

BATH AND NORTH EAST SOMERSET

PENSION BOARD

Tuesday, 22nd March, 2022

Present:- Nick Weaver (Chair), Mark King (Member Representative), Stuart Anstead (Employer Representative) and Alison Wyatt (Member Representative)

Also in attendance: Tony Bartlett (Service Director - Financial Control and Pensions), Jeff Wring (Service Director for Commercial and Governance), Geoff Cleak (Pensions Manager), Anna Capp (Member Services Manager), Claire Newbery (Employer Services Manager) and Carolyn Morgan (Governance and Risk Advisor)

44 WELCOME & INTRODUCTIONS

The Chair welcomed everyone to the meeting.

45 APOLOGIES FOR ABSENCE

Helen Ball, Tony Whitlock, Steve Harman and David Yorath had sent their apologies to the Board for this meeting.

46 DECLARATIONS OF INTEREST

There were none.

47 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

There was none.

48 ITEMS FROM THE PUBLIC

There were none.

49 ITEMS FROM MEMBERS

There were none.

50 MINUTES OF PREVIOUS MEETING: 30TH NOVEMBER 2021

The Board approved the minutes of the previous meeting.

51 UPDATE ON LEGISLATION

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

McCloud Judgement

- The Public Sector Pensions and Judicial Offices Bill has received Royal Assent.
- The first two sets of regulations are expected before the Summer recess.
- DLUHC plans to consult on a second set of regulations in Autumn re: Taxation and Compensation
- Delay expected in implementation date – now 1st October 2023.
- Employer data collection ongoing.
- When the detail of the remedy is announced administration work to implement remedy could be challenging.

Mark King asked if financial provision had already been made with regard to the judgement.

The Service Director for Financial Control and Pensions replied that all employers have had to make provision within their statutory accounts. He said that he believed the Fund itself was well placed, in terms of costs covered, but added that the full impact would not be known until the remedy work had been done.

The Chair asked if any further legislation / activity was forthcoming, including Levelling Up.

The Service Director for Financial Control and Pensions replied that funds were being asked to identify a level of investment through infrastructure and that investments should align with foreign policy.

He said that further consultation on pooling was expected in the Summer and that investment strategies may have to adjust if guidance received on Government policies.

Ukraine

The Fund has undertaken a series of overseas indicator reports to ascertain that there aren't any pensioner or dependant members with accounts either in Russia or the Ukraine.

The Pension Dashboard

- A decision on implementation of the dashboard was impending, it was expected to be between 2-3 years.
- Some resources in place for this work.
- Key risk – Is the dashboard achievable whilst McCloud remains ongoing.

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

52 PENSION FUND ADMINISTRATION

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

Workload

Generally, the Fund continues to operate below its desired target of >90% for most case types, although the case-by-case breakdown evidences an overall improvement in critical processes for retirements and death cases from the previous quarter. Generally, however, KPI benchmarking performance has declined over the past year.

A contributory factor relating to underperformance can be associated with the inclusion of the current backlog project and the processing of historic workload cases impacting KPI's. As outlined in the previous report, a short-term project is in progress to complete the build-up of processing work identified at the end of September 2021. The project was set to run from October to March with the aim being to clear down all 'backlog' cases over a six-month period whilst continuing to maintain all new business as usual tasks in time.

Currently there is a projected six to eight week overrun on the original completion date which has been attributed to; an increase in staff officer resource transitioning from the project to support business as usual and the complexity of a number of backlog cases remaining. The intention is to now complete this work by the end of May.

He informed the Board that Annex 2 showed figures compared to local SLA targets which have shorter timescales than the national guidelines. He added that they would soon be using a new tool 'Insights' that would be able to provide a better example of data for reporting.

Stuart Anstead asked if the new end date, 31st May, was achievable.

The Member Services Manager replied that she felt that half the remaining cases were workable and that the other half were awaiting responses. She added that the project is reviewed on a weekly basis.

The Pensions Manager added that if no responses were received from members steps would be taken to close down those cases. He said that members have been sent reminders and that a high volume of requests are received in terms of transfers out, but these are not all carried out due to the benefits that are in place.

He added that they would not want to compromise employer liabilities and that a focus would be given to smaller employers as a priority to be cleared.

The Chair commented that he felt it was sensible and fair to report on the locally set targets.

Mark King said that he agreed and that he found the information within the report useful to use.

The Service Director for Financial Control and Pensions commented that it remains a challenge to receive the right data from all parties and that where possible they should try to make sure that data is flowing from employers. He added that when the Pension Dashboard is in place data will need to be accurate and robust.

Data Quality

The Pensions Manager informed the Board that officers are developing the TPR DIP report to provide an annual trending view of the outstanding cases for the last 12 months.

The Employer Services Manager added that any cases that were over 12 months old would be operated on a project basis.

Projects

McCloud – A further 43 employers covering 920 members have been completed. We are still working with 2 of our largest employers to gain the service data we require, one has begun sending data the other has been rejected due to poor data submission.

- Next steps: Work with remaining employers yet to make data submissions and escalate to Finance Officers for compliance.
- Upload data and deal with queries by 31st March 2022
- Consider requirements and resource for remedy in preparation for regulations.

Address Tracing – As at 31st January 2022 a total of 4,590 members have been written to, to confirm their current addresses. We have received 2,195 positive responses equating to 47%, 291 negative responses equating to 6.3%.

2,791 follow up chase letters were sent out in October 2021 and we have received 519 positive address responses equating to 18.5% and 89 negative responses 0.03%.

From the original tracing requests, we still have 1,101 cases yet to be traced. These were sent to Mercers in December 2021 for next stage tracing along with the negative responses noted above. We are currently awaiting tracing results from Mercer.

- Next steps: Write to members identified in last batch of tracing once Mercer response is received.
- Wrap up project of Historic tracing and 'gone aways'
- Ongoing processes to trace members as new 'gone away' notifications are received

i-Connect – Monthly Data Returns

Current IC Totals

- Employers on IC – 270 (60% of Employers)
- Employers targeted for IC – 179 (40% of Employers)
- Active Members covered by IC – 30,996 - 78% of active membership covered by IC (figures as at 8/2/2022)

Progress has been made with Online Return employers, 17 smaller employers have been trained and are now submitting monthly data. 11 remaining to go live.

We are currently in the testing stage with 5 MAT/payrolls covering 46 employers. These will go live after Year End.

Fire Pension Scheme – MoU & Framework Agreement

The Fund continues to support the Avon Fire Authority in providing affected members with retirement options as identified under the immediate detriment and framework (IDF) agreement in lieu of the McCloud remedy.

The Pensions Manager explained that he and the Service Director for Financial Control and Pensions had recently met with the Avon Fire Authority to explain that due to the challenging nature of the work the Fund would not be seeking to administer on their behalf in the coming years and that support would cease sometime in 2023 / 24.

The Chair commented that he accepted their decision and said that officers should let him know if any formal support from the Board was required.

The Pensions Manager said that Avon Fire Authority were aware of their need to procure a service and would go out to tender in due course.

Accommodation

- 15 desks available to use within the Guildhall, Bath on a rota basis.
- Secured space within the River Suite, Keynsham to use approximately 45/55 workstations from the end of the year following refurbishment.

Service Plan 2022 / 2025

The Fund is currently preparing the 2022/2025 Service Plan and Budget for approval by the committee at its meeting on 25th March. A number of key changes to the business operational model will be taken forward in order to support the drive to deliver a more efficient automated service.

The Pensions Manager gave an overview of the proposed operational model and top level structure concept.

Tier 1: Digital Services

- I-Connect Processing
- I-Connect Engagement Team
- Member Contact Centre

Tier 2: Operations

- Employer Services
- Member Services

Tier 3: Support & Development

- Technical & Compliance
- Communications & Marketing
- Transformation

The Governance & Risk Advisor said that the model had been developed over the last year and that officers felt that if Tier 1 can be put in place to the best of its ability then more time would be available to work on the other tiers.

The Pensions Manager stated that as part of the Admin Strategy 2022-25 implementation of the new operating model was scheduled for April 2023 following work in relation to the structure, job descriptions and career grading.

Alison Wyatt commented that a lot of thought appeared to have been given to the model and hoped that it would solve some of the issues mentioned earlier in the meeting.

The Service Director for Financial Control and Pensions said that resources now need to be put in the right place to make the model come to fruition. He added that the ability to restructure would be key to put themselves in a better position for future work.

Stuart Anstead commented that he supported the ethos outlined and asked if there were any shift in targets over the coming 1 – 3 years.

The Service Director for Financial Control and Pensions replied that there was in terms of the Communications Strategy. He said that work would continue on developing employer self service and they will be working with software providers in terms of delivery.

Stuart Anstead said that he was a little concerned as to how staff might view the reference to tiers in the new operational model.

The Service Director for Financial Control and Pensions replied that they could look to see if amendments were required, but stated that the tiers do not reflect categories of working or capability and they would make sure that messages are in place for staff to reflect that.

The Chair said that he welcomed the proposals for staff development and it would be important to have enough resources in place to support and grow our staff.

The Pension Board **RESOLVED** to note:

- i) Fund performance for the three months to 31st December 2021.
- ii) The plan to undertake the tri-annual valuation.

53 BRUNEL UPDATE (VERBAL UPDATE)

The Service Director for Financial Control and Pensions addressed the Board.

Ukraine

- Fund has taken steps to disinvest from all Russian assets. Fund had previously divested from emerging markets.
- Depending on nature of sanctions the Fund might not be able to realise any associated assets.

Budget

- Brunel Oversight Board and shareholders agreed an annual budget of £10.5m.
- Review strategic direction – how to concentrate resources.
- Stocktake review – Asset holdings / carbon footprint. Workshops planned for later in the year.

The Chair asked if ESG principles would be compromised following any steps taken with regard to the conflict in Ukraine.

The Service Director for Financial Control and Pensions replied that the Fund would be faced with some challenges but said that decisions taken may promote the acceleration of alternative fuel supplies and remove a reliance on Russian oil / gas.

He added that challenges would also come in the form of rising inflation.

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

54 RISK MANAGEMENT UPDATE - RISK REGISTER

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

The quarterly review took place in March 22 and the management team agreed the following changes and updates:

In response to the developing Russia / Ukraine crisis we have increased the following risks:

R42 – Political pressure to reform the scheme and direct investment

Likelihood has been increased to almost certain. Brunel PP have issued a statement to say that amongst a number of other measures they will divest (where able given

sanctions) from all Russian controlled and owned assets, bonds and equities as well as prohibiting any new investments to Russian assets.

As part of the Levelling Up agenda, further regulations are expected to direct investments of LGPS Funds. In addition under the Public Services and Judicial Offices Bill currently passing through parliament the Secretary of State would be able to issue guidance to those authorities that administer public sector pension schemes, including the local government pension scheme, that they may not make investment decisions that conflict with the UK's foreign and defence policy.

R26 – Failure to earn investment returns

Likelihood has been increased to almost certain. Ensuing sanctions, the disruption to the oil/gas sector and supply chains which will increase inflationary pressure and investor responses are expected to have a negative impact on broad asset markets and there is a risk of stranded assets (limited direct exposure to Russian assets; main risk in global companies that have Russian assets).

Alison Wyatt referred to **R40 – Cashflow profile is maturing** and asked if an explanation could be given as to why Unitary Authorities and now Universities are paying their future service rate in advance for 22/23.

The Service Director for Financial Control and Pensions replied that these bodies are able to save money by paying in advance as there is no interest to pay.

The Pensions Manager added that this was an issue that the Actuary would be able to cover in the June workshop.

Alison Wyatt asked what implications there would be to the Fund with regard to the proposed consolidation of academies within the Oasis Multi-Academy Trust into one LGPS Fund.

The Pensions Manager replied that on 9 December 2021 DLUHC (Department for Levelling Up, Housing and Communities) started a second consultation on this matter. He added that Oasis were looking to consolidate with the LPFA and that this would require a decision from the Secretary of State.

He stated that Oasis currently participates in 16 LGPS Funds, including the Avon Fund. He added that should agreement be reached for the consolidation to proceed, it is likely to have a number of implications for the Funds involved in transferring the individual Oasis academies to the single-fund, including administration, investment, funding and governance.

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

55 PENSION BOARD - TRAINING AND WORK PLAN UPDATE

The Governance & Risk Advisor introduced this report and highlighted the following areas.

Future Meeting Dates

Suggested meeting dates for 2022 are as follows:

24th May at 10am

13th September at 10am

8th December at 10am

The Governance & Risk Advisor advised the Board that Helen Ball had already informed her that she would not be able to attend the meeting scheduled for 24th May.

The Chair said that he would be willing to move this date if it were possible.

The Governance & Risk Advisor replied that she would consult members about arranging a new meeting date.

Stuart Anstead commented that whilst he understood the intention to return to in person meetings he felt that Zoom provides a much more convenient way to work.

The Service Director for Commercial and Governance said that hybrid meeting facilities were likely to be in place as part of the refurbishment of Keynsham Civic Centre and that public access would have to be considered as part of this process. He said that he would update the Board on this matter when possible.

Hyman's LGPS Online Learning Academy (LOLA)

The training is split into a number of modules covering the revamped CIPFA Knowledge & Skills Framework and TPR's Code of Practice 14. (The training will be updated to reflect the Single Code of Practice once published).

In the last newsletter members were asked to complete the Introduction to the LGPS module in time for the February meeting. Members are asked to complete module 2, LGPS Governance & Regulators plus module 3, Administration & Fund Management, by the May meeting.

Modern Gov & Library

All Pension Board members have been asked to access meeting papers via Modern Gov from January 2022 onwards. It is intended that some of the more routine monitoring reports will be available on the Modern Gov library and will not form part of the meeting reports pack.

In order to ensure all members have the correct access to Modern Gov and the library, the APF Communications Team, led by Jason Morel, have been contacting members to provide the relevant support & training required.

The Pension Board **RESOLVED** to:

- i) Note the workplan & training plan for 2022/23
- ii) Note the dates for future meetings.

The meeting ended at 12.03 pm

Chair(person)

Date Confirmed and Signed

Prepared by Democratic Services