

# Pension Board

**Date: Tuesday, 20th February, 2024**

**Time: 10.00am**

**Venue: Kaposvar Room - Guildhall, Bath**

**Board Members:** Nick Weaver, Helen Ball (Member Representative), Steve Harman (Employer Representative), Tony Whitlock (Employer Representative), Stuart Anstead (Employer Representative) and Alison Wyatt (Member 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. Recording at Meetings:-

The Openness of Local Government Bodies Regulations 2014 now allows filming and recording by anyone attending a meeting. This is not within the Council's control. Some of our meetings are webcast. At the start of the meeting, the Chair will confirm if all or part of the meeting is to be filmed. If you would prefer not to be filmed for the webcast, please make yourself known to the camera operators. We request that those filming/recording meetings avoid filming public seating areas, children, vulnerable people etc; however, the Council cannot guarantee this will happen.

The Council will broadcast the images and sounds live via the internet [www.bathnes.gov.uk/webcast](http://www.bathnes.gov.uk/webcast). 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 full working days before the meeting. This means that for meetings held on Thursdays notice must be received in Democratic Services by 5.00pm the previous Monday.**

Further details of the scheme can be found at:

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

## 5. Emergency Evacuation Procedure

When the continuous alarm sounds, you must evacuate the building by one of the designated exits and proceed to the named assembly point. The designated exits are signposted. Arrangements are in place for the safe evacuation of disabled people.

## 6. Supplementary information for meetings

Additional information and Protocols and procedures relating to meetings

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

**Pension Board - Tuesday, 20th February, 2024**  
**at 10.00am in the Kaposvar Room - Guildhall, Bath**

**A G E N D A**

1. EMERGENCY EVACUATION PROCEDURE

The Chair will draw attention to the emergency evacuation procedure as set out under Note 5.

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: 7TH DECEMBER 2023 (Pages 5 - 14)

8. PENSION FUND ADMINISTRATION - PERFORMANCE REPORT (Pages 15 - 36)

The purpose of this report is to present the Fund's administration performance for the three months to 31st December 2023 vs key performance indicators (KPI's).

9. INVESTMENT UPDATE (VERBAL)

The Board will receive a verbal update from the Head of Pensions / Group Manager for Funding, Investment & Risk.

10. RISK MANAGEMENT UPDATE - RISK REGISTER (Pages 37 - 44)

The purpose of this report is to update the Pension Board with the quarterly review of the risk register.

11. PENSION BOARD - TRAINING AND WORK PLAN UPDATE (Pages 45 - 52)

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.

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**BATH AND NORTH EAST SOMERSET**

**PENSION BOARD**

Thursday, 7th December, 2023

**Present:-** Nick Weaver (Chair), Helen Ball, Steve Harman, Tony Whitlock (via Teams), Stuart Anstead (via Teams) and Alison Wyatt

**Also in attendance:** Nick Dixon (Head of Pensions), Jeff Wring (Director - One West), Liz Woodyard (Group Manager for Funding, Investment & Risk), Anna Capp (Member Services Manager), Claire Newbery (Pensions Operations Manager), Carolyn Morgan (Governance and Risk Advisor), Nicky Russell (Technical & Compliance Advisor), Claire Moon (Digital Services Manager), Tariq Rahman (Head of Audit & Assurance), Yolonda Dean (Employer Services Manager) and Charlotte Curtis (Governance & Risk Officer)

**14 EMERGENCY EVACUATION PROCEDURE**

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

**15 APOLOGIES FOR ABSENCE**

The Democratic Services Officer informed the Board that Tony Whitlock (Employer Representative) and Stuart Anstead (Employer Representative) would be joining the meeting via Teams on this occasion.

**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: 6TH SEPTEMBER 2023**

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

## **21 BRUNEL / INVESTMENT UPDATE (VERBAL UPDATE)**

The Group Manager for Funding, Investment & Risk addressed the Board and stated that performance had been difficult over the most recent quarter, in particular with regard to equity assets. She explained that this was due to the portfolios tilt towards ESG (Environmental, Social and Governance).

She added that Brunel were investing within the guidelines that have been agreed with the Fund and that the portfolios were reaching three years old.

Alison Wyatt asked how the investments are quantified if they are not performing as envisaged.

The Group Manager for Funding, Investment & Risk replied that the investments are behind their benchmarks, not achieving what we hoped for, but as expected given the current market. She added that it is better to assess performance over the longer term and can now that the portfolios are three years old.

The Head of Pensions added that they were seeing an underperformance from equities due to the current dominance from the 'Magnificent 7 stocks' (Alphabet, Amazon.com, Apple, Meta Platforms, Microsoft, Nvidia and Tesla).

Nick Weaver asked why Brunel do not invest further in these significant stocks.

The Group Manager for Funding, Investment & Risk replied that these decisions are taken by individual managers and that the price of these stocks could be highly overvalued.

The Head of Pensions provided an example to the Board that since year-2000, Vodafone and Nokia have lost 75% and 90% of their value respectively.

The Board thanked the Group Manager for Funding, Investment & Risk for her update.

## **22 DEATH IN SERVICE POLICY**

The Group Manager for Funding, Investment & Risk introduced the report to the Board and highlighted the following points.

- One risk for employers is the potential rise in liabilities when an active member dies, as their beneficiary receives a lump sum and partner's pension earlier than they ordinarily would. Although the actuary includes an allowance for 'strain' costs due to Death in Service (DIS) when setting future service contributions, actual strain or indeed saving, is determined by the member's profile and can be far greater (or less) than the allowance assumed by the Actuary.
- If there is a strain, it can significantly increase the liabilities and will feed through into the employer funding plan at the next valuation. For small employers the higher costs can be difficult to manage especially when they occur close to the employer's exit from the Fund.

- The feasible options to mitigate this risk are (i) captive insurance and (ii) 3rd party insurance. Maintaining the status quo will not manage the risk. The Actuary is proposing the Fund implements a captive insurance arrangement covering all employers within the Fund. The Fund already has a similar arrangement for managing ill-health retirement costs for smaller employers.
- The Pensions Committee approved implementing a DIS captive arrangement at its meeting in June 2023, subject to employer consultation which ended on 30 September 2023. No challenge to this proposal was received during the consultation.
- There are no extra direct costs as a result of this arrangement as currently any strain costs are picked up by employers at the subsequent valuation. The captive would aggregate the 'notional premiums' based on the actuarial assumptions and these premiums will be used to meet any future DIS strain costs.

Steve Harman asked what measures other Funds / Councils have in place.

The Group Manager for Funding, Investment & Risk replied that it was a mixture between no policy, captive insurance and 3rd party insurance.

Nick Weaver commented that from an administrative point of view it would be better not to have 3<sup>rd</sup> party insurance.

The Board **RESOLVED** to approve that a DIS captive insurance for employers in Avon Pension Fund be implemented.

## 23 ADMINISTRATION PERFORMANCE REPORT

The Pensions Operations Manager addressed the Board. She thanked those that took part in the online meeting yesterday to discuss the Pensions Increase issue and said it was hoped that a remedy would be available soon and that a follow up session was planned to take place in the early part of 2024.

Steve Harman asked if the remedy would come as a result of an additional cost to employers.

The Pensions Operations Manager replied that it would not. She added that they hoped to have confirmed data by the end of January.

The Head of Pensions commented that weekly project meetings are being held and that they welcomed the input and support from the Board.

Alison Wyatt said that she was disappointed that this issue had not been picked up by the Internal Audit Team.

The Head of Audit & Assurance replied that this area was last reviewed in 2018/19 and explained that the Internal Audit role was to verify that the Heywood system was

reporting the processes and that these were then subject to appropriate management review.

He stated that controls did exist, but they could not evidence whether they were working as intended. He said he believed that around 3% of the Fund have been inaccurately paid and that they were working with the Pensions Management Team as the matter progresses.

The Head of Pensions acknowledged that they were accountable for this scenario and would also take steps to guide the Internal Audit Team for when future reviews are due to take place. He added that they need to tighten their over-arching controls and would seek to bring a framework back to a future meeting.

The Pensions Operations Manager gave a presentation to the Board, a copy of which will be added as an online appendix to these minutes. A summary of the presentation is set out below.

### Current Service state

- Aggregate performance is broadly stable – but insufficient.
- Cases completed are starting to exceed new cases coming in.
- Reduction of outstanding cases is starting to come down and supports our focus on backlog.

Steve Harman congratulated all staff involved for the improvements that have been made and welcomed the way in which this information has been presented.

### Five root causes affecting the Service

1. People & Capacity
  - Vacancy rate: 10%
  - Pay
  - Officer experience
2. Processes
  - Duplication of process and checking
  - Volume of Leaver work
  - Payroll processes
3. Regulations
  - New McCloud regulations with effect from 1st October
    - Training received from Aon
    - Switched on in Live
    - 60,000 letters / 20,000 emails to be sent by the end of the year
  - New Fire Scheme Sergeant/McCloud regulations with effect from 1st October

Steve Harman said that he hoped that the correspondence with members would be in as Plain English as possible.



The Pensions Operations Manager replied that they have tried really hard to make the letter/email as clear as possible.

Helen Ball offered to review the letter/email and provide feedback.

The Pensions Operations Manager replied that the letter/email was about to be sent out imminently and therefore there was probably not time on this occasion, but thanked Helen for her offer.

The Head of Pensions commented that they were in the process of reviewing their starter letter and said that he would appreciate Helen's feedback on that.

4. Work Spikes & Projects
  - Fire Scheme exit (31/1/24)
  - ABS (Annual Benefit Statement) spike in work
  - Pensions Increase errors
  
5. Increased demand
  - ABS spike in emails / calls
  - Increase in case workload
  - Increase in retirements / deaths
  - Backlogs

#### Future road map

- Intention to attempt to meet KPI's by Q4 2024

The Chair thanked all officers involved for the work they continue to do and for the improvements made so far. He acknowledged that the Pensions Increase work would be a challenge and said that he would welcome the Board receiving a briefing prior to their next meeting.

The Board **RESOLVED** to note the service performance for the three months up to 30 September 2023.

## **24 LEGISLATION - REGULATORY UPDATE**

The Technical & Compliance Advisor introduced the report to the Board and gave an update on the following matters.

She informed the Board that the LGA have announced that the proposed date for Public Sector Schemes to be connected to the Pensions Dashboard is by 30<sup>th</sup> September 2025. She added that this was not yet written policy as so is to be shared informally only.

She stated that the Chancellor had announced in his Autumn Budget Statement in November that there were to be some Investment Reforms.

She said that at the same time that the Government's response to the Local Government Pension Scheme (England and Wales) Investment Consultation was

published - "Next steps on investments" and the Fund were now assessing those implications.

The Group Manager for Funding, Investment & Risk added that they were awaiting further guidance with regard to Levelling Up and Private Equity, but did not feel that initially this would be a challenge for the Fund. She said she felt that Brunel were already pooling in the right way currently.

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

## 25 REVIEW OF INTERNAL & EXTERNAL AUDIT REPORTS

The Head of Audit & Assurance introduced this report to the Board and highlighted the following areas from within it.

He explained that since the last Internal Audit update report was presented to the Pension Board on 8<sup>th</sup> December 2022, 3 audit reports have been issued.

1. Pension Investment Reporting - This audit did not have any significant weaknesses reported and this resulted in the "Substantial" Assurance rating being assigned.
2. Cyber Security – APF Staff Training & Awareness – This audit was assigned a "Reasonable" Assurance rating.

The Avon Pension Fund (APF) workforce is employed by Bath & North East Somerset Council (B&NES). Accordingly, the B&NES cyber security e-learning and policy frameworks for information security and data protection apply to APF.

We have therefore reported our findings and made recommendations to the Council's Information Governance Manager and IT Service Delivery Manager, and they have agreed to implement all the Audit Review recommendations by the end of the 2023-24 financial year.

3. APF System Access Controls - It is adopted practice to report to Board if any Audit Reports are assigned a 'Limited Assurance' (Level 2) or 'No Assurance' (Level 1) rating. The 2022/23 Audit Review of APF System Access Controls was issued as a 'Final Audit Report' in February 2023 and a Level 2 'Limited Assurance' rating was assigned.

The majority of the recommendations in this report concerned i-Connect. A total of two 'high' and six 'medium' recommendations were made for i-Connect, placing it into the 'Weak' category. A further 'high' recommendation was made concerning employer data access for Employer Self Service (ESS), which was due to be replaced by i-Connect by the end of February 2023. A follow up review was completed in July 2023, and we are pleased to report that all recommendations have been implemented.

Comments relating to the Pension Investment Reporting Audit

In response to the weakness found within 'Reconciliation' the Group Manager for Funding, Investment & Risk replied by saying that this was mainly due to a timing issue and that steps have now been put in place to add the quarterly figure from the latest Brunel performance report.

The Governance & Risk Advisor added that the 'Member Training' weakness had been addressed and said that following the agreement at the Committee meeting in December 2022 it would be mandatory for all Committee members to study the Hymans modules within one year of becoming a Committee member and every three years after that.

The Chair on behalf of the Board noted the concern regarding the Committee training and was pleased to see that steps had been taken to improve this aspect.

Helen Ball referred to the Cyber Security Training report and stated that she was concerned to read that 'Users do not feel personally invested in cyber security and are less likely to adopt good security behaviours'.

The Governance & Risk Advisor replied that the auditor had stated this was a risk, rather than there being any evidence that users felt this way.

The Head of Audit & Assurance added that staff training was essential to the security of the Fund. He explained that the IT infrastructure was within the control of the Council, not the Fund.

Alison Wyatt suggested that a programme of dummy emails could be put in place to test the awareness of staff.

The Director, One West replied that a programme of work along those lines was due to take place during this current quarter.

The Digital Services Manager assured the Board that i-Connect had developed since the Internal Audit report had been produced.

The Chair suggested the following areas as possible future reviews.

- Key Controls
- Payroll
- KPIs
- Annual Benefit Statements

The Head of Audit & Assurance said that between now and the year-end they would have discussions with Pensions Officers regarding potential areas for review and look to share these with the Board in March 2024.

The Pensions Operations Manager added that she was also working with the Head of Audit & Assurance on the Pensions Increase project.

The Chair stated that he wished to acknowledge the achievement of the Fund receiving an unqualified audit opinion and having the Annual Accounts signed off by External Audit.

The Governance & Risk Advisor added that the Fund's Annual Report had now been published.

The Board **RESOLVED** to:

- i) Note the report and the outcomes of the Internal & External Audit work carried out on behalf of the Avon Pension Fund.
- ii) Suggest the following areas be considered for potential inclusion in the 2024/25 Internal Audit Plan.
  - Key Controls
  - Payroll
  - KPIs
  - Annual Benefit Statements

## **26 BREACHES LOG - REVIEW OF REGULATORY & DATA BREACHES**

The Governance & Risk Advisor introduced this report to the Board. She explained that for the period between October 2022 to October 2023 one material breach was recorded, relating to the non-payment of pension increase awards for some members. This was reported to The Pensions Regulator on 30<sup>th</sup> November 2023.

She added that 20 data breaches had been reported to the B&NES Data Protection Officer between October 2022 and October 2023 but none met the threshold for reporting to the ICO.

She informed the Board that some minor changes have been made to the Breaches Policy to reflect revised reporting lines and job titles since the introduction of the Head of Pensions role.

The Board **RESOLVED** to note:

- i) The summary of the breaches log.
- ii) The changes to the Breaches Policy.

## **27 RISK REGISTER REVIEW**

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

- Following the quarterly review of the risk register, one new risk has been identified and there are two changes to the current risk score.
- NR18 - A new risk has been added to capture reputational risk to the Fund. Unforeseen events or service issues leads to reputational damage to the

Fund amongst its stakeholders. This risk has been considered and mitigating actions are set out in the risk register.

- NR04 – Governance of the Fund is not in accordance with APF policies and internal controls are not adequate. This risk has been increased from medium impact and unlikely (6) to high impact and likely (16) following the non-payment of pension increases to some members. The risk has been increased while the incident is fully investigated, and Internal Audit have been asked to review payroll procedures and internal controls for year-end processes.
- NR08 - Employers unable to meet financial obligations to Fund. In the current economic climate the risk of employers being unable to meet financial obligations to Fund is elevated. There has been an increase in S114 notices issued by councils nationwide and Higher Education employers are particularly constrained as fees are fixed but costs have increased due to inflation. The Fund has no specific information about employers being unable to meet financial obligations and has strong covenant management and information gathering processes in place as a mitigation.

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

## 28 WORKPLAN / TRAINING PLAN

The Governance & Risk Advisor introduced the report to the Board. She commented that limited progress had been made so far with the online learning modules from Hymans Robertson and reminded them that as a Board they had committed to re-study them.

The Board **RESOLVED** to:

- i) Note the workplan & training plan for 2023/24
- ii) Note the dates for future meetings.

The meeting ended at 11.45 am

Chair(person) .....

Date Confirmed and Signed .....

**Prepared by Democratic Services**

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<b>Bath &amp; North East Somerset Council</b>	
MEETING:	<b>Avon Pension Fund – Local Pension Board</b>
MEETING DATE:	<b>20 February 2024</b>
TITLE:	<b>PENSION FUND ADMINISTRATION Performance Report</b>
WARD:	<b>ALL</b>
<b>AN OPEN PUBLIC ITEM</b>	
<p>List of attachments to this report:</p> <p>Appendix 1 – Performance against SLA &amp; Workload</p> <p>Appendix 2 – Presentation</p> <p>Appendix 3 – TPR Data Improvement Plan</p>	

## 1 THE ISSUE

1.1 The purpose of this report is to present the Fund's administration performance for the three months to 31<sup>st</sup> December 2023 vs key performance indicators (KPI's).

## 2 RECOMMENDATION

### The Committee:

2.1 Notes the service performance for the period ending 31st December 2023.

## 3 PERFORMANCE –

3.1 Appendix 1 summarises service performance vs SLAs<sup>1</sup> to 31<sup>st</sup> December 2023. The Fund is operating below its target of >90% for the majority of case types (Annex 1) and Annex 2 illustrates cases completed within/outside of the SLA. Service levels remain stable and no deterioration has occurred, though service levels remain materially below where they need to be. A separate presentation will be given at the meeting on all administration service measures to give the board a broader sense of current workload.

3.2 The following are key factors continuing to impact performance.

### People:

- The fund is still not operating at full capacity with ongoing recruitment. Internal movement continues across the teams as officers apply for roles internally.
- Service impacted by 3 officers off on long term sick.

<sup>1</sup> service level agreements

- Despite ongoing recruitment, our vacancy rate remains at 10% with 7 posts currently being advertised and 7.5 positions under offer but officers not yet started.

### **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 is due in late February.
- 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. A more detailed report including case in scope will be provided in the next meeting. (subject to SAB guidance).

### **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.

### **Pension Increases:**

- The rectification project has been split in to 4 phases with phase 1 due to complete in March 2024, this first phase will rectify c750 members. The fund is continuing to brief the board and committee sub group with key milestones.

### **- Avon Fire Service Exit:**

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

### **Payroll:**

- 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.
- The payroll team are supporting the PI project as we move into the final stages of rectification for phase one.
- Following a further review of internal controls and the whole pensioner population, we have identified 46 cases where a pensioner has been overpaid due to short term to long term pension not being amended. These cases will be rectified over the next few months in line with PASA guidelines.
- 19 case of Tier 3 ill health have been identified as possible overpayments and will be reviewed for potential overpayment by the end of March.



**Process weaknesses:**

- Bulk process fixes via our software provider are not currently available to address data issues.

**Management Information:**

- The fund now uses MI to manage workflow decisions on a weekly basis. As MI continues to evolve our capacity to understand work and workflow continues to develop.

## 4 PROGRESS

4.1 Progress continues across the administration; the main points are as follows:

**People:**

- Key recruitment continues in advance of the re-structure, including the Website Development Manager and Pensions Payroll Manager.
- 7.5 posts have been recruited to in the period and we are now starting to fill additional posts that are in the new structure.

**Demand:**

- The member contact team remain on top of incoming phone calls and emails, responding to most enquiries within 48 hours despite chasers accounting for 25% of incoming calls and emails.

The reduced phone service has been extended until the end of February, supporting focus time for member servicing and complex case review. No detrimental impact on member servicing has been identified during this period and we continue discussions with BANES Customer Services.

## 5 YEAR END & VALUATION

5.1 2024 is an interim valuation year and 12 employers have been identified for the valuation process.

5.2 Data from a valuation tool provided by Mercer is being used to identify and cleanse areas of data that have an impact on the employer valuation.

## 6 SUMMARY OF FUND MEMBERSHIP DATA QUALITY

6.1 The Fund maintains a Common Data score above 95%. The TPR<sup>2</sup> report summarises an annual view of outstanding cases for the last 12 months, please refer to Appendix 3.

6.2 The missing Care Pay cases continue to be reviewed and the overall case workload is reducing.

## 7 RISK MANAGEMENT

7.1 The Avon Pension Fund Committee is the formal decision-making body for the Fund, with 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

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<sup>2</sup> The Pensions Regulator

register and compliance with relevant investment, finance and administration regulations.

## **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**

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 addresses this through its strategic asset allocation to Paris Aligned Global Equities, Sustainable Equities and renewable energy opportunities. The strategy is monitored and reviewed by the Committee.

## **10 OTHER OPTIONS CONSIDERED**

15.1 None.

## **11 CONSULTATION**

11.1 The Council's Director of One West has had the opportunity to input to this report and has cleared it for publication.

<b>Contact person</b>	Claire Newbery, Pensions Operations Manager 01225 395247
<b>Background papers</b>	Various statistical documents
<b>Please contact the report author if you need to access this report in an alternative format.</b>	

## Annex 1 Overall Performance by Case Type

		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
Death Notification	5 Days	136	102	75.0%	22	91.2%
Death - Act/Def/Pen - Payment	10 Days	118	94	79.7%	8	86.4%
Retirement (Active) - Quote	15 Days	361	100	27.7%	15	31.9%
Retirement (Active) - Actual	15 Days	285	212	74.4%	11	78.2%
Retirement (Deferred) - Quote	30 Days	539	162	30.1%	68	42.7%
Retirement (Deferred) - Actual	15 Days	304	247	81.3%	28	90.5%
Divorce - Quote	45 Days	51	45	88.2%	1	90.2%
Divorce - Actual	15 Days	4	4	100.0%	0	100.0%
Refund - Quotes	10 Days	1368	155	11.3%	102	18.8%
Refund - Actual	10 Days	184	119	64.7%	13	71.7%
Deferred Benefits	30 Days	471	147	31.2%	101	52.7%
Transfer In (Active) - Quote	10 Days	50	12	24.0%	3	30.0%
Transfer In (Active) - Actual	10 Days	29	6	20.7%	8	48.3%
Transfer Out (Active/Deferred) - Quote	10 Days	74	13	17.6%	4	23.0%
Transfer Out (Active/Deferred) - Actual	10 Days	21	18	85.7%	1	90.5%
Employer Estimate - Quote	15 Days	29	19	65.5%	1	69.0%
Member Estimate - Quote	15 Days	96	83	86.5%	8	94.8%
Joiner	40 Days	4357	4316	99.1%	5	99.2%

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

Annex 2

Case No's vs Target

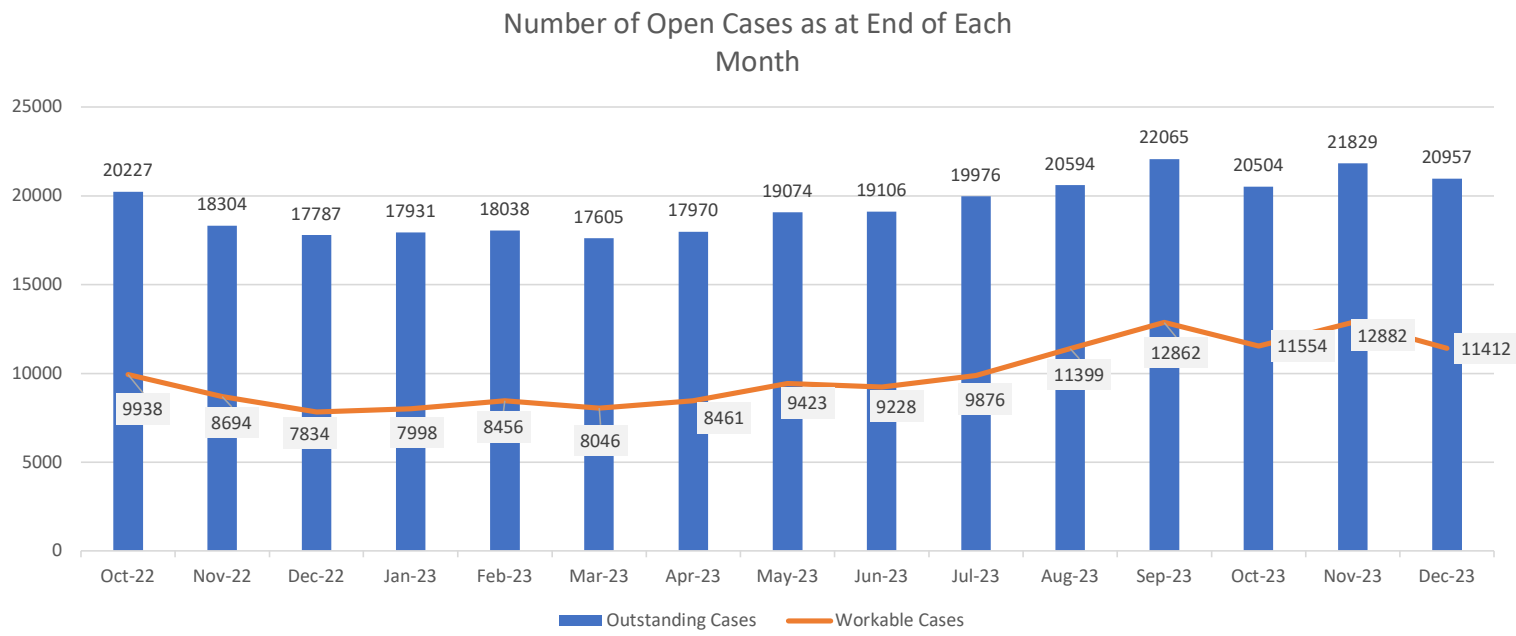
		Tasks Last Quarter										
		Actual Days to Process										
	Average Days to Process	0 to 5	6 to 10	11 to 15	16 to 20	21 to 25	26 to 30	31 to 40	41 to 45	46 to 59	60+	
Death Notification	5 Days	6	102	22	5	5	0	0	1	0	0	1
Death - Act/Def/Pen - Payment	10 Days	9	68	26	8	5	1	2	2	3	3	0
Retirement (Active) - Quote	15 Days	27	45	35	20	15	21	26	52	22	59	66
Retirement (Active) - Actual	15 Days	17	160	38	14	11	9	8	5	1	4	35
Retirement (Deferred) - Quote	30 Days	35	53	14	20	15	34	26	68	22	84	203
Retirement (Deferred) - Actual	15 Days	17	169	52	26	28	7	4	2	0	1	15
Divorce - Quote	45 Days	29	5	6	4	5	7	10	8	0	1	5
Divorce - Actual	15 Days	34	0	4	0	0	0	0	0	0	0	0
Refund - Quotes	10 Days	71	73	82	102	32	13	16	50	21	56	923
Refund - Actual	10 Days	33	69	50	13	16	18	5	7	0	2	4
Deferred Benefits	30 Days	50	46	27	17	24	10	23	101	21	41	161
Transfer In (Active) - Quote	10 Days	24	11	1	3	3	3	3	6	1	1	18
Transfer In (Active) - Actual	10 Days	38	4	2	8	3	1	1	0	0	2	8
Transfer Out (Active/Deferred) - Quote	10 Days	44	10	3	4	3	3	3	7	7	10	24
Transfer Out (Active/Deferred) - Actual	10 Days	33	14	4	1	0	0	0	0	0	0	2
Employer Estimate - Quote	15 Days	15	10	7	2	1	3	0	2	1	2	1
Member Estimate - Quote	15 Days	8	57	17	9	8	0	1	1	0	0	3
Joiner	40 Days	4	1955	1119	760	315	119	37	11	5	9	27

Annex 3 Trend in Overall Performance

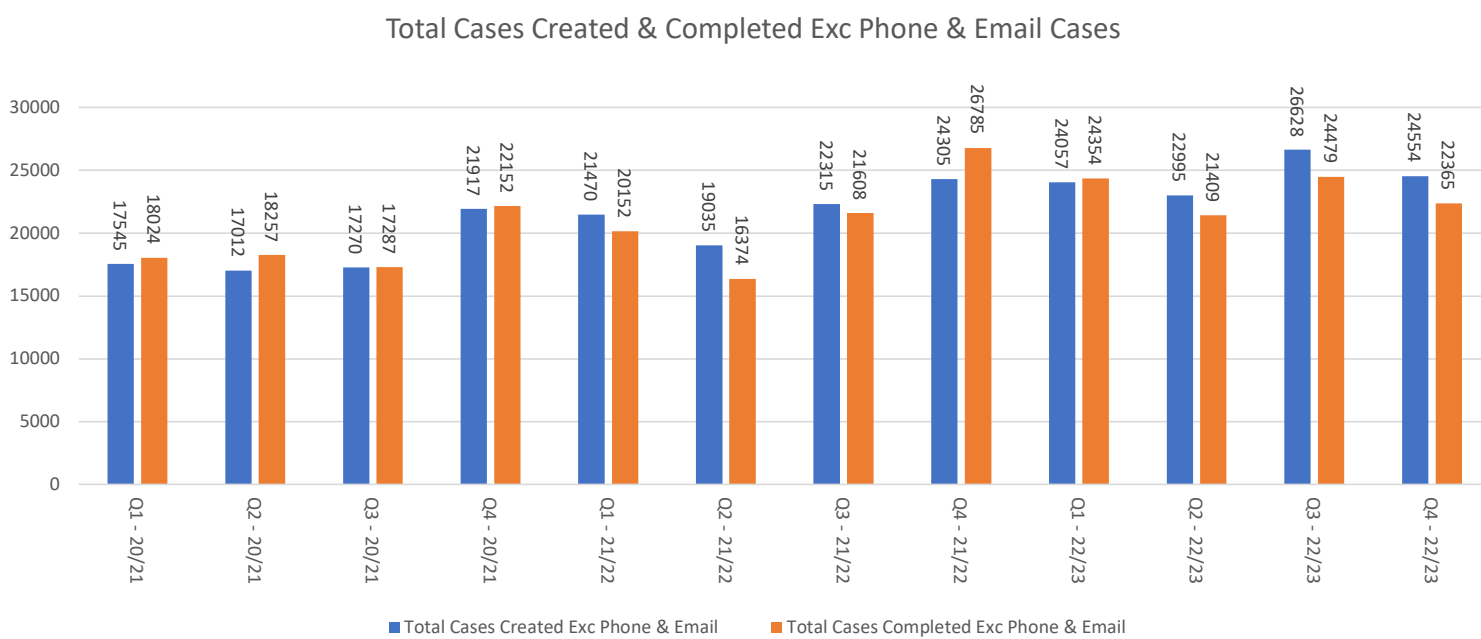
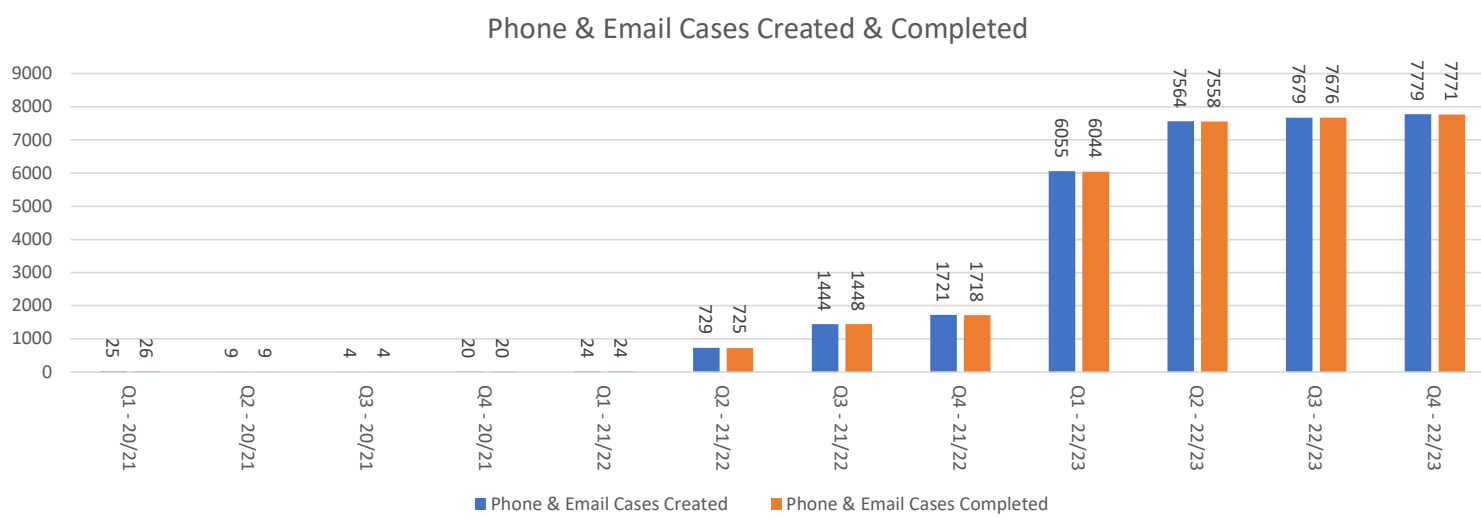
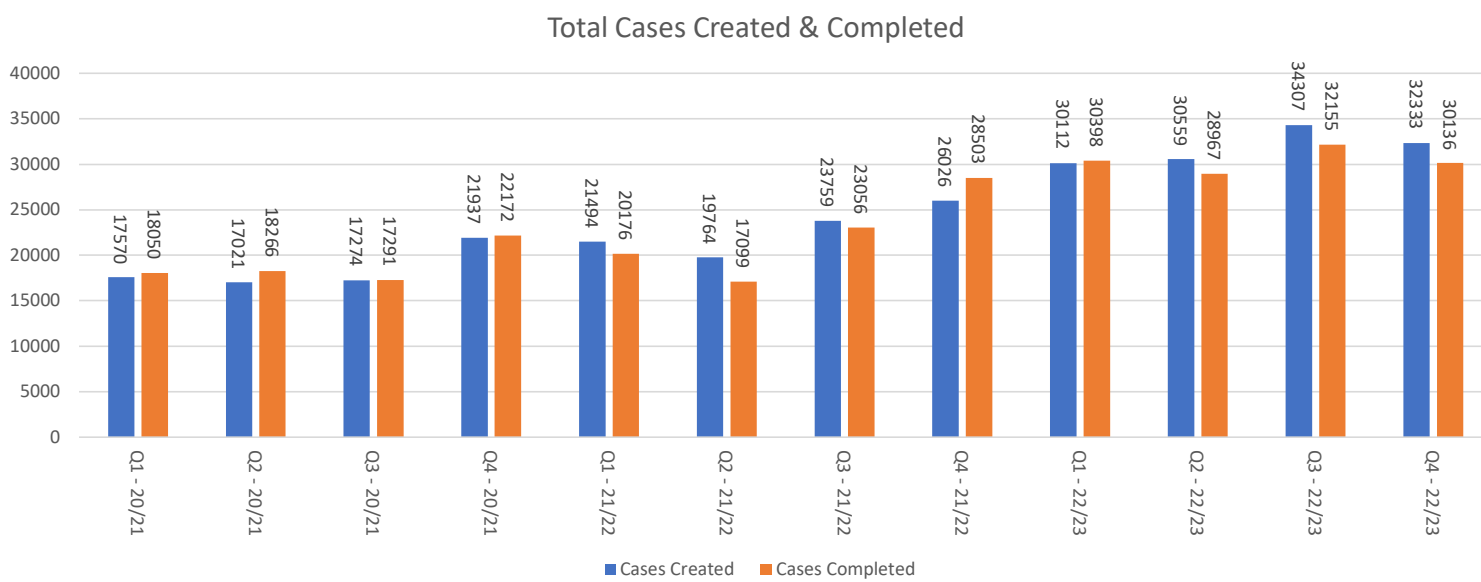
Work Type	Target Processing SLA	Q1 Jan-23 to Mar-23	Q2 Apr-23 to Jun-23	Q3 Jul-23 to Sep-23	Q4 Oct-23 to Dec-23	Trend
Death Notification	5 Days	86.4%	73.8%	57.1%	75.0%	
Death - Act/Def/Pen - Payment	10 Days	90.7%	65.3%	72.5%	79.7%	
Retirement (Active) - Quote	15 Days	63.3%	44.0%	52.1%	27.7%	
Retirement (Active) - Actual	15 Days	76.1%	62.5%	75.1%	74.4%	
Retirement (Deferred) - Quote	30 Days	84.7%	70.1%	49.8%	30.1%	
Retirement (Deferred) - Actual	15 Days	80.5%	66.9%	71.4%	81.3%	
Divorce - Quote	45 Days	96.9%	90.9%	80.2%	88.2%	
Divorce - Actual	15 Days	100.0%	50.0%	0.0%	100.0%	
Refund - Quotes	10 Days	41.0%	1.7%	33.1%	11.3%	
Refund - Actual	10 Days	63.9%	29.4%	49.0%	64.7%	
Deferred Benefits	30 Days	52.6%	39.4%	54.0%	31.2%	
Transfer In (Active) - Quote	10 Days	55.1%	2.3%	23.5%	24.0%	
Transfer In (Active) - Actual	10 Days	51.1%	12.5%	40.0%	20.7%	
Transfer Out (Active/Deferred) - Quote	10 Days	49.3%	33.3%	32.8%	17.6%	
Transfer Out (Active/Deferred) - Actual	10 Days	73.1%	45.5%	51.4%	85.7%	
Employer Estimate - Quote	15 Days	74.5%	82.4%	55.3%	65.5%	
Member Estimate - Quote	15 Days	76.4%	87.1%	92.0%	86.5%	
Joiner	40 Days	99.7%	99.3%	98.6%	99.1%	

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

Annex 4



Annex 5



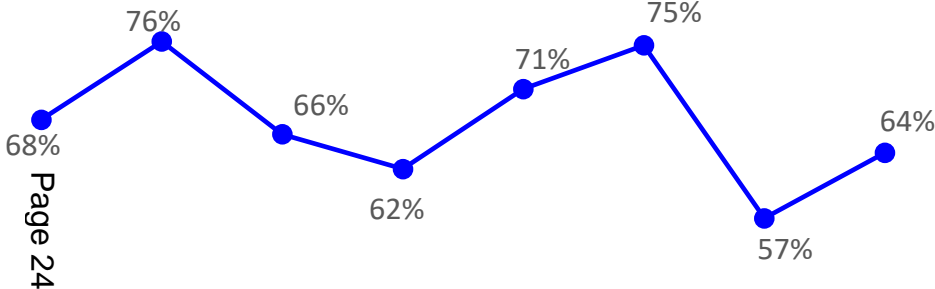
# Item 1 – Appendix 2

## Presentation



# Aggregate SLA performance is broadly stable – not yet improving

All KPI Cases – % completed within target times<sup>1</sup>



Individual KPI Cases – % completed within target times

	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	New Cases Jul-23 – Jan-24
Death Notification	25%	25%	59%	68%	74%	64%	92%	57%	328
Death - Act/Def/Pen - Payment	76%	67%	87%	47%	77%	79%	84%	76%	313
Retirement (Active) - Quote	58%	72%	37%	37%	30%	25%	39%	32%	980
Retirement (Active) - Actual	64%	86%	60%	91%	68%	73%	83%	77%	536
Retirement (Deferred) - Quote	83%	97%	62%	36%	34%	28%	38%	17%	1,092
Retirement (Deferred) - Actual	54%	78%	71%	50%	90%	83%	73%	52%	747
Divorce - Quote	n/a	82%	100%	92%	100%	67%	84%	39%	186
Divorce - Actual	n/a	0%	n/a	n/a	100%	n/a	n/a	100%	7
Refund - Quotes	0%	24%	24%	25%	5%	26%	15%	31%	1,951
Refund - Actual	50%	19%	62%	89%	72%	93%	37%	12%	563
Deferred Benefits	50%	72%	64%	44%	34%	73%	35%	35%	1,991
Transfer In - Quote	0%	50%	6%	50%	0%	9%	19%	20%	246
Transfer In - Actual	n/a	50%	56%	67%	18%	54%	50%	0%	59
Transfer Out - Quote	n/a	45%	41%	0%	22%	4%	29%	14%	499
Transfer Out - Actual	n/a	44%	40%	0%	55%	94%	100%	100%	60
Employer Estimate - Quote	74%	67%	100%	79%	60%	54%	50%	93%	145
Member Estimate - Quote	78%	99%	98%	81%	83%	92%	88%	94%	386
New Joiner	82%	98%	98%	98%	96%	99%	99%	93%	7,424

Jun-23 Jul-23 Aug-23 Sep-23 Oct-23 Nov-23 Dec-23 Jan-24

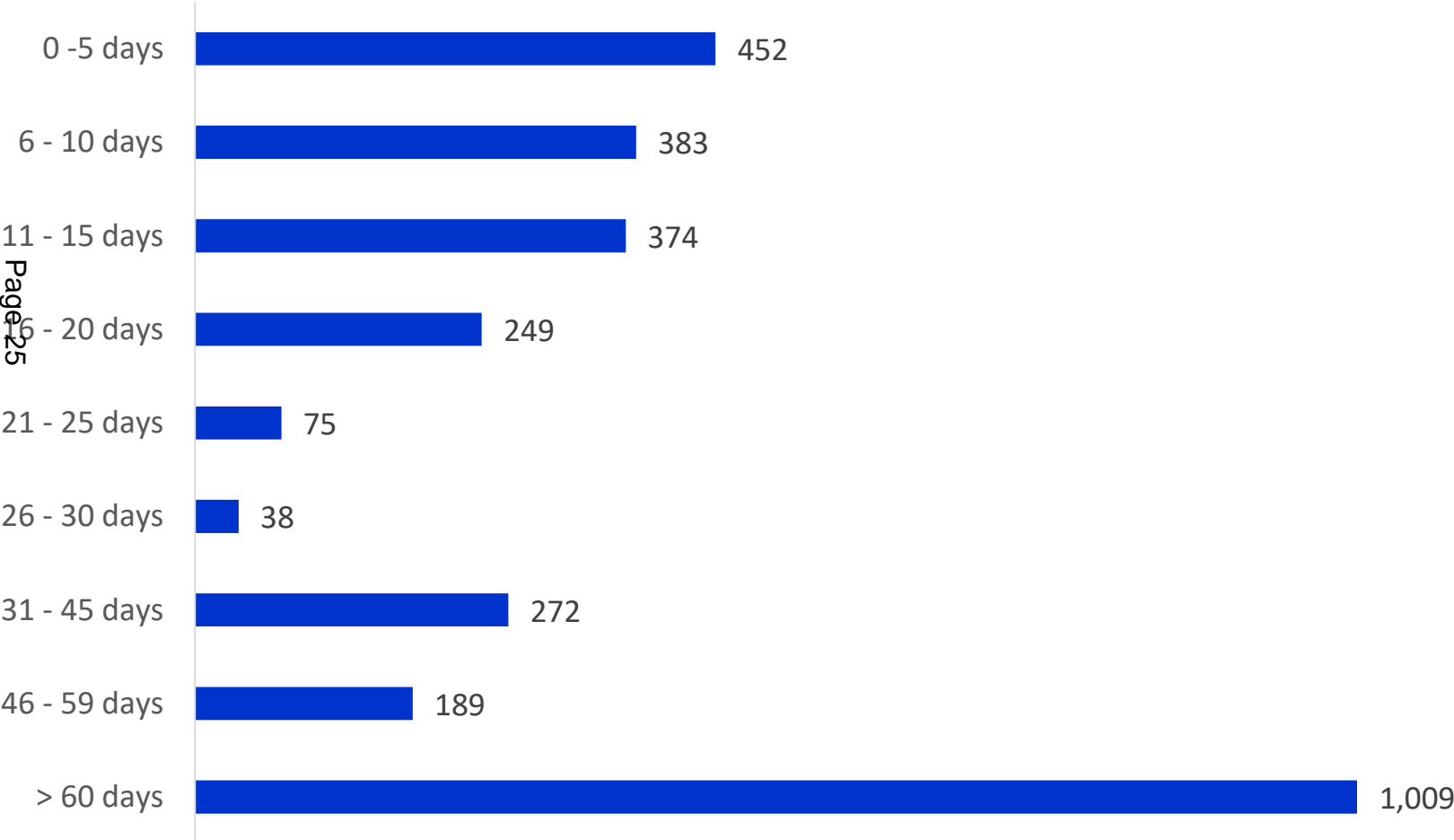
Average SLA Performance <sup>1</sup>	68%	76%	66%	62%	71%	75%	57%	64%
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Notes: 1) weighted average basis



# Outstanding KPI cases have not reduced – with focus on clearing older cases

Outstanding KPI cases by duration – 31 January 2024

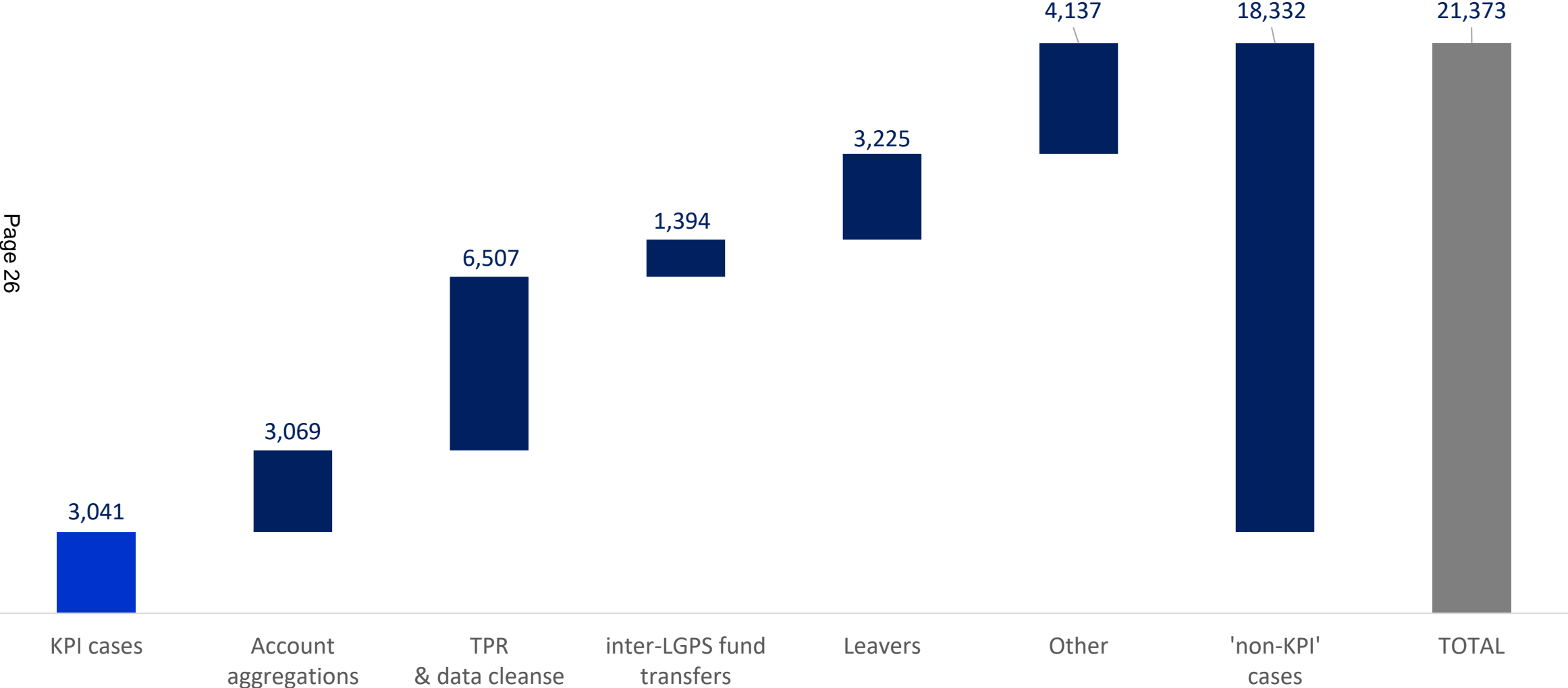


**3,010 cases outstanding in July-2023 and 3,041 in January-2024**

	Change Jan 2024 vs July 2023	
	# change	% change
0 - 5 days	25	6%
6 - 10 days	144	60%
11 - 15 days	267	250%
16 - 20 days	32	15%
21 - 25 days	-91	-55%
26 - 30 days	-30	-44%
31 - 45 days	12	5%
46 - 59 days	-102	-35%
> 60 days	-226	-18%
<b>TOTAL CHANGE</b>	<b>31</b>	<b>1%</b>

# We are also managing multiple 'non-KPI' cases

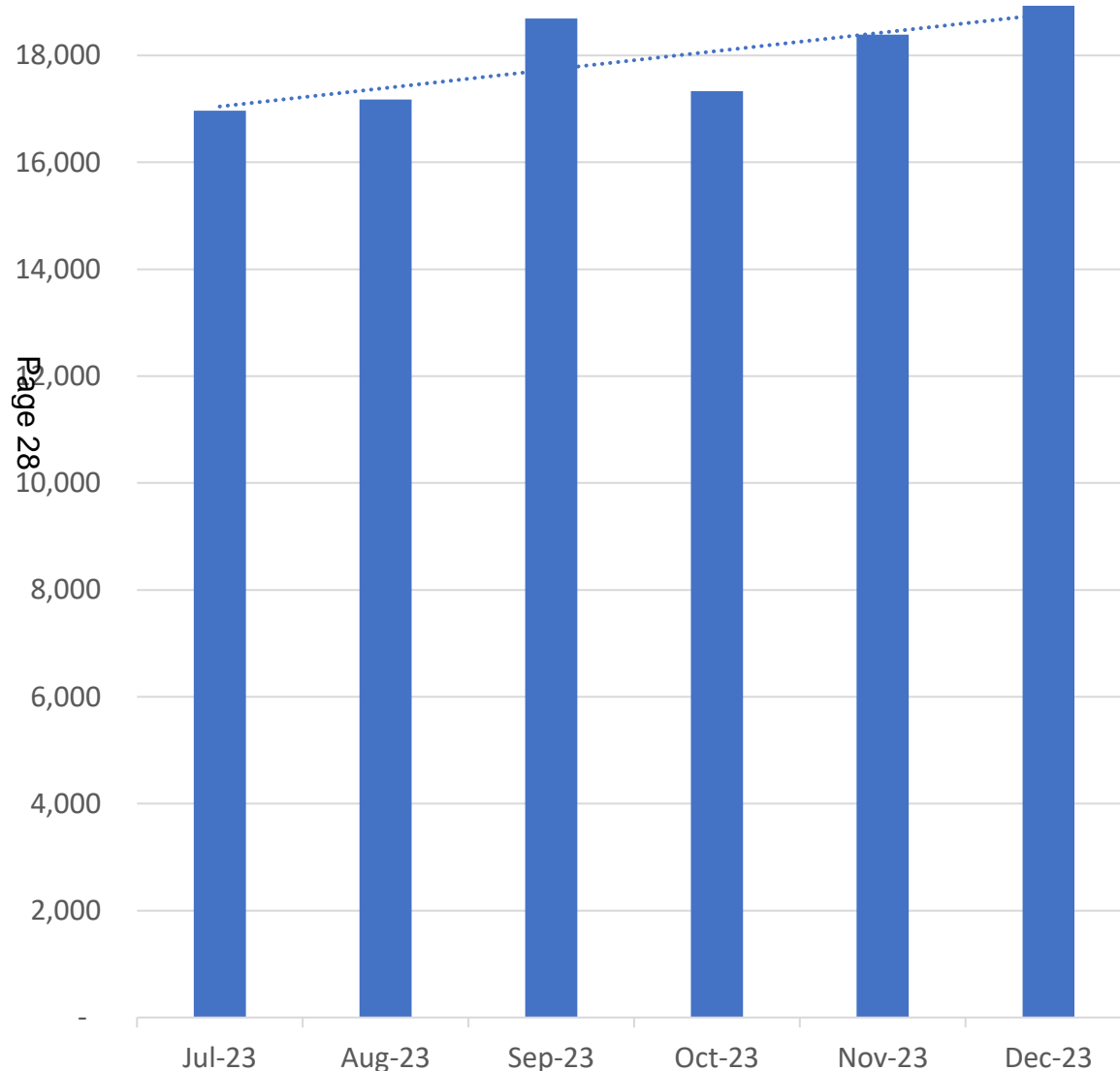
Outstanding cases by – 31 January 2024



# Resolution of non-KPI cases strengthens service foundations

	Description	Why important
Account Aggregations	<ul style="list-style-type: none"> <li>Members with 2+ pension records, typically a result of jobs with different employers</li> <li>Aggregation joins these into a single account</li> </ul>	<ul style="list-style-type: none"> <li>Required before key processes, e.g. retirement, transfer out</li> <li>Required for Pensions Dashboard</li> <li>Supports accurate record keeping and members' online view</li> </ul>
TPR data Page 27	<ul style="list-style-type: none"> <li>Cleansing of common and scheme specific data set by the Pension Regulator</li> </ul>	<ul style="list-style-type: none"> <li>Pay the right pension</li> <li>Service accuracy</li> <li>Meet requirements of TPR and required for annual reporting</li> </ul>
Inter-LGPS fund transfers	<ul style="list-style-type: none"> <li>Member has other LGPS pensions outside Avon</li> <li>Not clear if they want to transfer in / out or take no action</li> </ul>	<ul style="list-style-type: none"> <li>Transfer resolution required for ensuring accurate records and enabling retirement in LGPS</li> </ul>
Leavers	<ul style="list-style-type: none"> <li>Leaver status uncertain</li> <li>For example, do they want to stay with APF, take refund, or transfer ?</li> </ul>	<ul style="list-style-type: none"> <li>Transfer resolution required for ensuring accurate records and enabling retirement</li> </ul>
Other	<ul style="list-style-type: none"> <li>Employer changes, e.g. school moves from local authority control to academy</li> <li>Change in payroll provider</li> <li>Next-day post changes for members</li> </ul>	<ul style="list-style-type: none"> <li>Meet TPR record keeping requirements</li> <li>Data required for setting new employer's contribution rate and subsequent employer valuation</li> <li>Required for Pensions Dashboard</li> </ul>

## Outstanding non-KPI cases rising gently ...



## ... driven by

- Increased number of new cases
- This is a result of ....
  - increase in next-day post changes
  - improved recording of emails and phone calls
- iConnect data changes without automated data management
- Focus on addressing more complex older cases, and fixing underlying causes

# Management summary actions ...

## KPI Cases

- Aggregated performance is stable but not yet improving
- Outstanding cases overall not reducing – though older more complex cases have been reduced

## Non-KPI cases

- Non-KPI backlog rising

Page 29

### In flight

- Recruitment & Training
- Data & insight development
- Process Improvements (non-IT)

### Planning:

- Simpler online sign up for members
- Broader self-service capability
- Backlog reduction
- IT strategic road map

### In flight

- New Digital Services team
- Backlog focus
- Process improvements (non-IT)

### Planning:

- Bulk processing data
- iConnect automation
- IT strategic road map

# Appendix

# New KPI service cases created per month .....

	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24
Death Notification	34	53	49	41	67	11	28	45
Death - Act/Def/Pen - Payment	28	52	26	51	42	30	49	35
Retirement (Active) - Quote	67	178	150	182	199	26	49	129
Retirement (Active) - Actual	45	74	46	47	80	80	115	49
Retirement (Deferred) - Quote	117	120	97	78	243	126	147	164
Retirement (Deferred) - Actual	38	124	36	50	84	101	218	96
Divorce - Quote	10	20	22	35	30	20	26	23
Divorce - Actual	-	-	-	1	5	-	-	1
Refund - Quotes	120	391	649	121	201	105	196	168
Refund - Actual	-	30	17	61	61	154	137	103
Deferred Benefits	232	515	443	129	278	90	81	223
Transfer In - Quote	-	76	38	2	20	29	45	36
Transfer In - Actual	-	8	5	7	6	6	24	3
Transfer Out - Quote	39	150	82	66	82	8	11	61
Transfer Out - Actual	3	9	15	2	10	8	7	6
Employer Estimate - Quote	33	18	9	23	6	17	21	18
Member Estimate - Quote	32	58	28	20	55	34	27	132
Joiner	1,073	1,332	1,112	408	1,731	492	206	1,070

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<b>TOTAL</b>	<b>1,871</b>	<b>3,208</b>	<b>2,824</b>	<b>1,324</b>	<b>3,200</b>	<b>1,337</b>	<b>1,387</b>	<b>2,362</b>
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TPR Error Numbers by Error Type

Annex 1 – TPR Errors by Member Numbers

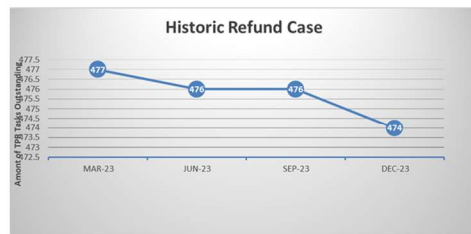
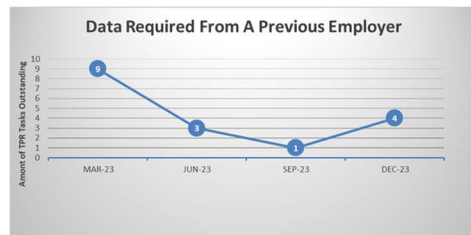
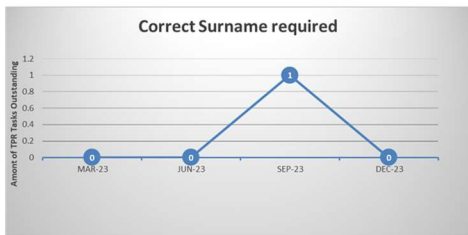
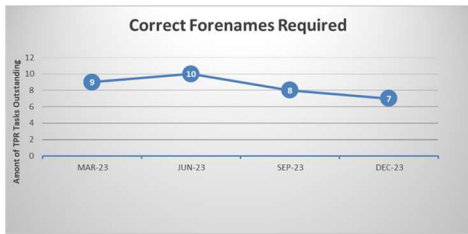
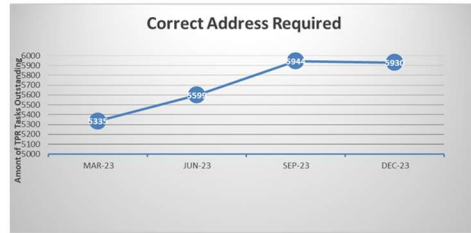
	Sep-23				Dec-23				*Trend
	Member Records	TPR Errors	% Errors	Data Score	Member Records	TPR Errors	% Errors	Data Score	
ACTIVE	40608	314	0.77%	99.23	40952	144	0.35%	99.65	-170
UNDECIDED	7115	260	3.65%	96.35	6995	144	2.06%	97.94	-116
DEFERRED	45134	4024	8.92%	91.08	45006	4052	9.00%	91.00	+28
PENSIONERS	36561	481	1.32%	98.68	36788	468	1.27%	98.73	-13
DEPENDANTS	5413	150	2.77%	97.23	5354	138	2.58%	97.42	-12
FROZEN	6628	1766	26.64%	73.36	7267	1870	25.73%	74.27	+104
<b>TOTALS</b>	<b>141459</b>	<b>6995</b>	<b>4.94%</b>	<b>95.06</b>	<b>142362</b>	<b>6816</b>	<b>4.79%</b>	<b>95.92</b>	<b>-179</b>

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

	Sep-23		Dec-23		*Trend
	TPR Errors	%	TPR Errors	%	
Age 75 Exceeded Lgps Eligibility Issue	77	1.10%	93	1.36%	+16
Care Pay For 2014-2015 Required	1	0.01%	1	0.01%	0
Care Pay For 2015-2016 Required	3	0.04%	3	0.04%	0
Care Pay For 2016-2017 Required	5	0.07%	2	0.03%	-3
Care Pay For 2017-2018 Required	9	0.13%	2	0.03%	-7
Care Pay For 2018-2019 Required	11	0.16%	3	0.04%	-8
Care Pay For 2019-2020 Required	18	0.26%	6	0.09%	-12
Care Pay For 2020-2021 Required	17	0.24%	10	0.15%	-7
CARE pay for 2021-2022 required	48	0.69%	20	0.29%	-28
CARE pay for 2022-2023 required	92	1.32%	19	0.28%	-73
CARE pay for 2023-2024 required	0	0.00%	0	0.00%	0
Casual Hours Data Required	1	0.01%	1	0.01%	0
Correct Address Required	5944	84.97%	5930	87.00%	-14
Correct Forenames Required	8	0.11%	7	0.10%	-1
Correct Gender Required	0	0.00%	0	0.00%	0
Correct Hours Format Required	0	0.00%	0	0.00%	0
Correct Nino Required	162	2.32%	162	2.38%	0
Correct Title Required ie Miss Or Mr	1	0.01%	1	0.01%	0
Data Required From A Previous Employ	1	0.01%	4	0.06%	+3
Date Joined Fund Required	3	0.04%	4	0.06%	+1
Historic Refund Case	476	6.80%	474	6.95%	-2
Leaver Form Required	117	1.67%	63	0.92%	-54
Pay Ref Required	0	0.00%	11	0.16%	+11
Correct Surname Required	1	0.01%	0	0.00%	-1
Correct Date Of Birth Required	0	0.00%	0	0.00%	0
<b>Grand total</b>	<b>6995</b>	<b>100%</b>	<b>6816</b>	<b>100%</b>	

\*Trend is influenced by number of errors

TPR Error Numbers by Error Type



**TPR Error Numbers by Status**



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<b>Bath &amp; North East Somerset Council</b>		
MEETING:	<b>LOCAL PENSION BOARD - AVON PENSION FUND</b>	
MEETING DATE:	<b>20 February 2024</b>	<b>AGENDA ITEM NUMBER</b>
TITLE:	<b>Risk Management Update – Risk Register</b>	
WARD:	ALL	
<b>AN OPEN PUBLIC ITEM</b>		
List of attachments to this report: <b>Appendix 1 – Risk Register</b> <b>Appendix 2 – Risk Register – Framework &amp; High level summary</b>		

**1. THE ISSUE**

- 1.1. The purpose of this report is to update the Pension Board with the quarterly review of the risk register.

**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 Fund has in place a documented risk management policy setting out the Fund’s approach to risk, process for review, and update of the risk register. It also sets out the roles and responsibilities of those involved in management of risk including the role of the Pension Board and Pension Committee.
- 4.2. The risk framework introduced to assist risk owners to assess the risk and score. This is attached as appendix 2.
- 4.3. Following feedback from Pensions Committee and Pension Board members, pre mitigation scores have also been added to the risk register.
- 4.4. A high level matrix showing the distribution of risks by score is attached as appendix 2.
- 4.5. The complete risk register is attached as appendix 1.
- The risk register identifies risks which could have material impact on the APF in terms of service, value, reputation, or compliance. It sets out mitigating actions.

- The risk register is reviewed quarterly by APF management and reported to the Pension Committee and Pension Board every quarter.
- All risks are also reviewed quarterly or when there has been a material change.
- Risks fall into the following categories, owned by the relevant member of the APF management team:

Category of Risk	Risk Owner
Administration	Pensions Manager
Regulatory	Technical & Compliance Advisor
Governance	Governance & Risk Advisor
Employers (Funding)	Funding & Valuation Manager
Employers (Data)	Employer Services Manager
Investments	Investments Manager
Finance	Finance & Systems Manager

## 5. QUARTERLY REVIEW OF RISK REGISTER

5.1. 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.

5.2. Other changes made to the post mitigation scores this quarter are:

- 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.

5.3. Our most critical risks remain:

- NR01 – Ability to deliver admin service to members and employers within agreed standards. The current factors impacting this risk are set out in item 13 – Pension Fund Administration report.
- 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.

**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 Paris Aligned Global Equities, Sustainable Equities and renewable energy opportunities. The strategy is monitored and reviewed by the Pensions Committee and the Fund’s climate targets are being reviewed and will be changed before the end of 2023.

**8. CONSULTATION**

8.1. The Report and its contents have been discussed with the Head of Pensions representing the Avon Pension Fund and the Service Director – One West representing the administering authority.

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

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Number	Function	Risk	Impact	Pre Mitigants			Mitigating Actions / Control Framework	Current Impacting Factors	Post Mitigants			
				Impact	Likelihood	Score			Impact	Likelihood	Score	Trend
NR06	Governance	Cyber attack	Fund is unable to operate Members do not receive pension payment on time	Critical	Almost Certain	25	<ul style="list-style-type: none"> <li>- Disaster recovery plan in place</li> <li>- Business continuity plan</li> <li>- B&amp;NES cyber security policy and system defence</li> <li>- Implementation of recent internal cyber audit findings</li> </ul>	General high alert due to recent high profile external attacks Requested reassurances from Heywood	Critical	likely	20	→
NR01	Admin	Ability to deliver service to agreed standards	Poor member outcomes and/or breach of regulations	Critical	Almost Certain	25	<ul style="list-style-type: none"> <li>- KPIs &amp; complaints monitored and acted on</li> <li>- Plan to digitise will improve self-serve &amp; operations efficiency</li> <li>- Actions to improve staff recruitment &amp; retention</li> <li>- Process improvements being identified and implemented</li> <li>- Review of Top 10 Process Controls</li> </ul>	Digital transformation project Recruitment, skills and experience of staff Current backlogs of work New legislation (McCloud)	High	Likely	16	→
NR04	Governance	Governance of Fund not in accordance with APF policies Controls not adequate	Fines for non-compliance Disciplinary issues and reputational risk	High	Almost Certain	20	<ul style="list-style-type: none"> <li>- Internal Audit is undertaking a review of the Fund's controls which we will implement during Q1 2024</li> <li>- We have initiated a new project to correct errors in annual pension increments</li> </ul>	SAB Good Governance Review TPR General Code of Practice Pensions Increase Rectification Project and review of internal controls	High	Likely	16	→
NR18	Comms	Unforeseen events or service issues leads to reputational damage to the Fund amongst its stakeholders	Complaints Detrimental media coverage Loss of stakeholder confidence	High	Likely	16	<ul style="list-style-type: none"> <li>- Regular communications to stakeholders; emergency communication possible through website and email</li> <li>- Press/media enquiries and issues dealt with in accordance to B&amp;NES policy</li> <li>- Workshops and meetings held for current topics to gain stakeholder input</li> <li>- Contracts in place with legal advisors and PR professionals</li> <li>- Media monitoring undertaken</li> </ul>	Service delivery issues APF investments in contentious areas and poor financial performance Potential APF officer misconduct	Medium	Likely	12	↑
NR02	Regs	Regulatory changes	Breach of regulations Poor member outcomes Increased workloads for officers Changes to pooling could undermine delivery of investment strategy	High	Likely	16	<ul style="list-style-type: none"> <li>- Regulatory changes monitored via LGA and professional advisors</li> <li>- Officers attend SWAPOG/Tech Group</li> <li>- Regulatory projects included in service plans</li> <li>- Officers respond to consultations</li> </ul>	McCloud judgement Pensions Dashboard Exit payment cap Levelling up agenda Future of pooling consultation	Medium	Likely	12	→
NR05	Governance	Failure to manage personal data per regulations	Personal data corrupted, compromised or illegally shared Fines and reputational damage	Critical	Almost Certain	25	<ul style="list-style-type: none"> <li>- One West is Data Protection Officer for Fund and advises on data protection matters</li> <li>- Record of processing and privacy notice set out how data is managed</li> <li>- Processes reviewed as a result of data breaches</li> <li>- Regular officer training</li> <li>- Data sharing/transfer agreements and DPIAs implemented for all relevant projects</li> </ul>	Skills and experience of staff Electronically submitted data Rise in data breaches	High	Possible	12	→
NR10	Investments	Failure to earn investment returns	Scheme cannot meet liabilities and employer contributions could rise	Critical	Likely	20	<ul style="list-style-type: none"> <li>- Diversified asset allocation</li> <li>- Professional and independent investment advice</li> <li>- Risk management strategy supports funding strategy</li> <li>- FRMG &amp; Investment Panel monitor performance and risk</li> <li>- Periodic strategic investment review</li> </ul>	Heightened geo political risk Lower global growth and higher inflation/interest rates	High	Possible	12	→
NR11	Investments	Brunel fails to deliver client objectives regarding service delivery	Affects Fund's ability to achieve investment objectives	Critical	Possible	15	<ul style="list-style-type: none"> <li>- Brunel governance framework for strategic and operational decision making</li> <li>- Robust performance reporting</li> <li>- Avon-Brunel working group (internal)</li> </ul>	Future of pooling is strategic challenge for pool as views differ	High	Possible	12	→
NR12	Investments	Failure to achieve decarbonisation targets	Government climate policies not moving fast enough or sufficiently enforced Significant reputational and financial risks to value of investments	Critical	Almost Certain	25	<ul style="list-style-type: none"> <li>- Climate exposure assessed annually</li> <li>- climate risk analysis embedded into strategic decisions</li> <li>- Net Zero target of 2045</li> <li>- by 2030 will divest from high emission companies that are not aligning to NZ</li> <li>- targets to reduce emissions by 2025 and 2030</li> <li>- programme to engage with companies and policymakers</li> <li>- Brunel's comprehensive climate change policy and approach to investing underpins each portfolio</li> </ul>	Limited ability to control systemic risk Public policy is not driving agenda	Medium	Likely	12	→
NR08	Employers Funding	Employers unable to meet financial obligations to Fund	Financial cost to other employers in the Fund	High	Likely	16	<ul style="list-style-type: none"> <li>- Policies on employer financial stability set out in FSS &amp; ISS</li> <li>- Strong covenant management and information gathering processes</li> <li>- Quarterly review and mitigating action</li> </ul>	Challenging economic circumstances	Medium	Possible	9	↑
NR07	Employers Data	Employers do not comply with regulatory responsibilities	Poor member data Fines and greater scrutiny by TPR Employer liabilities incorrect if data is incorrect.	Critical	Likely	20	<ul style="list-style-type: none"> <li>- Management of employers set out in admin strategy/MOU</li> <li>- Employer KPIs recorded and monitored vs TPR standards</li> <li>- Employer training</li> <li>- Reconciliation of Iconnect &amp; Accounts in regards to contributions and data provided</li> </ul>	iConnect roll-out and TPR General Code of Practice	Medium	Possible	9	→
NR09	Investments	Operational risks of investment managers, custodian and other investment suppliers	Loss of assets Inability to trade is assets inaccessible	High	Possible	12	<ul style="list-style-type: none"> <li>- Due diligence and audits of service providers, managers</li> <li>- Controls embedded in investment management agreements</li> <li>- Diversification across different asset managers</li> <li>- Quarterly service &amp; risk review with Brunel and suppliers</li> </ul>	Data management and cyber risk	Medium	Possible	9	→
NR14	Investments	An increase in leverage materially reduces capital value leading to an unplanned and significant deviation in strategic asset allocation	LDI strategy may have to be unwound if insufficient collateral Inability to raise hedge ratio	High	Likely	16	<ul style="list-style-type: none"> <li>- Maintain collateral at prudent level with materia buffer vs risks</li> <li>- Set hedge ratio at level that can be adequately collateralised</li> <li>- Auto pause when LDI hedge ratio hits 40%</li> <li>- Offsetting nature of synthetic equity and equity protection strategies dampens leverage requirements</li> </ul>	UK gilt market environment	High	Unlikely	8	→

NR16	Finance	Cashflow profile is maturing	Not enough cash in bank to meet pension payments	Critical	Almost Certain	25	<ul style="list-style-type: none"> <li>- Monthly monitoring &amp; forecast of cashflow</li> <li>- Prudent cash buffer</li> <li>- Tradeable assets can be swiftly sold</li> </ul>	Increased the cash balance that can be held in money market funds	High	Unlikely	8	→
NR03	Governance	Pension Committee cannot operate effectively	Delays in decision making for the Fund Failure to meet MIFID & TPR regulations	Medium	Almost Certain	15	<ul style="list-style-type: none"> <li>- Representation of PC set out in Fund's representation policy</li> <li>- Knowledge requirements in Training policy</li> <li>- Compliance vs regulations defined in Compliance Statement</li> <li>- Decisions responsibilities set out in decision matrix</li> </ul>	Low engagement with training modules	Medium	Unlikely	6	→
NR13	Investments	Treasury investments	Loss of capital or income on cash Delayed return of principle or investment income	Medium	Possible	9	<ul style="list-style-type: none"> <li>- Adopt B&amp;NES Treasury management policy</li> <li>- Due diligene on banks</li> <li>- Diversification across multiple suppliers</li> <li>- Consultation with treasury management advisors</li> </ul>	Increased number of money market funds to invest in	Medium	Unlikely	6	→
NR17	Finance	Late / incorrect contributions from employers	Cashflow shortfalls Employer funding Deficits / Default TPR breach	Medium	Possible	9	<ul style="list-style-type: none"> <li>- Monthly reconciliations of contributions</li> <li>- Management reviews and action</li> <li>- Mercer funding monitor tool</li> <li>- Larger employers pre pay contributions</li> </ul>	Employer budgets stretched by economic crisis	Low	Possible	6	→

**CURRENT RISKS - SUMMARY**

		IMPACT				
		Rare	Unlikely	Possible	Likely	Almost Certain
PROBABILITY	Critical	0	0	0	1	0
	High	0	2	3	2	0
	Medium	0	2	3	3	0
	Low	0	0	1	0	0
	Negligible	0	0	0	0	0

**RISK FRAMEWORK**

		Rare	Unlikely	Possible	Likely	Almost Certain
Critical	5	10	15	20	25	
High	4	8	12	16	20	
Medium	3	6	9	12	15	
Low	2	4	6	8	10	
Negligible	1	2	3	4	5	

**ASSESSMENT OF LIKELIHOOD**

1	Rare	0 – 5% probability
2	Unlikely	6 – 20% probability
3	Possible	21 – 50% probability
4	Likely	51 – 80% probability
5	Almost Certain	81 – 100% probability

## ASSESSMENT OF IMPACT

		Service/ Operational	Assets	Legal Obligations	Project	Duty of Care – Clients & Staff
1	<b>Negligible</b>	Minimal disruption not impacting on an important service which can be resolved	Capital loss potential up to 1% of assets	Litigation, claims or fines Services up to £10k Corporate £25k	Minimal impact on APF delay < 1 month	Minimal or no impact on Services Duty of Care requirements.
2	<b>Low</b>	Brief disruption of important service /service area	Capital loss potential up to 5% of assets	Litigation, claims or fines Services up to £25k Corporate £50k	Some impact on APF delay < 3 months	Consideration required re. Duty of Care unlikely to have adverse impact meeting overall requirements.
3	<b>Medium</b>	Major effect to an important service area	Capital loss potential up to 15% of assets	Litigation, claims or fines Services up to £50k Corporate £100k	Adverse impact on APF significant slippage > 3 months	Duty of Care issues may have impact meeting requirements.
4	<b>High</b>	Complete loss of an important service area	Capital loss potential up to 25% of assets	Litigation, claims or fines Services up to £125k Corporate £250k	Significant impact on APF major delay of 6+ months	Significant impact on meeting Duty of Care responsibilities.
5	<b>Critical</b>	Major loss of whole service	Capital loss potential > 25% of assets	Litigation, claims or fines Services up to £250k Corporate £500k	Complete failure of project extreme delay > 12 months	Not meeting legal responsibilities placing individuals at risk.

<b>Bath &amp; North East Somerset Council</b>		
MEETING:	<b>LOCAL PENSION BOARD - AVON PENSION FUND</b>	
MEETING DATE:	<b>20 February 2024</b>	<b>AGENDA ITEM NUMBER</b>
TITLE:	<b>Pension Board – Training and Work Plan Update</b>	
WARD:	ALL	
<b>AN OPEN PUBLIC ITEM</b>		
List of attachments to this report:		
<b>Appendix 1 – Pension Board Workplan 2024</b>		
<b>Appendix 2 – Pension Board Training Plan 2024</b>		

## **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 workplan & training plan for 2024

2.2 Notes the dates for future meetings

## **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 Work Plan**

- a) 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.
- b) 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.
- c) An outline of the Work Plan is attached at Appendix 1 which is based on the discussion and agreement reached at the Pension Board workshop held in March. It will continue to be 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.

#### 4.2 **Modern Gov**

- a) All Pension Board members have been asked to access meeting papers via Modern Gov.
- b) If any member requires assistance with access to Modern Gov, the Governance Team ([APF\\_Governance@bathnes.gov.uk](mailto:APF_Governance@bathnes.gov.uk)) is able to provide support & training.

#### 4.3 **Future Meeting Dates**

- a) Meeting dates for 2024 are as follows:
  - 20<sup>th</sup> February
  - 12<sup>th</sup> June
  - 4<sup>th</sup> September
  - 5<sup>th</sup> December
- b) Any suggestions from members regarding the style and format of meetings is welcomed.

#### 4.4 **Training**

- a) 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.
- b) 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 Team to aid future training needs analysis.
- c) Appendix 2 contains the proposed training programme for the year ahead. The workshops will be held jointly with the APF Pension Committee.
- d) Members are asked to consider any other training needs through the rest of 2024 to fit into the working cycle of the Board.

#### 4.5 **Hyman's LGPS Online Learning Academy (LOLA)**

- a) The SAB's Good Governance Review is expected to include additional knowledge and skills requirements for Committee, Pension Board and Officers. Hymans Robertson have been working with the SAB to develop these requirements and have produced an LGPS Online Learning Academy (LOLA).
- b) The training is split into a number of modules covering the CIPFA Knowledge & Skills Framework.

c) The modules are set out below:

1. Committee Role & Pensions Legislation
2. Pensions Governance
3. Pensions Administration
4. Pensions Accounting and Audit Standards
5. Procurement & relationship Management
6. Investment Performance & Risk Management
7. Financial Markets & Products
8. Actuarial Methods, Standards & Practices
9. Current Issues

d) The full timetable for completion of all modules is contained in Appendix 2.

## **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 Paris Aligned Global Equities, Sustainable Equities and renewable energy opportunities. The strategy is monitored and reviewed by the Committee.

## **8 CONSULTATION**

8.1 The Report and its contents have been discussed with the Head of Pensions representing the Avon Pension Fund and the Service Director – One West representing the administering authority.

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

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**Appendix 1**

<b>Pension Board Workplan</b>	<b>February</b>	<b>June</b>	<b>September</b>	<b>December</b>
Administration Strategy & service plan update (include KPIs)				
Workplan & training plan				
Investment update				
Regulatory Update				
Risk Register review				
Annual review of committee & PB governance arrangements				
Pension Board's annual report				
Benchmarking				
Breaches Log - review of regulatory & data Breaches				
Statutory annual requirements (year end/ABS/PSS)				
Review of Audit reports				
Pension Fund annual report & statement of accounts				
Update on Service Plan - Projects/Change Programme				

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**Appendix 2**  
**Pension Board Training Plan**

Type of training	Date	Content
Workshop	May	TPR General Code
Workshop	November (after employer sessions)	Funding / Employer Concs session
Workshop	TBC	Dashboard

Hymans Learning Academy	Title of Module	Date to be completed	Time Commitment
Introduction	• An Introduction to LGPS Online Learning Academy	Jul-23	2 minutes
Module 1 – Committee Role and Pensions Legislation	• An Introduction to Pensions Legislation	Jul-23	27 minutes
	• An introduction to Pensions Legislation - The Role of a Councillor		
Module 2 – Pensions Governance	• LGPS Oversight Bodies – DLUHC & GAD	Aug-23	50 minutes
	• LGPS Oversight Bodies – TPR		
	• Business Planning		
	• LGPS Governance		
Module 3 – Pensions Administration	• Introduction to Administration	Sep-23	51 minutes
	• Additional Voluntary Contributions		
	• Policies and Procedures		
Module 4 – Pensions Accounting and Audit Standards	• Pensions Accounting and Audit Standards	Oct-23	11 minutes
Module 5 – Procurement and Relationship Management	• Public Procurement	Nov-23	11 minutes
Module 6 – Investment Performance and Risk Management	• Introduction to Investment Strategy	Jan-24	48 minutes
	• LGPS Investment Pooling		
	• Performance Monitoring		
	• Responsible Investment		
Module 7 – Financial Markets and Product Knowledge	• Introduction to Financial Markets and Product Knowledge	Feb-24	33 minutes
	• Investment – MiFID II		
Module 8 – Actuarial Methods, Standards and Practices	• Introduction to Funding Strategy	Mar-24	53 minutes
	• LGPS Actuarial Valuations – Process		
	• LGPS Valuation – Technical		
	• Employers		
Current Issues	• Understanding McCloud	Ongoing	
	• Pensions Dashboards		
	• Understanding Goodwin		
	• Introduction to Cyber Risk		
	• GAD Section 13		
	• Climate Change and TCFD		
	• McCloud Consultation		
	• SAB and HM Treasury Cost Cap Mechanisms		
	• Next Steps on Investment (England & Wales) Consultation Overview		
	• Next Steps on Investment (England & Wales) Consultation Response		
	• A Brief Introduction to Taskforce on Nature-related Financial Disclosures		

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