

# Avon Pension Fund – Local Pension Board – Annual Report

## **1. Introduction**

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

The Board was established in 2015 arising from the Public Sector Pension Act 2013 and Local Government Pension Scheme (Governance) Regulations 2015.

The purpose of the Board is to assist the Administering Authority (Bath and North East Somerset (BANES) Council) of the Avon Pension Fund (APF) secure compliance with the LGPS regulations and the requirements of the Pensions Regulator (TPR) and ensure efficient and effectiveness of the governance and administration of the fund.

This report covers the period 1<sup>st</sup> August 2016 to 31<sup>st</sup> July 2017 within which the Board has held four formal meetings. During this period the members of the LPB have continued to develop their knowledge and understanding of the LGPS and TPR requirements as required by law.

The second year of operation of the LPB was focussed on its statutory responsibilities with a core agenda of key governance themes around the fund's legal compliance, risk management, best practice, and benchmarking.

It has also actively monitored the fund's involvement in the Brunel Pensions Partnership (BPP) that is being established in 2017 to facilitate the pooling of the funds assets with 9 other LGPS funds in 2018.

I am pleased to say that with the support of the officers and advisors to the APF; the LPB has made good progress in fulfilling its terms of reference and continuing to support the LGPS administering authority (BANES) fulfil its statutory duties.

The LPB has reviewed a wide range of LGPS regulations and TPR requirements and made a number of recommendations to the administering authority (see page 8 and Appendix 1).

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

The LPB has also reviewed the APF communication strategy and stressed the need for all scheme information to be kept up to date, and the importance of the fund website to fund employers and members.

Looking ahead the LPB will seek to assist and support the APF in respect of minimising potential governance and other risks arising from creation of the BPP in 2017 and the pooling of the funds assets with nine other LGPS funds in 2018.

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

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## **2. Legal basis of Local Pension Board**

### **Background**

At the request of central government Lord Hutton conducted a review into public service pensions in 2010 and published his findings in March 2011 which recommended significant change to the governance of the pensions *'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 (LGPS Administering Authority).

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. The LPB must have equal representation of scheme members and scheme employers.

The APF LPB is a separate legal entity from the APF Pensions Committee (Section 101 committee) to which as administering authority (BANES Council) has delegated its functions in relation to the administration of the LGPS.

### **Specific Role and Purpose**

The Public Sector Pension Act 2013 sets out the requirements for the establishment of a LPB with the responsibility for assisting the LGPS local scheme manager (BANES) in relation to the following:

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 role of the LPB can be likened to that of a "critical friend" but is not a decision making body. It has an important advisory role for the APF and works with the Pensions Committee to scrutinise its decision making processes and to ensure the Fund's compliance with all its legislative requirements.

### **The Pension Regulator (TPR)**

From April 2015, the Pension Regulator had responsibility for the LGPS. Therefore one focus for the LPB is ensuring the fund's compliance with TPR Codes 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 APF Pensions Committee to address these requirements.

### **Terms of Reference**

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

<http://www.avonpensionfund.org.uk/>.

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### **3. Establishment of Local Pension Board**

The requirement for an Independent Chair and Board Membership was outlined in the terms of reference to the LPB which were agreed by full BANES Council on the 15<sup>th</sup> January 2015.

Adverts for the role of Chair 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 (former Head of Pension Fund Management, Environment Agency) – 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. Appointed 1<sup>st</sup> July 2015. 4 year term of office to 30 June 2019.

##### **Employer Member Representatives:**

Gaynor Fisher, active member. Appointed 1<sup>st</sup> July 2015. 4 year term of office to 30 June 2019.

Steve Harman, active member. Appointed 1<sup>st</sup> July 2015. 4 year term of office to 30 June 2019.

Tony Whitlock, active member. Appointed 1<sup>st</sup> May 2016. 4 year term of office to 30 April 2020.

##### **Scheme Member Representative:**

David Yorath, retired member. Appointed 1<sup>st</sup> July 2015. 4 year term of office to 30 June 2019.

Tom Renhard, deferred member. Appointed 1<sup>st</sup> July 2015. 4 year term of office to 30 June 2019.

Mark King, active member. Appointed 1<sup>st</sup> May 2016. 4 year term of office to 30 April 2020.

In total the Board has well over 100 years experience of the LGPS. Details of each Board members experience, LPB training log, and register of interests for are available through the following link.

<http://www.avonpensionfund.org.uk/>.

#### **Attendance at Local Pension Board Meetings – August 2016 – July 2017**

<b>Role</b>	<b>Board Member</b>	<b>Attendance (to be updated please)</b>
<b>Independent Chairman</b>	Howard Pearce	4/4
<b>Employer Representative</b>	Gaynor Fisher	2/4
	Steve Harman	2/4
	Tony Whitlock	3/4
<b>Member Representative</b>	David Yorath	3/4
	Tom Renhard	3/4
	Mark King	3/4

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### 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**

During the year on-going technical training was provided to LPB members by officers from or advisors to the APF on a full range of topics covering the LGPS framework and TPR requirements.

All 7 members of the LPB have completed the TPR public sector pension toolkit certification. In addition three members attended the LGE LGPS Fundamentals Course.

The LPB training plan is a topic at each board meeting and all Board Members maintain a training log, which is also submitted annually to assist in the identification of on-going training needs.

Details of the LPB training plan and members training logs are available through the following link –

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

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

#### Code of Conduct

All LPB members have signed up to an LPB Code of Conduct in which emphasises 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 have also signed up to the LPB Conflicts of Interest Policy. This requires all members to notify BANES Democratic Services team 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 at the 4 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 15<sup>th</sup> January 2015.

The LPB agrees a budget on an annual basis to enable the Board to perform its duties and a summary of the costs is included below –

#### Summary Financial Table

<b>Budget Area</b>	<b>Actual Costs 2015-16</b>	<b>Budget 2016/17</b>	<b>Actual Costs 2016-17</b>
LPB Members Allowances	6,024	£12,000	£7,067.27
LPB Members Training Costs	3,485	£3,000	£1,500.00
LPB Meeting & Democratic Services Costs	5,514	£8,000	£3,245.00
Central Recharges & Officer Costs	9,420	£17,000	£11,800.00
<b>Total</b>	<b>£24,443</b>	<b>£40,600</b>	<b>£23,612.27</b>

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.

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### **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, the APF carried out a self-assessment of the LPB’s current arrangements against TPR Code of Practice No. 14. The full results of this exercise were reported initially in May 2016 and revisited in November 2016 and are available via the following link.

<https://democracy.bathnes.gov.uk/documents/s44211/LocalPensionBoardTPRCOP14UpdateNov2016.pdf>

In summary the LPB and the fund were compliant with the Code 14 and identified only a small number of recommended actions for the APF to achieve best practice, including –

- Monitoring of the 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 the funds Dispute Resolution procedures
- Review the funds employer obligations re: IDRP Procedures
- Review the funds employer obligations re: TPAS and Pensions Ombudsman Procedures

The Board has agreed that the compliance exercise should be revisited periodically to ensure it can continue to evaluate the APF compliance and advice on actions and improvements where necessary.

As part of this process Internal Audit carried out independent reviews of compliance against the Code in 2016/17 and their findings were reported to the Board in February 2017 along with their other reviews of the Pension Fund and overall Plan –

<https://democracy.bathnes.gov.uk/documents/s45651/LocalPensionBoardAuditUpdateFeb2017.pdf>

### **8. Pension Fund Communications**

Effective member and employer communications form a core part of the role of the APF. During the year the Board was represented at the Employer’s conference and also reviewed the APF’s communications strategy and website.

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

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### 9. Risk Management

Risk management processes for the APF follow the framework laid down by the LGPS administering authority (BANES Council). The APF Risk Register identifies the significant risks that could have a material impact in terms of value, reputation, compliance or provision of service and sets out the mitigating action taken to manage down each risk.

The Register is reviewed regularly and the key risks fall into one of the following categories –

- (i) Failures in the 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 LGPS nationally and increasing political pressure to reform the scheme structure, governance frameworks and to centrally direct investment decisions

The LPB's ongoing review of the risk register concurred with the Pensions Committee that the top risks facing the fund revolve around –

- The creation of the Brunel Pension Partnership (BPP) in 2017 and asset pooling in 2018
- Significant growth of new employers through the Government's academies agenda
- Delivering the future funding strategy
- Recruitment and Retention

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 funds risk register will remain a regular agenda item at each meeting.

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### 10. Summary Review of Areas Covered in 2016/17 & Recommendations Made

The second year of operation of the LPB was focussed on key governance themes of legal compliance, risk management, and best practice as well as monitoring the significant developments connected to asset pooling and creation of the Brunel Pensions Partnership. A summary of the areas covered and recommended is detailed as follows (**Full Details at Appendix 1**) –

<b>Review of LPB Arrangements</b>
Review of LPB Terms of Reference, Code of Conduct, Conflicts of Interest, Breaches
Review of Training Requirements
Review of Work Plan
<b>Review of Pension Fund Activities</b>
Review of Avon Pension Fund Committee & Investment Panel Minutes
Review of Project Brunel
Review of Investment Strategy Statement
Review of Valuation & Funding
Review of Transparency Code
<b>Review of Pension Fund Administration</b>
Review of Compliance Reports
Review of Risk Register
Review of Service Plan
Review of Annual Report
Review of Communication Strategy
<b>Independent Assurance</b>
Review of TPR, SAB & CIPFA external benchmarking exercises
Review of External Audit plan and reports
Review of Internal Audit plan and reports

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### 11. Draft Forward Plan for 2017-18

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

AGENDA ITEM	07/11/17	15/02/18	24/05/18	19/07/18
Conflicts of Interest Declarations	X	X	X	X
Training & Work Plan Update (Incl. Annual Plan)	X	X	X	X
APF Committee & Investment Panel Minutes	X	X	X	X
LGPS Developments & Updates	X	X	X	X
Risk Register Update	X	X	X	X
Project Brunel Ongoing Review (Governance etc)	X	X	X	X
Review of Pension Fund Annual Report and Accounts	X			
Review of Administration Strategy		X		
Avon Pension Fund Compliance Report	X	X	X	X
Internal Audit Plans & Update (Incl. COP 14 Update)		X		
External Audit Plans, Accounts & Governance Report	X		X	
Pension Board Budget		X		
Benchmarking Update (CIPFA/SAB etc)	X		X	
Avon Pension Fund Service Plan 17/18			X	
Pension Board Annual Report			X	X
Review of Communications Strategy				X
Review of Statutory Investment Strategy Statement		X		
Review of Valuation & Funding Strategy				X
Review of Data Integrity & Action Plans		X		
Review of GDPR (Data Protection) & IT Security		X	X	
Review of Complaints/IDRP Procedures			X	
Review of Governance Compliance Statement				X

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### Appendix 1 – Local Pension Board – Actions & Decisions

	Area	Action
<b>2<sup>nd</sup> November 2016</b>	<p><b>Pension Committee and Investment Panel Minutes</b></p> <p><b>LGPS Developments</b></p> <p><b>Project Brunel</b></p> <p><b>Compliance Report</b></p> <p><b>Code of Practice 14 Update</b></p> <p><b>Actuarial Valuation Update</b></p> <p><b>GAD Section 13 Update on LGPS Funds</b></p> <p><b>Risk Management Update</b></p> <p><b>Training &amp; Workplan Update</b></p>	<p>Resolved:</p> <p>Noted</p> <p>Noted report &amp; latest developments</p> <p>Note the update</p> <p>Noted Performance Indicators and Customer Satisfaction feedback for 3 months to 30 September 2016 &amp; Data Improvement Plan.</p> <p>To recommend to the Fund that:  a) poorly performing employers, whether they undertake training or not, should be required to sign an improvement action plan;  b) a letter should be sent to poorly performing employers advising them that they could be reported to The Pensions Regulator.</p> <p>To note the outcome of the review of the TPR's Code of Practice No 14 and latest position against best practice.</p> <p>Note the Update</p> <p>Note the Report</p> <p>Note the Report</p> <p>Note the report and endorse the high-level training and work plans outlined and that a table of LPB members training from appointment to the end of 2016 would be presented at the next meeting</p>
<b>16<sup>th</sup> February 2017</b>	<p><b>Pension Committee and Investment Panel Minutes</b></p> <p><b>LGPS Developments</b></p> <p><b>Project Brunel Update</b></p>	<p>Resolved:</p> <p>Noted</p> <p>Note the report</p> <p>Note the report</p>

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	<p><b>Investment Strategy Statement Update</b></p> <p><b>Valuation Update Report</b></p> <p><b>Compliance Report</b></p> <p><b>Benchmarking Update</b></p> <p><b>Risk Management</b></p> <p><b>Internal Audit Update</b></p> <p><b>Training, Work Plan &amp; Budget Updates</b></p>	<p>To request the Head of Business, Finance and Pensions to circulate the investment strategy statement to Pension Board members to enable them to comment on its compliance with DCLG statutory guidance. The statement will then be submitted to the Pensions Committee for consideration along with any comments received.</p> <p>Note the outcome of the actuarial valuation 2016</p> <p>To Note a) the membership data, employer performance and Avon Pension Fund performance for the 3 months to 31 December 2016. (b) Progress and reviews of the TPR Data Improvement Plan.</p> <p>Note the Report</p> <p>To note the report and to receive the full risk register including the top 10 risks at the next meeting.</p> <p>To note the report and outcomes from Internal Audit work.</p> <p>To request that the following areas be included in the B&amp;NES Council Audit Plan for 2017/18: a) Pensions Investments b) Pensions Administration – System Calculations c) Pensions Administration – Employer Contributions d) Pensions Governance (COP 14) e) Pensions Payroll</p> <p>To note the report and to endorse the high level Training and Work Plans outlined in Appendices 1 and 2 of the report and the indicative budget at Appendix 3.</p> <p>To receive future training as a group on the governance relating to the Brunel Project.</p>
<p><b>23<sup>rd</sup> May 2017</b></p>	<p><b>Pension Committee and Investment Panel Minutes</b></p> <p><b>LGPS Developments</b></p>	<p>Resolved:</p> <p>Noted</p> <p>To note the report and latest developments</p>

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	<p><b>Project Brunel Update</b></p> <p><b>External Audit Update</b></p> <p><b>Investment Strategy Statement</b></p> <p><b>Pension Fund Service Plan</b></p> <p><b>Compliance Report</b></p> <p><b>Risk Register</b></p> <p><b>Annual Report</b></p> <p><b>Training &amp; Work Plan Updates</b></p>	<p>Note the update and that a future board meeting will receive a briefing on the proposed future governance framework of the Avon Pension Fund and Brunel Pensions Partnership</p> <p>Note the Audit Plan for year ended March 2017</p> <p>Note the Investment Strategy Statement</p> <p>To welcome the positive response of the Pension Committee to comments from the Pension Board regarding the Investment Strategy Statement, and the plans for future updates</p> <p>To note the assessment of current compliance with the Investment Strategy Statement with the regulations</p> <p>Note the three year service plan and budget for 2017-20 for the Avon Pension Fund</p> <p>To Note</p> <p>a) the membership data, employer performance and Avon Pension Fund performance for the 3 months to 31 March 2017.</p> <p>(b) Progress and reviews of the TPR Data Improvement Plan.</p> <p>c) That the compliance report and improvement plan be afforded greater scrutiny at future meetings</p> <p>Note the report and Board recommendations regarding the risk register</p> <p>To delegate authority to the Chairman of the Board to finalise details of the report to enable key messages to feed into the annual report of the Avon Pension Fund and the final document will be considered at the Board's next meeting.</p> <p>To note the report and endorse the high level training and work plans outlined</p> <p>To hold a workshop regarding the compliance report immediately prior to the next meeting</p>
<p><b>27<sup>th</sup> July 2017</b></p>	<p><b>Pension Committee and Investment Panel Minutes</b></p> <p><b>LGPS Developments</b></p>	<p>Resolved:</p>

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	<p><b>Project Brunel Update</b></p> <p><b>Transparency Code Update</b></p> <p><b>SAB Survey</b></p> <p><b>Compliance Report</b></p> <p><b>Risk Register</b></p> <p><b>GDPR Update</b></p> <p><b>LPB Annual Report</b></p> <p><b>Training &amp; Work Plan Updates</b></p>	
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