

BATH AND NORTH EAST SOMERSET

PENSION BOARD

Thursday, 27th May, 2021

Present:- Nick Weaver (Chair), Pete Sloman (Employer Representative), Helen Ball (Member Representative), Steve Harman (Employer Representative), Mark King (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), Kathryn Shore (Technical and Compliance Advisor), Claire Newbery (Employer Services Manager) and Carolyn Morgan (Governance and Risk Advisor)

1 WELCOME & INTRODUCTIONS

The Chair welcomed everyone to the meeting.

2 APOLOGIES FOR ABSENCE

There were none.

3 DECLARATIONS OF INTEREST

There were none.

4 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

There was none.

5 ITEMS FROM THE PUBLIC

There were none.

6 ITEMS FROM MEMBERS

There were none.

7 MINUTES OF PREVIOUS MEETING - 25TH FEBRUARY 2021

The Board noted the minutes of the previous meeting.

8 LGPS REGULATORY UPDATE

The Technical & Compliance Advisor introduced this report to the Board and highlighted the following areas from within it.

McCloud and Sargeant Court Case

On 13th May, MHCLG published a Written Ministerial Statement outlining some key remedy policies. All of the key policies outlined in the statement are as expected based on the proposals under the consultation. A full consultation response and draft regulations are expected to follow later in the year with final regulations expected to be implemented in April 2023.

HMT Public Sector Exit Payments Cap / MHCLG Consultation on Further Reform to Exit Payments

In April, MHCLG wrote to chief financial officers, of councils and combined authorities letting them know about a new requirement to provide data on exit payments. The data will be used to inform delivery of the Government's policy to end excessively high exit payments in the public sector.

Indexation of GMPs in Public Service Pension Schemes

On 23 March 2021, the Government published its response to the consultation on Guaranteed Minimum Pension (GMP) Indexation in Public Service Pension Schemes (PSPS). The response concludes that the Government has decided to discount conversion as a long-term policy solution and make the interim solution the permanent solution for GMP indexation in PSPS.

This approach means that we will continue to provide full indexation to those members with a GMP reaching their State Pension age beyond 5 April 2021.

TPR Codes of Practice

In March, TPR launched its New Code of Practice consultation outlining a draft new code which consolidates, with updates and amendments, most of the existing codes of practice, including the public service code of practice 14, into a new single online code. The consultation closed yesterday and Avon Pension Fund submitted a response ahead of the deadline.

The Chair commented that he felt that the LGPS was becoming more complex and thanked the officers for their work on the issues raised.

The Pensions Manager replied that the McCloud case will be a big resource issue for staff alongside if a revised exit cap is to be introduced.

The Head of Business Finance & Pensions added that the Fund has done and will continue to follow these changes very closely.

Tony Whitlock asked if the true cost of the McCloud judgement for employers would not be known until 2023.

The Technical & Compliance Advisor replied that she believed it could well be.

The Board noted the current position regarding the developments that could affect the administration of the fund.

9 FUND & EMPLOYER PERFORMANCE

The Pensions Manager introduced this report to the Board and highlighted the following areas from within it.

APF PERFORMANCE

As per TPR guidance the Fund has focussed on critical member processes including the processing of retirement and death benefits.

KPI performance is monitored and reported regularly to the Pensions Manager for review. At the end of March an overall 4,942 cases were outstanding of which 3,360 (68%) are workable. This represents an overall increase in outstanding workable cases over the previous period and is partly due to an increase in additional workload created by the year end reconciliation process and a three-month delay in the receipt of leaver information from a key fund employer which experienced issues in submitting its monthly i-Connect data extract following a change in payroll provider.

In addition, the downturn in the performance is as a result of ongoing recruitment and training of new staff members including the internal movement of a number of the existing team to new roles.

He commented that around 30% of members use the self-service online facility.

The Chair asked if the online facility was available for both personal members and employers to use.

The Pensions Manager replied that it can be used by both and that employers can use it to calculate strain costs. He added that it was hoped that by April 2022 all employers would be signed up to use i-Connect.

The Chair asked if there was enough support in place for staff that work directly with employers.

The Employer Services Manager replied that she felt that there was and that there is a particularly good relationship between staff and the main four employers.

Helen Ball said that it was important to have an ongoing link with all employers.

The Pensions Manager replied that there are employer relations teams in place, but that a turnover of staff can be an issue in some of the smaller employers.

Mark King said that he was surprised to hear that self-service usage was so low and suggested, if possible, for it to be promoted by users of the service.

The Board noted the Fund and Employer performance for the three months to 31st March 2021.

10 BRUNEL UPDATE (VERBAL UPDATE)

The Head of Business Finance & Pensions addressed the Board on this item. He raised the following points in his update.

- Governance Review approved by shareholders
- Potentially seven new Oversight Board Members due to the outcome of the recent Local Elections
- Performance Reporting ongoing – remains a work in progress
- Transition of assets almost complete – moving into business as usual to monitor the performance of assets

The Board noted the update.

11 UPDATE ON SERVICE PLAN & TRANSFORMATION PROPOSALS

The Pensions Manager introduced this report to the Board and highlighted the following areas from within it.

The Service Plan and Budget were formally approved by the Pensions Committee at its meeting in March 2021.

Resource Implications

Capacity within the Investments Team has now improved with the appointment of a Senior Investments Officer (SIO) in early 2021, with a specific focus on ESG and RI. A second SIO post remains vacant and is already provided for in the budget; further consideration will be given to filling this position once the team has bedded down and all legacy assets have transferred to Brunel (except those that cannot transfer and will be wound down by the Fund).

In respect of administration at the start of the pandemic a high number of posts remained unfilled. A phased recruitment programme has been in place over the past nine months to complete the establishment albeit with some slippage due to COVID and remote working.

Further recruitment to better structure the management team and support transformational needs of the service will be introduced as part of the 2021/22 budget and operationally the administration resources will be considered during the year as part of the Administration Strategy review.

The 2021/22 budget allows for additional temporary resource to support the expected workload to manage the McCloud remedy, with the use of external

specialist support as part of the ongoing solution to manage elements of specific project work.

Budget for 2021-24

The budget is split between those areas that relate to the administration of the Fund in terms of providing the administration service to members and employers, and those areas where there is less scope to directly control the costs. The budget also includes the estimated costs of the pension board. The LGPS regulations require the costs of local pension boards to be met by the local fund.

The budget approved for Administration in 2020/21 was £3.7m. The proposed budget for 2021/2022 increases to £4.0m. The increase will include the appointment of both a Transformation Manager and Project implementation officer and provide for the strengthening of the existing management team.

The previously planned IT system review budget has been removed pending the planned revision to the current Administration Strategy and it is envisaged that this will be presented to the Pensions Committee for consideration later in the year.

Administration

The most obvious outcome of moving to a solo homeworking environment is that all communication, engagement and operation now has to be timetabled and planned. With limited visibility there is increased pressure on the management team to ensure all operations are effectively maintained. Whilst longer term it is expected that digital tools will develop to support this, at present there is a reliance on increased management effort to sustain this position.

A number of developments have been paused as a result, but the need to now fully embrace digital operational capability provides a further logistical and management resource drain. Ensuring there remains sufficient management focus in key areas is now a major challenge for the administration and it is recommended that the management team is strengthened in quite specific areas to accommodate this.

In addition, the creation of a core projects unit which could be flexed as major projects such as McCloud emerge, will mitigate the current risk of continually diluting operational resource.

The new operating environment also requires a new infrastructure to support it and whilst the service has adapted, the change is far from complete. The establishment of a Transformation function would give the issue real focus and impetus and incorporate the recently created training function, communications and importantly lead on all digital transformation.

Whilst this function is being established, a projects officer will be appointed to kick start some of this work particularly digital service specification, digital office working including staff engagement and governance arrangements.

Helen Ball suggested that a review of the Service Plan could take place on a themed basis.

The Head of Business Finance & Pensions said that the Council were establishing a form of blended working where staff that need to access an office can, but they would mainly still work at home. He added that a review of office space / use was ongoing across the Council and that there was a need to now focus on ourselves as well as members and employers.

The Board noted the 3 Year Service Plan and Budget for 2021-24 for the Avon Pension Fund, including proposals to manage the transformation process.

12 GOOD GOVERNANCE REVIEW & TPR CONSULTATION

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

SAB Good Governance Review

On 15 February 2021, the SAB (Scheme Advisory Board) published the Good Governance: Phase 3 Report which was produced by the Hymans Robertson project team (<https://lgpsboard.org/index.php/projects/good-governance>).

The Phase 3 report provides further details on some of the recommendations which will now be submitted to the Local Government minister for consideration. A timeline for implementation is then expected, but it is likely that the recommendations will need to be in place by April 2022, with the first enhanced Governance Compliance Statement covering the period April 2022 to March 2023.

The Fund previously measured itself against the recommendations and is also seeking assistance from Hymans to ensure that there is an action plan for implementation according to the required timeline.

TPR Single Code of Practice

On 17 March 2021 The Pension Regulator (TPR) released a consultation on the first phase of its Single Code of Practice including a draft code. (<https://www.thepensionsregulator.gov.uk/en/documentlibrary/consultations/new-code-of-practice>)

This will become the code that is relevant for LGPS funds, replacing Code of Practice 14 and the parts of other codes that currently apply. The remaining codes will be added to the consolidated Single Code of Practice in future phases, although the outstanding codes are not relevant to the LGPS.

There will be a project to bring TPR guidance into line with the new Code starting later in 2021.

The Chair commented that within the new code there appeared to be a focus on training to support members of the relevant Boards and Committees, but a lack of training for staff was a possible concern.

The Head of Business Finance & Pensions replied that he felt that historically staff training had been strong and that around 8 – 10 staff members were now in place train and aid retention.

The Service Director - One West said that Appendix 4 to the report was the Governance Compliance Statement and was the first time it had been presented to the Board. He stated that it would be useful for the Board to reflect and to assess how the Governance Compliance Statement fitted into their role.

Mark King suggested that a workshop be held at some point to inform members of the future work involved.

The Governance & Risk Advisor replied that there was a requirement within the Good Governance review for an enhanced Governance Compliance Statement and a workshop on this subject would be useful. She confirmed she would add this item to the workplan of the Board.

The Board noted the report.

13 RISK REGISTER UPDATE

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

The risk register identifies the significant risks that could have a material impact on the Fund in terms of value, reputation, compliance or provision of service and sets out the action taken to manage the risk.

The Risk Register is reviewed every quarter by the pension management team. All risks with a review date are re-evaluated using the evaluation form and updates agreed and made to the risk register. Any new risks identified or changes to any other risks are also considered and the necessary amendments made.

This quarter The Fund carried out an annual review of the risk register as at 31 March 2021. In summary, over the last year, all risks have been reviewed at least once and there have been the following changes:

- 1 new risk added
- 5 risks removed or combined with other risks
- 10 risk scores increased
- 4 risk scores decreased
- 16 risks remained unchanged

A risk was added to the register in May 2020 to reflect the difficulties for the Fund in sustaining homeworking arrangements during the Pandemic. The situation continues to be monitored with risk assessments carried out for all staff, processes reviewed & digital solutions implemented where possible. New IT equipment for all staff will be rolled out in 2021 and a new digital strategy will be planned over the next year.

Although Climate Change still represents a significant risk to the Fund, by including specific net zero and carbon targets in the investment strategy and increasing investment in sustainable equities and renewable energy assets the risk score has reduced slightly.

The Board noted the report.

14 WORKPLAN & TRAINING PLAN

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

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.

Following participation in the National Knowledge Assessment conducted by Hymans Robertson LLP a training plan has been put together based on the recommendations of the assessment, which covers the requirements of the CIPFA Knowledge & Skills Framework. The workshops will be held jointly with the APF Pension Committee.

The Chair commented that completion of the TPR Toolkit was a requirement of being a Pension Board member and should be completed if not already done so. Completion should be confirmed to the Governance & Risk Advisor so that the training log can be updated.

The Board noted the report and recommends high level training needs through 2020/21.

The meeting ended at 12.40 pm

Chair(person)

Date Confirmed and Signed

Prepared by Democratic Services