

BATH AND NORTH EAST SOMERSET

PENSION BOARD

Wednesday, 4th September, 2024

Present:- Nick Weaver (Chair), Steve Harman and Alison Wyatt

Also in attendance: Nick Dixon (Head of Pensions), Liz Woodyard (Group Manager for Funding, Investment & Risk), Anna Capp (Payroll Manager), Carolyn Morgan (Governance and Risk Advisor), Amanda Cooper (Employer Services Manager), Rebecca Clark (Member Services Manager) and Viki Merrill (Data Control Team Leader)

12 EMERGENCY EVACUATION PROCEDURE

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

13 APOLOGIES FOR ABSENCE

The Democratic Services Officer informed the Board that apologies had been received from Helen Ball (Member Representative), Stuart Anstead (Employer Representative) and Jeff Wring (Director of Financial Services, Assurance & Pensions).

14 DECLARATIONS OF INTEREST

There were none.

15 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

There was none.

16 ITEMS FROM THE PUBLIC

There were none.

17 ITEMS FROM MEMBERS

There were none.

18 MINUTES OF PREVIOUS MEETING: 12TH JUNE 2024

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

19 INVESTMENT UPDATE

The Group Manager for Funding, Investment & Risk addressed the Board. She stated that, from a relative performance perspective, financial markets were making it quite challenging and that a small number of technology stocks were doing well and had a high weighting within equity markets.

She added that the timing of interest rate cuts is a factor to monitor, but is unknown, especially within the USA.

She said that there were signs that the UK property market were beginning to stabilise

She explained that Brunel and its respective Portfolio Managers were doing as the Fund have asked, but some stock picking issues had arisen in specific portfolios.

She stated that the Octopus Housing Fund had now closed and that the deployment of capital was expected to take place early next year. She added that as part of this work Octopus have also held discussions with local housing developers.

She said that the Pensions Reform Bill was likely to require further discussions in relation to pooling and investments and that talks with stakeholders would be arranged in due course. She added that she was concerned over the speed of the review / consultation and that the Fund would contribute where it can.

Alison Wyatt asked if she was worried about the level of underperformance.

The Group Manager for Funding, Investment & Risk replied that the underperformance was mainly within the Equity Markets and that this can be expected to have fluctuating levels of performance, especially as 7 technology stocks have driven the bulk of market gains during 2023/24.

The Head of Pensions added that the Fund has to assess the concentration risk associated with these types of stocks and that managers are taking a prudent approach.

The Chair asked if there were any issues relating to cash flow or employers that the Board needs to be aware of.

The Group Manager for Funding, Investment & Risk replied that there were no issues and that this would be something that will be looked at in more detail at the next valuation. She added that the funding level was at around 102% and that an interim valuation was due in the coming weeks.

The Board **RESOLVED** to note the update provided by the Group Manager for Funding, Investment & Risk.

20 PENSION BOARD - ANNUAL REPORT 2024

The Governance and Risk Advisor introduced the report to the Board. She explained that, if approved, the report will be taken to Council on 21st November 2024 along with the Pension Committee's annual report to Council.

Steve Harman asked if any progress had been made on the recruitment of new members of the Board.

The Governance and Risk Advisor replied that they have been advertising for new Board members via newsletters, annual benefit statements and the Fund website. She added that the closing date for applications had been 3rd September 2024 and that four applications had been received. She said that interviews were planned to take place during September so that appointments could be made prior to the December meeting of the Board.

Steve Harman asked what happens to the small budget surplus that has been recorded within the report.

The Governance and Risk Advisor replied that a budget for the Board is agreed every year and that the surplus would sit within the Fund until an assessment had been made as to whether it is required to be carried forward into the subsequent year. She added that the costs associated with recruitment used to cost a lot more.

The Board **RESOLVED** to approve their Annual Report for 2024.

21 PENSION FUND ADMINISTRATION - PERFORMANCE REPORT

The Governance and Risk Advisor introduced the report to the Board. She provided the following information that had not available at the time of writing the report.

McCloud

She stated that officers had been concerned over the past week regarding the Government's lack of reference to McCloud and the need to show any differences in respect of that on the Annual Benefit Statement. She explained that on 31st August the Government announced a change to the regulations that said there would be no need show this currently.

She informed the Board that fixes to the software regarding McCloud were now being tested.

She then highlighted the following issues from within the report.

Pension Increase

Supplementary Pensions Increase (PI) is planned for October pay run subject to final testing.

The Chair commented that there was no deadline to have this solution in place and that Funds were dependant on their software providers.

Procurement

The fund has started preparatory work of the procurement process for the main software system and an Integrated Service Provider for the Pensions Dashboard – which will be done as one contract using the LGPS framework.

The Head of Pensions stated that this was a big strategic project and that the chosen provider would need to work across the Fund’s existing eco-system.

The Chair said that it was vital for the service that all parts of the system join up and that it was important to get things right and be thorough within the deadlines.

The Head of Pensions said that the Board would be updated appropriately and could expect further information at their December 2024 and March 2025 meetings.

The Governance and Risk Advisor said that the year-end exercise had gone well. She said that two employers could potentially receive fines due to late submissions.

The Employer Services Manager commented that they were looking to provide further support / training to employers where possible.

The Governance and Risk Advisor highlighted the following areas from the Restructure Update.

- New structure in place with effect from 1st August
- All ring-fenced officers got their first choice of roles
- Recruitment into new structure & new roles – Q3-Q4 – 15 vacant posts remain
- Movement of work and responsibilities – Q3

The Payroll Manager highlighted the following areas from the Workflow Update.

Q1 and beyond...

- Permanent team leaders appointed
- Training – new and existing officers
- Continued focus on backlogs
- Temporary “retirement team”

SLA monthly performance average July 23 – 18th August 24

- Many more areas turning green
- Team is focussed and working hard to reduce service backlogs

KPI cases completed as % July & August 24

- Overall picture is improving

The Chair suggested that a cumulative 'Green' column could be added to this slide for future reports.

The Payroll Manager said that there was a good atmosphere amongst the team and that they were aware and could see that progress was being made. She added that they were ahead of their projection for their Service Performance Plan.

The Employer Services Manager added that she has seen such a positive work ethic since joining in March and that there was good collaboration across the team.

The Chair said that it was important to stay ahead in the Service Performance Plan with the Pensions Dashboard due for implementation in 2025.

Steve Harman said that it was pleasing to see the improvements that had been made between June and August and wished for his congratulations to be given to all members of the team.

The Head of Pensions thanked him and said that he would convey his message to the team.

Pensions Increase Update

The Member Services Manager highlighted the following areas from the presentation.

Phase 2

- 39 cases have been manually calculated, with arrears / interest paid in July and August 2024.
- 95 cases are going through the bulk remediation process and will have the arrears / interest paid in September 2024.
- 68 cases have been reviewed and no further remediation is due.
- Total = 202 completed

Phase 2 – What's in progress

- 11 suspended child pensions have had arrears calculated. Dependants have been written to for current bank details.
- 39 death cases have been reviewed and arrears are being calculated.
- 10 cases are currently in checking
- Total = 60 in progress

The Chair asked if the child pension cases were being approached with empathy and understanding.

The Member Services Manager replied that staff were aware of the circumstances regarding these cases and that the letters that were being sent were appropriate.

Phase 2 – What's left

- 142 pensions suspended from outset (Member tracing) – these members are being traced and this population will be removed from the project as they are not a pension increase issue. These will be owned and dealt with as part of the normal tracing process.
- 94 GMP cases. These are complex cases and will require manual calculation and resolution.
- 11 Payroll cases – Once payroll queries are resolved, increases will need to be calculated.
- Total = 247 – 142 = 105 to action

The Chair asked to what extent has the process / success of this project been shared across the teams.

The Member Services Manager replied that a couple of training sessions have been carried to show what has / can be achieved.

The Employer Services Manager added that the restructure has enabled better communication lines.

Pensions Dashboard

The Data Control Team Leader highlighted the following areas from the presentation.

What is the Pensions Dashboard?

- The Government's aim is that online Pensions Dashboards will match users with all their pensions yet to be brought into payment, in one place and in a secure way.
- Their personal details will be verified within a complex "ecosystem" and details of their schemes and pension benefits will be fed back and available to view on a dashboard.
- The data will be presented in a simple and understandable way.

Steve Harman commented that he felt that the new Avon Pension Fund website was good and asked what the difference would be between that and Pensions Dashboard.

The Data Control Team Leader replied that the Avon Pension Fund website only shows the details in respect of that fund and that the Dashboard would show the different pensions attributable to one person in one place.

DWP Connection Deadline dates

- All Public Service Pension Schemes must be connected by 31st October 2025.
- Implementation planned between June – October 2025

The Pension Regulator (TPR) Guidance

- TPR will be responsible for ensuring we comply with the duties of the dashboard.
- We must be able to evidence:
 - Having regard for our “connect by” date
 - Appropriate Governance, processes and systems in place
 - Key decisions and progress recorded

TPR Guidance – what must we be doing now?

- Decide how to connect –
 - Review options
 - Current provider / Integrated Service Provider / Build your own
- Data Accuracy
 - Review your data to ensure:
 - We can match members with their pension
 - Return accurate data values

TPR Compliance & Enforcement approach

- Principle based
- Data led
- Will have a range of powers
- Will be pragmatic but robust where they see intentional non-compliance

Pensions Administration Standards Association (PASA) Guidance

- Key pillars which need to be addressed to achieve connection readiness.
 - Governance
 - Matching
 - Pensions Values
 - Technology
 - Administration

APF – Governance readiness

- Appointed a Project Manager
- Project plan for delivery and connection
- Education of Management team
- Next steps:
 - Ongoing monitoring of progress & compliance
 - Ongoing communication with officers, employers, Board & Committee
 - Delivery ISP and connect October 2025

The Chair said that the Dashboard was an important function to have in place, but that it was important to get it right, rather than rush, as the integration needs to be correct.

The Data Control Team Leader replied that they will work as carefully as possible and said that they have been reviewing providers since May and hoped to conclude that process within the coming weeks.

Steve Harman suggested that it might be worthwhile for the Board to have a separate workshop regarding the Pensions Dashboard at some point.

The Board **RESOLVED** to note the service performance for the period ending 30th June 2024 and the presentations that were delivered to them.

22 ANNUAL GOVERNANCE REVIEW

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

- Annually in June the Avon Pension Fund Committee review its governance arrangements.
- Scheme of Delegation - following recommendations in a recent internal audit a number of minor changes to the schedule and authorisation lists have been made to clarify roles, responsibilities and processes.
- Pension Committee's Terms of Reference – a change has been made to reflect decisions regarding the Local Impact Portfolio Framework being delegated to The Head of Pensions in conjunction with the working group. The formal decision will be taken by the Head of Pensions as an Officer Decision Report via the normal democratic reporting processes within Bath and North East Somerset Council. The revised Terms of Reference was approved by Council in June.
- Conflicts of Interest Policy - a couple of changes have been made to the Pooling section to reflect the current voting arrangements for Brunel. The wording originally stated decisions required a unanimous vote, this has been updated to reflect a majority vote.
- Under & Over Payments Policy – The Committee approved the policy in March 2024. The Fund identified the need to put in place a clear policy to establish the principles of rectification for members where there has been either an overpayment or underpayment of pension benefits.

Alison Wyatt commented regarding the Policy on the Overpayment and Underpayment of Pension Scheme Benefits and Contributions and said that she felt that a lot of instances had occurred recently.

The Governance & Risk Advisor replied that this does not happen on a regular basis outside of the ongoing work in relation to the Supplementary Pensions Increase. She

added that GMP rectification may also show a high degree of instances and that the policy was in place to cover all eventualities.

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

23 RISK MANAGEMENT UPDATE - RISK REGISTER

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

The quarterly review of the risk register has taken place and there have been a few changes made to the risks and their scores as follows:

- Risk NR07 (Employers data) has increased from a 'possible' post-mitigation likelihood to 'likely', reflecting the need for more focus on employer training.
- Risk NR02 (Regulatory change) has been decreased post-mitigation from 'likely' to 'possible'. This reflects the strong mitigants in place and a re-prioritisation of risks.
- Risk NR19 (Pensions Reform Bill) has been introduced to recognise the increased workload, staff retention and lack of Fund control around this.

The top five risks are now:

- 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 is in the process of carrying out a review of its business continuity plan.
- NR01 – Poor service levels below agreed standards. The current factors impacting this risk are set out in the Pension Fund Administration report.
- NR04 – Significant errors arising from poor controls. An external consultancy company has reviewed a number of the Fund's controls and the results are being analysed by officers.
- NR05 – Failure to manage personal data per regulations. The volume of personal data which the Fund manages – coupled with risks of data leakage – keeps this risk within the top five.
- NR10 - Failure to earn investment returns as per Funding Strategy. This remains top priority due to the critical impact on employers' contributions into the Fund.

Steve Harman asked whether the Pensions Dashboard, given the level of work required surrounding it, should have its own separate risk.

The Governance & Risk Advisor replied that this was covered by risk NR01. She added that she would discuss the proposal further with other members of the team.

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

24 GOVERNANCE UPDATE

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

Hyman's LGPS Online Learning Academy (LOLA)

The SAB's Good Governance Review & TPR's General Code of Practice 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).

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

Workshops (to be jointly held with the Pensions Committee)

26th September 2024 - TPR General Code of Practice
24th October 2024 - Interim Valuation Results
TBC - Pensions Dashboard

The Head of Pensions said that once the Fund's Process Review had been completed that the Board should receive a briefing.

The Governance & Risk Advisor replied that officers were considering holding a separate workshop regarding this in November.

The Board **RESOLVED** to:

- i) Note the workplan & training plan for 2024/25
- ii) Note the dates for future meetings.

The meeting ended at 11.50 am

Chair(person)

Date Confirmed and Signed

Prepared by Democratic Services