

BATH AND NORTH EAST SOMERSET

PENSION BOARD

Thursday, 7th March, 2019

Present:- Howard Pearce (Chair), Gaynor Fisher (Employer Representative), Mark King (Member Representative), Tom Renhard (Member Representative), David Yorath (Member Representative) and Tony Whitlock (Employer Representative)

Also in attendance: Tony Bartlett (Head of Business, Finance and Pensions), Jeff Wring (Service Director - One West), Geoff Cleak (Pensions Manager) and Kathryn Shore (Technical and Compliance Advisor)

63 EMERGENCY EVACUATION PROCEDURE

The Democratic Services Officer advised the meeting of the procedure.

64 APOLOGIES FOR ABSENCE

Apologies were received from Steve Harman.

65 DECLARATIONS OF INTEREST

There were none.

66 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

The Chair reminded Members that the role and purpose of the Board (specified in section 5 of the Public Pension Act 2013) was to assist the administration authority to secure compliance with: Regulations; other legislation relating to the governance and administration of the LGPS; the requirements imposed by the Regulator in relation to the LGPS, and to ensure the effective and efficient governance and administration of the scheme.

The Chair drew attention to the survey on scheme governance commissioned by the Scheme Advisory Board. This would have a particular focus on conflicts of interest. Further information about the survey is available from the SAB and Hymans websites:

http://lgpsboard.org/images/PDF/SAB_statement_on_Good_Governance_Survey.pdf

<https://www.hymans.co.uk/news-and-insights/news-and-blogs/news/scheme-advisory-board-sab-good-governance-in-the-lgps/>

67 ITEMS FROM THE PUBLIC

There were none.

68 ITEMS FROM MEMBERS

There were none.

69 MINUTES OF PREVIOUS MEETING: 8 NOVEMBER 2018

The public and exempt minutes of the meeting of the 8 November 2018 were approved as a correct record and signed by the Chair.

70 LPB ACTION TRACKER

Action Log item 1.0: the Head of Business, Finance and Pensions confirmed that the APF Administration Strategy would be considered at the 22 March 2019 meeting of the APF Committee and would be on the agenda of the 13 June 2019 meeting of the Board.

Action Log item 4.0: the Chair requested the Pensions Manager to continue to seek statistics of missing member addresses from other LGPS funds.

Members agreed that it was their wish to meet the Pensions Regulator, and to receive training on the guidance on annual reporting for LGPS funds and on the MHCLG guidance on asset pooling during the course of the year.

The public and exempt minutes of the 7th December 2018 meeting of the Avon Pension Fund Committee were noted.

71 BRUNEL UPDATE

The Head of Business, Finance and Pensions presented the report.

He said that one of the issues the Oversight Board had been considering was client support. JLT had been already been engaged to provide ongoing support to officers and to coordinate contact with Brunel to ensure that the transition process kept to schedule. The Oversight Board felt that further professional support would be desirable.

A copy of the draft Brunel performance report for the period ending 30 September 2018 and the *Brunel Pension Partnership Governance Review* were tabled. The governance review would take place over the summer and would include a review of the service agreement with the client funds.

Progress was ongoing with the private markets portfolio; Brunel had recruited a member of staff to handle this.

The Brunel AGM had taken place at the end of January.

A Member said that the impression given in the report was that everything was on time and going to plan, and yet it appeared that the level of complexity was greater than originally anticipated, the transition had been extended, and extra resources were required. The Head of Business, Finance and Pensions agreed that things were more complex than assumed in the Business Case. However, the extra costs should be viewed in context: the extra resources required were an extra £1m in relation to a £23bn pool. One complicating factor was that the Financial Conduct

Authority did not have the resources to deal with the range of funds with which it now had to interact. The evidence was still that if sufficient time was allowed to do pooling properly then costs savings would be achieved.

The Chair said that Board's focus would be on whether the costs and benefits of pooling were transparent and whether pooling contributed to the overall efficiency and effectiveness of the APF scheme. The Head of Business, Finance and Pensions said that this was something that Government itself wanted to know.

RESOLVED to note the update.

72 LGPS REGULATORY UPDATE

The Technical and Compliance Advisor presented the report.

The Chair commented on the continuing large number of proposed changes to the LGPS emanating from various bodies, and suggested that the Administration Strategy had to be flexible enough to deal with these, and that the Fund should be prepared to provide additional administrative resources if these were required. The Head of Business, Finance and Pensions responded that the main challenges would be to find an appropriate flexible workforce structure and to achieve stability in the workforce. He hoped to make progress on these this year. The Chair suggested that restrictions on local authority recruitment should not apply to LGPS pension funds, which were distinct legal entities.

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

73 CONSULTATION ON GOVERNANCE CHANGES TO APF

The Head of Business, Finance and Pensions presented the report.

He said that the present Committee structure was reasonably representative of the employers in the Fund, with one significant gap, namely the large number of Academies that had become members through the academy conversion programme. So it was proposed to add an academy representative to the Committee membership. In addition, it was proposed to increase the number of Independent Members from 2 to 3 to help maintain the Fund's status as a professional investor. They also help maintain the continuity and collective memory of the Committee. One of the current Independent Members has a background in administration, the other in investment, and it has been proposed that a new Independent Member with an actuarial background would be a valuable addition. To further redress the balance of the Committee it has been proposed that the number of B&NES councillors should be reduced from 5 to 2. He had consulted the Group Leaders, who had raised no objections, but the change would have to be approved by the full Council.

Another proposal addressed the issue of how to best manage relations with Brunel. APF has a complicated relationship with Brunel and it is considered that there needs to be dedicated group consisting of members and officers to help APF manage this relationship.

A Member expressed concern that a reduction in the number of Councillors on the Committee would decrease democratic accountability. In its response to the consultation the Board had advised that legal advice be taken on the lawfulness of having four unelected members of the Committee taking financial decisions on behalf of the Council. The Head of Business, Finance and Pensions replied that the “democratic backstop” for the Fund was the role of the Council as the administering authority. The Council’s Section 151 Officer also played a role in the governance of the Fund. The Council decided the composition of the Committee and had lawfully chosen to delegate its operational responsibilities to it. There were independent and co-opted members on other Council committees.

Another aspect of the proposals focusses on streamlining current working methods and reducing duplication, by

- enabling the Pension Board to monitor the implementation of the administration Strategy and compliance and provide regular reports to the Committee on these
- moving the responsibility for delivering the investment strategy to the Investment Panel, allowing the Committee to focus on the on the key funding and strategic issues.
- more use of electronic communication to replace the circulation of paper

An updated report and the consultation responses will be circulated with the agenda for the March meeting of the Committee.

The Chair suggested that if certain statutory decisions were delegated to the Investment Panel, the Brunel Working Group Party would not be needed. The Head of Business, Finance and Pensions responded that the Working Group would have no decision-making powers and was only intended to be a channel of communication and would report regularly to the Committee.

The Head of Business, Finance and Pensions responded to suggestions made in the Board’s response to the consultation.

He acknowledged that there were a couple of examples of Joint LPB/Pensions Committee around the country, but he personally could not see how this could be a satisfactory arrangement; how would the scrutiny function performed by the Board be combined with the work of the Committee?

He did not think the Terms of Reference of the Board needed to be changed in their broad content. He felt that the guidance about the role of the Board contained examples of really poor drafting with a confusing mixture of things the Board had to do with things it might do. He believed clarity was necessary to ensure effectiveness.

The Chair pointed out that the statutory guidance on pooling said that the Pension Board could perform a useful role in investment governance. The Head of Business, Finance and Pensions said that this guidance was still in consultation.

The Service Director - One West said that the role and future membership of the Board was under review after its first four years, and Members were invited to comment on this. A Member suggested that the role of the Board would evolve as Brunel developed. Another Member said that he thought scrutiny and, where necessary, challenge, were central to the work of the Board. Another suggested that the Board ought to try to make an understanding of pensions more accessible to scheme members. The Chair felt that there should be a clear distinction between decision-making, which was the role of the Committee, and scrutiny and monitoring, which was the role of the Board.

The Service Director - One West said that two Members had indicated that they wished to continue their membership of the Board, others were considering their positions. He thought that the current makeup of the Board was probably appropriate. There would an external advert for the appointment of the Chair for the next four years after Easter and recruitment of any new Members would take place after the Summer. A Member suggested that the Terms of Reference should explain the role of the Chair in the appointment of the other Members.

RESOLVED:

1. to note the report;
2. to confirm that the Pension Board is concerned about the democratic deficit that would arise from the proposed reduction in elected councillors on the Committee, and the potential legal and other risks arising the proposed increase in the number of externally co-opted voting Members.

74 APF QUARTERLY COMPLIANCE REPORT

The Pensions Manager presented the Compliance Report for the quarter ending 31st December 2018.

He said that officers had been working with the scheme actuaries to identify change data in preparation for the valuation.

The project to clear the backlog of aggregation cases had been completed that week, the address-tracing project was reaching its final phase, and the Trivial Commutation project was underway.

Employer forums were held in January and February.

Staff had left and recruitment was in progress.

In reply to a question from the Chair, he said that no response had been received to the letter sent by the South West Area Pension Officers group to MHCLG and the Scheme Advisory Board seeing advice on how GMP cases where overpayments had been made should be treated.

The Chair was pleased to note the transparent reporting and good progress being made.

RESOLVED to note:

1. membership data, Fund and Employer performance for the 3 months to 31st December 2018;
2. progress and reviews of the TPR Data Improvement Plan.

75 APF RISK REGISTER

The Pensions Manager presented the report. He said that no changes had been made since the previous report.

The Chair commented that he thought recruitment and resources remained the major issues, and that in his opinion they deserved a risk score of 25 (the highest level), particularly in the context of asset pooling.

RESOLVED to note the Risk Register.

76 TRAINING, BUDGET AND WORKPLAN

The Service Director - One West presented the report.

He said that the dates of the two meetings of the Board to be held in Q3 and Q4 2019/2020 would be confirmed shortly.

He drew attention to the forecast underspend in the training budget for 2018/19, and re-iterated that budget was available for Members Training. A Member pointed that out training costs would be incurred for new Members of the Board.

The Chair drew attention to the annual Local Pension Board conference to be held in June 2019.

RESOLVED to note the report.

77 FORWARD LOOK

RESOLVED that all relevant issues had been covered elsewhere on the agenda.

78 DATE OF NEXT MEETING

The next meeting is scheduled to be held on 13 June 2019 at 2pm in the Kaposvar Room, Guildhall, Bath.

The meeting ended at 3.53 pm

Chair(person)

Date Confirmed and Signed

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