work Plan Update		
WARD:	ALL		
AN OPEN PUBLIC ITEM			
List of attachments to this report:			
Appendix A – Outline Training & Workplan 2020/21			

1 THE ISSUE

1.1 The purpose of this report is to receive regular updates on Training and Work Plan issues from the Board and request high level training needs from Board Members.

2 RECOMMENDATION

That the Board

2.1 Notes the report and recommends high level Training needs through 2020/21.

3 FINANCIAL IMPLICATIONS

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

4 REPORT

4.1 Training

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

4.3 As agreed at previous Board meetings individual board members should retain their own training log to evidence how they are fulfilling their responsibilities and

update these on a quarterly basis to the Governance & Risk Advisor to aid future training needs analysis.

1.1 Appendix A 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 2020/21 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.

4.9 Guidance Documents

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

5 RISK MANAGEMENT

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

6 EQUALITIES

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

7 CLIMATE CHANGE

7.1 The Fund is implementing a digital strategy across all its operations and communications with stakeholders to reduce its internal carbon footprint in line with the Council's Climate Strategy. The Fund acknowledges the financial risk to

its assets from climate change and is addressing this through its strategic asset allocation to Low Carbon Equities and renewable energy opportunities. The strategy is monitored and reviewed by the Committee.

8 CONSULTATION

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

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

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Avon Pension Fund
Local Pension Board
Workplan & Training plan 2020/21
Plus
Roles & Responsibilities
Training Requirements
Housekeeping Checklist

Pension Board Workplan

Workplan	24/09/20 Workshop	13/11/20 Formal	01/20 Work shop	09/02/21 Formal	27/05/ 21 Formal
Board Governance					
Terms of Reference (Governance) review					
Code of Conduct/ Conflicts of Interest policy					
Work Plan		X		X	X
Training Plan		X		X	X
Annual budget setting and monitoring					
Annual Report to PC and Council approval		X (email)			
Scheme and Fund Governance					
Legal, policy, regulatory developments		X		X	X
McCloud Update					
Minutes PC, IP, BOB					X
Annual Service Plan					X
External advisor appointments review process/controls					
Risk Register review		X		X	X
Good Governance Review					X
TPR Code 14 Compliance updates		X		X	
Governance Compliance statement					
Internal Audit plan/reports on APF					X
External Audit Governance Report and Accounts					
Benchmarking against other BPP funds				X	
Funding/Investments					
Statutory Investment Strategy Statement consultation/process/report					
2019 Triennial valuation process/controls/report?					
Statutory GAD S13 triennial funding report?					
BPP update (delivery/savings)				X	
Benefits Admin/Comms					
Admin Strategy Statement review	X		X		X
Fund and employers compliance/TPR reporting		X		X	X
Employer admission agreement policies					
Breaches policy/register/TPR reporting		X			
GDPR compliance					
Record keeping, data security, business recovery		X		X	X
ABS process annual review		X			
GMP reconciliation (one off exercise)					
Discretions policies review					
Admin performance benchmarking		X		X	X
Comms policy statement and website review					
Complaints policy, IDRPCs, PO cases review					
Workforce training & development					X

Pension Board Training Plan

Training Plan	Type of Training	Date planned / delivered
Induction Training for new members	Training Session	1 May 2020
National Knowledge Assessment	Online Assessment	1 May 2020
Investment Strategy Consultation	Training Session	29 July 2020
CIPFA Pension Board Seminar	Online seminar	29 & 30 Sept 2020
Governance & Administration Strategy Overview	Workshop	24 Sept 2020
Trustee Fundamentals	Online seminar	6/7/8 Oct 2020
Brunel Investor Days	Online seminar	18/19 Nov 2020
LGE Governance & Investment Update	Online seminar	26 Jan 2021
New Administration Strategy Development	Workshop	27 Jan 2021
CIPFA Pension Board Seminar	Online seminar	18 Feb 2021
Actuarial & Valuation Session	Workshop	September 2021
Pension Administration & Governance	Workshop	December 2021
Investment performance & risk management	Workshop	June 2022

Role of the pension board member

The role of the pension board member is to:

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

Role of the pension board chair

The role of the pension board chair is to:

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

The Pension Regulator's Code of Practice

Knowledge and understanding required by pension board members

Legal requirements

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

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

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

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

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

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

Conflicts of interest

Managing risk and internal controls

Maintaining accurate member data

Maintaining member contributions

Providing information to members and others

Resolving internal disputes

Reporting breaches of the law

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

An introduction to investment

Investing in a defined benefit scheme

CIPFA's Housekeeping Checklist

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

CIPFA's Recommended Annual Workplan

OPERATIONAL

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

STRATEGIC

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