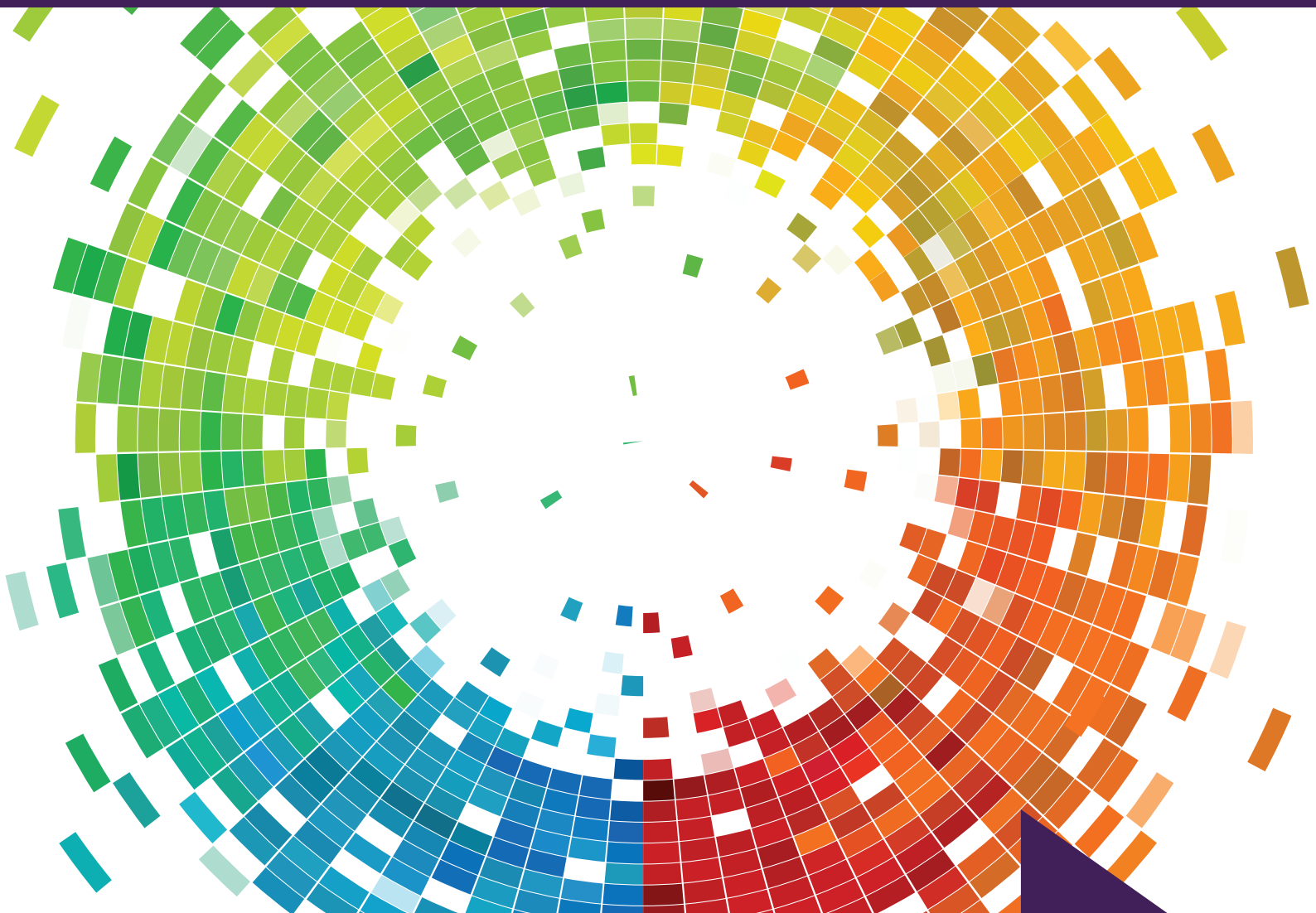


Bath & North East
Somerset Council



Avon Pension Fund Pension Board Annual Report 2015/16



1. Introduction



Welcome to the first Annual Report of the Local Pension Board (LPB) of Avon Pension Fund.

The Board was established in 2015 following a decision made by B&NES Council to create the Board in response to the Public Sector Pensions Act 2013.

This report covers the period 1st April 2015 to 31st July 2016 within which the Board has held five formal meetings.

The first year of the Board has been a developmental one with the initial focus being on -

- a. Establishing its own Terms of Reference and policies and procedures to ensure that its

governance complies with the statute and LGPS regulations and best practice guidance issued by the national LGPS Advisory Board;

- b. Supporting development of Board Members skills and knowledge through formal and informal training and agreeing a training plan so its members are fully conversant with their statutory duties and responsibilities for example on the requirements of the Pensions Regulator;
- c. Developing and starting to implement a rolling work programme to fulfil its statutory duties;
- d. Understanding the legislative framework within public sector pensions, compliance standards and significant new developments which may affect future governance such as 'pooling'.

I am delighted to say that with the support of the officers and advisors to the Avon Pension Fund the LPB has made good progress in fulfilling its terms of reference in its first year.

The LPB has reviewed a wide range of areas and made a number of recommendations (see page 8 and Appendix 1). Examples of such action included

the establishment of a formal Breaches Policy.

One of the most important reviews the LPB has undertaken is the funds compliance with the Pensions Regulators Code of Practice 14 (see page 6). The LPB welcomes the actions being implemented by the fund to ensure it fully complies with the Code before the LPB carries out its next annual review of compliance.

The LPB has also reviewed the Pension Funds communications and stressed the need for information to be kept up to date and the importance of the fund website to fund members

Looking ahead the LPB will seek to assist and support the Avon Pension Fund in respect of minimising potential governance and other risks arising from the Governments proposed asset pooling in 2017-18.

Last but not least could I thank my fellow Board members for their commitment to their roles on the LPB and I commend this report to you.

Howard Pearce
Independent Chair

2. Legal basis of Local Pension Board

Background

At the request of central government Lord Hutton conducted a wide ranging review into public service pensions and published his findings in a report in March 2011 recommending significant change to the governance of Pension Funds, 'to make... schemes... more transparent'.

Subsequently legislation was introduced in the form of the Public Sector Pension Act 2013 along with the Local Government Pension Scheme (Governance) Regulations 2015. These require each Local Government Pension Scheme (LGPS) administering authority to establish a new body known as a Local Pensions Board (LPB) to assist the Council (Administering Authority) in running the Pension Fund.

One of the key aims of the reform was to raise the standard of management and administration of public service pension schemes and to achieve more effective representation of employer and employee interests in that process.

Therefore the LPB is separate to the Avon Pension Fund Committee (Section 101 committee) to which as administering authority (the Council) it has delegated its functions in relation to the administration of the LGPS.

Specific Role and Purpose

The Public Sector Pension Act 2013 therefore sets out the requirements for the establishment of a Board with the responsibility for assisting the scheme manager in relation to the following matters:

- a. Securing compliance with the regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme and:
- b. To ensure the effective and efficient governance and administration of the Scheme.

The LPB will assist the 'Scheme Manager' by monitoring and advising on compliance with the pension scheme regulations, along with all other

legislation and the requirements imposed by the Pensions Regulator to ensure the effective and efficient governance and administration of the Scheme.

The LPB therefore works with the Avon Pension Fund Committee to scrutinise its decision making process and ensure the Fund's compliance with its legislative requirements and is not a decision making body.

Pension Regulator

From April 2015, the Pension Regulator had responsibility for the LGPS. Therefore a focus for the LPB was in ensuring compliance with the Regulator's code of practice. This is split into a number of areas which covers Governance, Risk Management and Resolving Issues.

The LPB as part of their work plan has needed to consider these areas, to ensure the Fund is compliant and if not to make recommendations to the Pension Fund Committee on ways to address these requirements.

Terms of Reference

Terms of Reference for the board are available through the following link.

<http://www.avonpensionfund.org.uk/pension-board>

3. Establishment of Local Pension Board

The requirement for an Independent Chairman and Board Membership was outlined in the terms of reference to the LPB which were agreed by full Council on the 15th January.

Adverts for the role of Chairman were placed on the Fund's website, Western Daily Press, Jobsgopublic.com, Local Government Chronicle online and the Council's job vacancy website.

All applicants were then reviewed against the five published criteria in the person specifications and a shortlist of four candidates drawn up for interview with the Strategic Director of Resources, Head of Business, Finance and Pensions and the Head of Audit West.

Interviews were held in June 2015 and a preferred candidate – Howard Pearce – was identified and recommended to the LPB for an appointment of four years.

The process for the appointment of Board Members followed a similar path with adverts placed on the Fund's website and pro-actively distributed through the many employee and employer communications and conferences.

Interviews for Board Membership were held from June 2015 through to May 2016 and as at May 2016 a full compliment of employer and employee members are now in post.

Details of the Local Pension Board Members

Independent Chairman:

Howard Pearce,
former Head of Pension Fund Management, Environment Agency.

Employer Member Representatives:

Gaynor Fisher, *active member*
Steve Harman, *active member*
Tony Whitlock, *active member*

Scheme Member Representative:

David Yorath, *retired member*
Tom Renhard, *active member*
Mark King, *active member*

The register of interests for members of the Local Pension Board and details of each individual's relevant experience are available through the following link.

<http://www.avonpensionfund.org.uk/pension-board>

Attendance at Local Pension Board Meetings – July 2015 – July 2016

Role	Board Member	Attendance
Independent Chairman	Howard Pearce	5
Employer Representative	Gaynor Fisher	4
	Steve Harman	4
	Tony Whitlock	2 (Started Role May 2016)
Member Representative	David Yorath	5
	Tom Renhard	4
	Mark King	1 (Started Role May 2016)

4. Training

Background

In accordance with the Pension Regulator (tPR) Code of Practice 14 every individual member of a LPB must in summary:

- Be Conversant with the rules of the local government pension scheme (LGPS) &
- Have knowledge and understanding of the law relating to pensions:

These responsibilities begin from the date the LPB member takes up their role. These knowledge and understanding requirements apply to every individual member of a LPB rather than as a collective group.

Degree of Knowledge and Understanding

The legal requirement is that Members of the LPB must be conversant with the rules of the LGPS and any document recording policy about the administration of the Fund. This is implied as a working knowledge so that members are aware of which legislation/policies to refer to when carrying out their role.

Areas of Knowledge and Understanding

LPB Members should be conversant with, but not limited to the following areas:

- a. Scheme approved policies
- b. Risk assessment/management
- c. Scheme booklets/members communications
- d. Role of LPB Members and the scheme manager
- e. Policies in relation to discretions
- f. Communications with scheme members and employers
- g. Key policy documents on administration, funding and investment

Training Undertaken

Briefings were given by officers from the Avon Pension Fund to LPB members on a full range of topics covering the LGPS framework, Avon Pension Fund and its administration.

In addition three Board Members attended the LGE Pensions Fundamental Course and five completed the on-line tPR e-learning public sector pension module toolkit.

Training is a regular topic at each formal board meeting and all Board Members retain their own training log, which is also submitted annually to assist in the completion of ongoing needs into a Training Plan.

Details of areas discussed, updates and plans are available through the following link.

<https://democracy.bathnes.gov.uk/ieListMeetings.aspx?CommitteId=563>

5. Local Pension Board Code of Conduct and Conflicts of Interest Policy

Code of Conduct

All LPB members signed up to a Code of Conduct in July 2015 which emphasised that as a holder of public office there is an expectation that LPB members will comply with the 'seven principles of public life', also known as the 'Nolan Principles'.

Conflicts of Interest

All LPB members also signed up to their own Conflicts of Interest Policy in November 2015. This requires all members to notify Democratic Service of any potential conflict of interest arising as a result of their position on the Board.

All meetings of the LPB include a standing item titled 'Declaration of Interests' at the start of the meeting where any declaration in relation to the items on the agenda should be made.

All LPB members have formally completed their declaration of interest forms and through five formal meetings which have been held during the year no 'conflicts' have been declared. For more information on conflicts of interest and declarations at each meeting please use the following link.

<https://democracy.bathnes.gov.uk/mgCommitteeDetails.aspx?ID=563>

6. Pension Board Costs & Budget

In meeting the requirements of the Public Sector Pension Act (2013) and establishing a Local Pensions Board, Bath & North East Somerset approved terms of reference and necessary supporting arrangements at its meeting of its full Council on the 15th January 2015 and the Pension Board adopted these at its meeting in July 2015.

These included the establishment of a budget to enable the Board to perform its duties and a summary of costs for its first year (nine months up to 31st March 2016) is included below.

As with all elements of the public sector there is exceptional pressure to ensure value for money can be demonstrated and the Board will continue to consider this in its future operations.

Summary Financial Table

Budget Area	Actual Costs	Budget
LPB Members Allowances	£6,024	£11,600
LPB Members Training Costs	£3,485	£6,000
LPB Meeting & Democratic Services Costs	£5,514	£6,000
Central Recharges & Officer Costs	£9,420	£12,800
Total	£24,443	£37,400

7. Local Pension Board Compliance with the Pension Regulator's Code of Practice No.14

As part of assessing both the effectiveness and compliance of the Board with its key requirements, officers carried out a self-assessment of the LPB's current arrangements against the Regulator's Code of Practice No.14.

The full results of this exercise were reported to the LPB's formal meeting in May 2016 and are available via the following link.

<https://democracy.bathnes.gov.uk/documents/s41759/Benchmarking%20update%20App2.pdf>

In summary the LPB and the fund were compliant with the Code and the self-assessment identified only a small number of recommended actions to take in meeting best practice, which included –

- Monitoring of Data Improvement Plan
- Managing Overdue contributions
- Records of Investigations and correspondence
- Production of Annual Benefit statements in required formats

- Provision of basic scheme information to new entrants
- Review Dispute Resolution procedures
- Review Employer obligations re: IDRPs Procedures
- Review Employer obligations re: TPAS and Pensions Ombudsman Procedures

The Board remain committed that the exercise should be revisited at least annually to ensure it could evaluate its compliance and assess improvements where necessary.

8. Pension Fund Communications

Effective communications form a core part of the role of the Avon Pension Fund and during the year the Board reviewed the new website which had been developed by the Fund as well as the overall Communications Strategy.

The Board welcomed the new website which had refreshed and simplified the way information on the Fund could both be located and sought and commended the actions of officers. Reviewing the strategy for how the fund communicates to its many stakeholders will remain a key element of the work plan of the Board on a rolling basis.

9. Risk Management

Risk management processes for the Avon Pension Fund follow the framework laid down by the Council. The Risk Register for the fund identifies the significant risks that could have a material impact in terms of value, reputation, compliance or provision of service and sets out the action taken to manage the risk.

The Register is reviewed regularly by the pension management team and risks fall into one of the following categories –

- i. Fund administration & control of operational processes and strategic governance processes and TPR compliance;
- ii. Service delivery partners not delivering in line with their contracts or SLAs;
- iii. Financial loss due to payments in error, loss of assets due to investment strategy and/or managers failing to deliver required return, fraud or negligence of investment managers or custodian
- iv. Changes to the National Scheme
- v. Increasing political pressure to reform scheme structure and governance frameworks and direct investment decisions

The LPB's ongoing review concurred with the views of Avon Pension Fund Officers in that the three top risks facing the fund revolve around –

- Project Brunel and future implications of pooling arrangements
- Significant growth of new employers through the Academies agenda
- Future Funding Strategy

The Fund continues to invest significantly in systems and resources to ensure the risks are managed effectively and resilience is built into the service and the arrangements in place are supported by external and internal audit reviews.

The LPB will continue to ensure that a review of the risk register will remain a regular agenda item.

10. Summary Review of Areas Covered in 2015/16 & Recommendations Made

The first year of operation of the LPB was very much developmental with the essential building blocks needing to be put in place to enable the Board to work effectively as we move forward.

A summary of the areas covered and recommended is detailed as follows (Full Details at Appendix 1) -

Establishment of LPB Arrangements, Policies & Procedures

Approval of Appointment of Chair and Board Members
Review & Approval of LPB Terms of Reference
Review & Approval of LPB Code of Conduct
Review & Approval of LPB Conflicts of Interest Policy
Review & Recommendation of Avon Pension Fund Regulatory Breaches Policy
Review of Training Requirements
Review of Work Plan

Review of Pension Fund Administration

Review of Compliance Report
Review of Risk Register
Review of Service Plan
Review of Annual Report
Review of Communication Strategy

Independent Assurance

Review of TPR & CIPFA Benchmarking exercises
Review of External Audit role and reports
Review of Internal Audit role and reports

11. Forward Plan for 2016-17

The draft work plan for the next 12 months is detailed as follows and will be kept under regular review.

Agenda Item	02/11/16	16/02/17	11/05/17	27/07/17
Conflicts of Interest Declarations	✓	✓	✓	✓
Training Plan Update (Incl. Annual Plan)	✓	✓	✓	✓
Work Plan Update	✓	✓	✓	✓
Avon Pension Fund Committee & Investment Panel Minutes	✓	✓	✓	✓
LGPS Developments & Updates	✓	✓	✓	✓
Risk Register Update	✓	✓	✓	✓
Review of Pension Fund Annual Report	✓			
Review of Administration Strategy		✓		
Compliance Report	✓	✓	✓	✓
Internal Audit Plans & Update		✓		
External Audit Plans & Update	✓		✓	
Pension Board Budget		✓		
Benchmarking Update	✓		✓	
Avon Pension Fund Service Plan 16/17			✓	
Pension Board Annual Report			✓	✓
Review of Communications Strategy				✓
Review of Statement of Investment Principles (Statutory Investment Strategy Statement)		✓		
Review of Policy Framework	✓			
Review of Valuation & Funding Strategy	✓			
Review of Data Integrity & Action Plans		✓		
Review of IT Security & Business Continuity			✓	
Review of Governance Compliance Statement			✓	
Review of compliance with TPR COP 14		✓		
Review of Fund Internal Controls & Delegations		✓		
Review of External Advisors				✓
Review of Fraud Risk Strategy		✓		
Review of Complaints/IDRP Procedures			✓	
Review of outcome of GMP reconciliation				✓

Appendix 1 – Local Pension Board – Actions & Decisions

The draft work plan for the next 12 months is detailed as follows and will be kept under regular review.

	Area	Action
All meetings	Pension Committee and Investment Sub-Committee Decision Making	The Local Pension Board actively scrutinised all Pension Committee and Investment Sub-Committee papers and minutes and considered their impacts in terms of the meeting agenda
30 July 2015		Resolved:
	Appointment of Chair & Board Members	Approve appointment of Chair and Board Members
	Purpose of Board & Terms of Reference	Approve Terms of Reference
	Code of Conduct and Conflicts of Interest	Recommend process to adopt Code of Conduct & create separate Conflicts of Interest Policy
	Training & Work Plan Requirements	Recommend creation of Training Plan and Work Plan for the Board
5 November 2015		Resolved:
	LGPS Developments	Note the report and latest developments and that Members should receive training about governance so that they had a clear understanding of the roles of the Council, the Committee, the Panel and the Board
	Conflicts of Interest Policy	Approved LPB Conflicts of Interest Policy
	Regulatory Breaches Policy	Recommended revisions and submission to Pension Fund Committee
	Annual Report	Note the Report
	Financial Statements	Note the Statements and recommend attendance of External Auditors at future meeting
	Administration Strategy	Note the Report
	Training & Work Plan Updates	Note the Updates
25 February 2016		Resolved:
	LGPS Developments	Note the report
	Benchmarking Update	Note the report and future plans for benchmarking of the LGPS by tPR and Scheme Advisory Board
	Compliance Report	Note the performance indicators and customer satisfaction feedback for the four months to January 2016
		Note progress on the Data Improvement Plan
		The Board would consider its regulatory compliance reporting at a future meeting
	Risk Register	Note the Risk Register

	Internal Audit	Note the report and Audit Plan and that completion of the recommended actions would come to a future meeting
	Regulatory Breaches Policy	Recommend the Breaches procedure (subject to the revisions discussed) to the Pension Fund Committee for approval
	Pension Board Budget	Recommend the budget for approval
	Training & Work Plan Updates	Note the reports and recommend completion of training logs and tPR e-learning module
19 May 2016		Resolved:
	LGPS Developments	Note the report and developments on 'pooling'
	External Audit	Note the Audit Plan for 2015/16
	Pension Fund Service Plan	Note the 3 year Service Plan and Budget
	Risk Register	Note the report
	Benchmarking Update	Note the outcome of the benchmarking exercise and review of tPR's Codes of Practice
	Compliance Report	Note the performance indicators and customer satisfaction feedback to 30th April 2016
		Note the Data Improvement Plan
	Training & Work Plan Updates	Note the reports and endorse the plans
27 July 2016		Resolved:
	LGPS Developments	Note the report
	Communications Strategy	Note the Communications Strategy
	Compliance Report	Note the report and Performance Indicators and Customer Satisfaction feedback for 3 months to 30 June 2016 and progress on the Data Improvement Plan
	Risk Register	Note the report and planned improvements
	Annual Report	Approve the Annual report
	Training & Work Plan Updates	Note the reports