

BATH AND NORTH EAST SOMERSET

PENSION BOARD

Tuesday, 20th February, 2024

Present:- Nick Weaver (Chair), Helen Ball, Stuart Anstead and Alison Wyatt

Also in attendance: Nick Dixon (Head of Pensions), Jeff Wring (Director of One West & Avon Pension Fund), Anna Capp (Member Services Manager), Claire Newbery (Pensions Operations Manager), Carolyn Morgan (Governance and Risk Advisor), Yolonda Dean (Employer Services Manager), Claire Moon (Digital Services Manager) and Matt Russell (Data Control Senior Pensions Officer)

29 EMERGENCY EVACUATION PROCEDURE

The Chair welcomed everyone to the meeting and asked the Democratic Services Officer to read out the Emergency Evacuation Procedure.

30 APOLOGIES FOR ABSENCE

The Democratic Services Officer informed the Board that apologies had been received from Tony Whitlock (Employer Representative) and Steve Harman (Employer Representative).

31 DECLARATIONS OF INTEREST

There were none.

32 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

There was none.

33 ITEMS FROM THE PUBLIC

There were none.

34 ITEMS FROM MEMBERS

There were none.

35 MINUTES OF PREVIOUS MEETING: 7TH DECEMBER 2023

The Board approved the minutes of the previous meeting and they were duly signed by the Chair.

36 PENSION FUND ADMINISTRATION - PERFORMANCE REPORT

The Pensions Operations Manager introduced the report and highlighted the following areas from within it.

Pension Increases:

The rectification project has been split into 4 phases with phase 1 due to complete in March 2024 which will rectify c750 members. The fund is continuing to brief the Board and Committee sub-group with key milestones.

She explained that from the original 1,500 suspected cases, the figure had now likely reduced to around 1,200. She added that an actuarial consultant was being used to calculate the exact amounts owed to members (arrear & interest), with the sub-group being consulted for guidance on key decisions.

She stated that, for the c.750 members, payment records were now accurate within the live system and that Aon were supporting officers working on an 'Overs & Under Policy'.

She said that the Fund is confident that phase 1 would work and rectify the identified cases. She added that they were aware of 46 cases of overpayment and that these would be dealt with on a case by case basis.

She said that a controls review would take place during Q2-Q3 2024 and that an interim update to the Board will be made at the next meeting in June.

Alison Wyatt asked if the people affected know about this situation yet.

The Pensions Operations Manager replied that some do, where they have approached the Fund and already been rectified, but that the c. 1,200 outstanding members do not yet know, and will be written to over the next two weeks and recompensed during March.

The plan is to have made all rectifications to the remaining c.450 members by the end of 2024.

Alison Wyatt asked if it was known what sums of money were likely to be involved.

The Pensions Operations Manager replied that the largest individual amount would be around £60,000, but that the majority of cases would be below £5,000. She added that some cases would be going back over ten years and therefore the errors would be cumulative. The Head of Pensions added that total costs are likely to be lower than the Fund's initial estimate of £1.5m.

Alison Wyatt asked if the annual Pensions Increase should be communicated to members of the Fund.

The Member Services Manager replied that this information is always included in payslips to members in both April and May.

The Head of Pensions commented that initially the discrepancies were treated as individual cases until a further analysis revealed that this was a broader issue.

Helen Ball asked how much the use of the consultants mentioned would cost the Fund.

The Pensions Operations Manager replied that the cost of the consultants working on the Pensions Increase arrears was to be £33,000 and that Aon's fee for the policy work would be £12,000. She added that the Fund was still working within its previously agreed budget.

Stuart Anstead asked if officers were working to a timeline of 3 month windows per phase in order to complete the work by the end of the year.

The Pensions Operations Manager replied that an overall timeline for each phase had not been set as there is the possibility that it becomes easier as the process moves on, though it was emphasised that the firm intent is to complete all phases before the end of 2024.

Stuart Anstead asked if those members within the first phase were deemed the easiest to rectify.

The Pensions Operations Manager replied that they were to some extent from the point of view that they are alive and have no GMP (Guaranteed Minimum Pension).

Helen Ball suggested that, once an independent review of operational processes has been completed, the Board are updated with a list of potential risks and mitigations.

The Pensions Operations Manager replied that were seeking to provide an interim report in June followed by a full report in September.

The Head of Pensions said that he foresaw the need to put practical controls in place every quarter and annually to check that risks are being robustly managed.

Alison Wyatt asked if Internal Audit would be guided into making sure that these issues are analysed in their next review.

The Pensions Operations Manager replied that they would and said that a Payroll Audit was due to begin in April and would involve looking at both the Year End process and the Pensions Increase.

People:

- The Fund is still not operating with capacity with ongoing recruitment. In addition internal movement continues across the teams as officers apply for roles internally.
 - Three senior technical payroll officers have been appointed to the team (internal movement) with the Pensions Payroll Manager role now at the advert stage. These appointments have created vacancies within the Member Services team which are also at the advert stage.
 - 7.5 posts have been recruited to in the period and we are now starting to fill additional posts in the new structure.

McCloud:

- Officers have been working with new regulations since 1 October 2023, however due to a bug in the latest software released in December, all retirements with an underpin must be manually checked and calculated taking additional time to process. A fix to the software has now been made.
- Due to outstanding McCloud guidance from the Scheme Advisory Board (SAB) we continue to stockpile transfers in/out, divorce and deferred cases if they are affected by the underpin.
- Planning has begun for the remedy with a regulatory completion deadline of August 2025.

Alison Wyatt asked if there was to be any recourse action towards the software provider.

The Pensions Operations Manager replied that this was not likely as they did respond quickly to put a fix in place.

GMP:

- The fund is in the final stages of reviewing the Closure Report for member reconciliation. 14,066 members have been identified as “stalemate cases” out of a population of 91,369 members. The review will be completed in April and we plan to bring recommendations to the Pension Committee in June.

Helen Ball asked if it were possible for a member to be affected by the Pensions Increase, McCloud and GMP.

The Member Services Manager replied that as part of the phase 1 work on the Pensions Increase they checked members against their HMRC data re: GMP. She added that these members could still be impacted by McCloud, but only result in them receiving additional money in that case.

Helen Ball said that communications regarding all of these issues needs to be delivered in an organised and timely manner.

Avon Fire Service Exit:

- Considerable resource was deployed to the project team in the lead up to the exit of the scheme from 1st February. The transfer to West Yorkshire Pension Fund has been successfully completed with payroll and data being securely transferred to the new service provider.

Stuart Anstead asked why had the exit occurred.

The Pensions Operations Manager replied that the Fund had given them notice that it was not able to maintain support as it was not cost effective to do so.

The Head of Pensions added that this decision has resulted in enabling 1-2 FTE to now work directly for the Fund.

The Pensions Operations Manager addressed the Board and took them through Appendix 2 of the report, a summary is set out below.

- Aggregate SLA performance is broadly stable – not yet improving.

Stuart Anstead asked if the subject matters with figures of less than 20% were deemed to be less important activities and therefore resources would be placed in more priority areas.

The Pensions Operations Manager replied that the priority for the service remains retirements and deaths. She added that an issue remains whereby if they are awaiting information to be supplied to them from a member or employer the clock remains ticking. She said that they were looking at if it were possible for this issue to be added into the system.

Stuart Anstead suggested that the figures that are less than 20% be highlighted in an additional way to the other 'reds'.

- Outstanding KPI cases have not reduced – with focus on clearing older cases.
- We are also managing multiple 'non-KPI' cases.
- Resolution of non-KPI cases strengthens service foundations.

The Chair commented that he recognised this as a challenge for the service and asked if it was felt that it was clear enough as to where our responsibilities lay with employers.

The Employer Services Manager replied that more could probably be done although regular communications are supplied. She added that it was important that the service is made aware of when any problems occur.

The Pensions Operations Manager added that it would also be helpful to have additional information within I-connect for certain issues. She added that difficult decisions have had to be taken in the past relating to resourcing of the service.

Stuart Anstead asked if there were plans for any of the work to become automated / digitised to enable an improvement to current figures.

The Pensions Operations Manager replied that 96% of employers were now on I-connect so this should lead to a better supply of information. She added that staff recruitment and training was ongoing alongside improvements to their processes.

She said that Heywood have been approached to see if they can resolve the bulk process within I-connect.

She stated that the launch of the new APF website at the end of February was hoped to enable members to view more content and encourage their use of My Pension Online.

The Head of Pensions commented that he saw four key areas for the service to update on as work progresses through the year.

- Annual obligations
- Regulatory work
- Small, highly effective enhancements
- Big transformation projects

He added that, as always, the challenge will be identifying capacity within the service alongside providing the business-as-usual functions.

The Board **RESOLVED** to note the service performance for the period ending 31st December 2023.

37 INVESTMENT UPDATE (VERBAL)

The Head of Pensions addressed the Board and gave the following update on investments.

- At the end of 2023 the asset value of the Fund was £5.7bn which had seen an 8.7% return in Q4.
- Brunel funds performed well during this period.
- The Fund has raised its exposure to gilts in Q3 2023, and their value increased during Q4 2023 as the rate of interest dropped.
- The funding level is now 97% (improvement of 1% since 31 September 2023).
- Decision taken to reduce hedging to 50% of our Equity Portfolio – this is expected to improve our long-term growth potential by 0.4% / 0.5%.
- The Committee has approved a 3% (£170m) allocation to Local Impact Investment across three sleeves.
 - Renewable Infrastructure
 - Affordable Housing
 - Small & Medium Enterprise (SME) Funding
- £50m has been deployed within a consortium, alongside other Local Authorities, into investment in 16 solar farms across the South West.
- Future returns expected to be between 7 – 9%.

The Chair thanked the Head of Pensions for the update on behalf of the Board.

38 RISK MANAGEMENT UPDATE - RISK REGISTER

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

She explained that as part of the quarterly review the pre mitigation scores have been reviewed and a couple adjusted as follows:

- Risk NR04 – Governance of Fund, the pre mitigation likelihood has been increased from likely to almost certain to reflect the risk of internal controls not being sufficient.

- Risk NR08 – Employers unable to meet financial obligations, the pre mitigation likelihood has been changed from possible to likely to reflect the fact that the underlying risk has increased.

She stated that changes made to the post mitigation scores this quarter were:

- Risk NR18 - Unforeseen events or service issues leads to reputational damage to the Fund amongst its stakeholders. On review the impact has been reduced from high to medium impact to reflect the mitigating actions taken.
- Risk NR08 – Employers unable to meet financial obligations to Fund. The impact has been reduced from high back to medium as there is now more certainty that if a Local Authority fails it will be regulatory to pay employer contributions.

She informed the Board that the most critical risks remain:

- NR01 – Ability to deliver admin service to members and employers within agreed standards.
- NR06 – The likelihood of a cyber attack remains a high risk due to the recent high profile attacks in the public domain. The Fund is currently implementing further audit actions around staff awareness and education and will shortly carry out a review of its business continuity plan.
- NR04 – Governance of Fund not in accordance with APF policies – Controls not adequate. Internal Audit continue to assist in checking of internal controls.

Alison Wyatt asked if the work relating to the Pensions Increase was covered in NR04.

The Governance & Risk Advisor replied that it was.

The Chair asked if the Internal Audit workplan could be shared with the Board.

The Governance & Risk Advisor replied that this would be circulated to the members of the Board.

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

39 PENSION BOARD - TRAINING AND WORK PLAN UPDATE

The Governance & Risk Advisor introduced the report to the Board. She explained that a series of workshops were planned across the year.

May: The Pension Regulator General Code of Practice
 November: Interim Valuation - Funding / Employer session
 TBC: Pensions Dashboard

She reminded Board members that all online learning modules from Hymans Robertson have to be completed by the 31st March 2024 deadline.

The Board **RESOLVED** to:

- i) Note the workplan & training plan for 2024
- ii) Note the dates for future meetings.

The meeting ended at 11.22 am

Chair(person)

Date Confirmed and Signed

Prepared by Democratic Services