

Avon Pension Fund – Local Pension Board – Annual Report 2020/21

1. Chairman's Summary

Welcome to the 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 (BANES Council) of the Avon Pension Fund (APF) secure compliance with the LGPS regulations and requirements of the Pensions Regulator (TPR) and ensure efficient and effective governance and administration of the fund.

This report covers the period 1st August 2020 to 31st July 2021 within which the Board has held three formal meetings & two workshops. It has focussed on the Fund's sustainability of its working arrangements while the Pandemic continued and has sought assurances from officers that the fund is able to operate remotely and continue to deliver its service to members & employers.

During this period the members of the LPB have also continued to develop their knowledge and understanding of the LGPS and TPR requirements as required by law.

I am pleased to say that with the support of the officers to the APF, the LPB has made good progress in fulfilling its terms of reference and continuing to support the administering authority in its statutory duties.

Over the year the LPB has reviewed a wide range of LGPS regulations and TPR requirements. This has included reviewing all administration processes against their legal timeframes as well as locally agreed service level agreements and analysing key issues around data quality & the McCloud remedy implementation plan.

In November 2020 it carried out a review of all the Fund's statutory annual requirements covering the year end process, issue of annual benefit statements and pension savings statements. It also had a more detailed look at the risk register and the breaches log and made recommendations as appropriate.

In May 2021 the Board welcomed an update on the proposed three-year service plan including plans for a revised Administration Strategy including the Fund's digital transformation.

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

Looking ahead the LPB will continue to assist and support the APF and will be particularly looking at how the Fund plans to meet the requirements of the Good Governance review and the Pension Regulator's single code of practice.

It has also stressed the need to support staff as remote working continues and to develop the service for the benefit of its members & employers.

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.

Nick Weaver
Independent Chair

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 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 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/>.

Avon Pension Fund – Local Pension Board – Annual Report 2020/21

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 15th January 2015.

Two members of the Pension Board complete their four year term this year, but both have agreed to extend their term by a further two years. This will allow the Fund to carry out a recruitment campaign to ensure replacements are recruited and in place before they step down.

Adverts are currently on the website and communications have been sent out to members and employers inviting applicants for a member rep and an employer rep.

All applicants will be reviewed against the published criteria in the person specifications and a shortlist of candidates drawn up for interview with the Service Director One West and Head of Business, Finance and Pensions.

Details of the Local Pension Board Members

Independent Chairman:

Nick Weaver. Appointed 1st November 2019. Term of office 4 years.

Employer Member Representatives:

Steve Harman, active member. Appointed 1st July 2015. Term of office extended to 30th June 2023.

Tony Whitlock, active member. Appointed 1st May 2016. Extended to 1st May 2024

Pete Sloman, active member. Appointed 1st March 2020. 4 year term of office 28th February 2024

Scheme Member Representative:

David Yorath, retired member. Appointed 1st July 2015. Extended to 30th June 2023.

Mark King, active member. Appointed 1st May 2016. 4 year term of office to 30th June 2023

Helen Ball, retired member. Appointed 1 March 2020. 4 year term of office 28th February 2024

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

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

Attendance at Local Pension Board Meetings – August 2020 – July 2021

Due to the Covid 19 Pandemic all meetings & workshops over the last year took place remotely. This was in accordance with regulations made under section 78 of the Coronavirus Act 2020 allowing local authorities in England to have express powers to hold public meetings virtually by using video or telephone conferencing technology.

Role	Board Member	Attendance
Independent Chairman	Nick Weaver	3/3
Employer Representative	Steve Harman	3/3
	Tony Whitlock	3/3
	Pete Sloman	2/3
Member Representative	David Yorath	2/3
	Mark King	2/3
	Helen Ball	3/3

4. Training

Background

In accordance with the Pension Regulator (TPR) Code of Practice 14 every member of a LPB must:

- 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. The knowledge and understanding requirements apply to every individual member of a LPB rather than as a 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.

Workshops were held in September 2020 and January 2021. The September workshop covered an overview of the governance arrangements of the Fund, a more detailed look at the administration of the scheme and discussed how the Fund should move forward when reviewing the Administration Strategy particularly with the changes required for staff to work remotely and provide a more digital service to members and employers.

In the January session officers put forward a new roadmap for a digital transformation for the Fund over the next five years. The Board approved the direction of travel and the revised Administration Strategy will be developed and delivered to Committee for approval at the end of the year.

Avon Pension Fund – Local Pension Board – Annual Report 2020/21

Through out the year members attended various virtual seminars and conferences such as CIPFA’s Pension Board autumn & spring events, LGE’s Trustee Fundamentals and Governance & Investment Update plus Brunel Investor Days. These events help to broaden understanding of topics of relevance to the LGPS and the role of a pension board member.

Along with the Pensions Committee the LPB took part in the LGPS National Knowledge Assessment carried out by Hymans Robertson in May 2020. A number of workshops have been planned over the next year based on the recommendations of the assessment.

The LPB training plan is a topic at each board meeting and a training log is maintained to assist in the identification of on-going training needs.

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 three 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.

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

Budget Area	2020/21 Budget	2020/21 Actuals
LPB Members Allowances	£8,000	£7,180
LPB Members Training Costs & External Support	£6,000	£1,115

Avon Pension Fund – Local Pension Board – Annual Report 2020/21

Pension Board Recruitment	£25,000	£0
LPB Meeting & Democratic Services Costs	£6,000	£2,332
Total	£45,000	£10,627

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

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 in 2016/17. 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>

This year Internal Audit have carried out a governance review against the requirements of the Code of Practice and their latest report is available via the following link –

(ADD LINK to Internal Audit report)

Overall, the control framework in place and operating for the management of the ‘Governing your Scheme’ section of Code of Practice 14 was found to be effective and given an assurance rating of “**Substantial Assurance**”. A total of 3 audit recommendations, and 1 area of good practice, are detailed in the Action Plan.

Amongst the strengths identified were:

- The Terms of Reference for the Pension Board can be found in The Council’s constitution.
- Pension Board members are asked to declare any conflicts of interest at the start of each meeting. This is recorded in the minutes of the meeting.
- Members are expected to observe the general principles of conduct identified by the Committee on Standards in Public Life (Nolan Principles) and signed declarations can be evidenced.
- There are more than four participants, on the Pension Board, with an equal split between employers and members. This structure complies with the requirements of the Local Government Pension Scheme regulations.
- When new members to the board are appointed, they are provided with detailed training material as well as attend an induction training session. Attendance at the training was 100% for new members.
- A “Training and Attendance” log is maintained and kept up to date.
- The Pension Board’s work plan and training plan forms part of the standard Pension Board agenda.
- There are several communication channels to inform and educate Board Members, such as the LGE monthly bulletin that explains any regulatory updates and changes to the scheme, LGPS regulatory update is a standard agenda item for Pension Board meetings, Invitations and attendance at LGPS seminars and workshops.

The following weaknesses were identified:

- Internal Audit was informed that all original members have completed the Pension Regulator’s Toolkit, but this could not be evidenced for all members.
- One out of three new Board Members had not completed a Register of Interest Form and signed a declaration that they agree to abide by the Code of Conduct.

Avon Pension Fund – Local Pension Board – Annual Report 2020/21

- An Independent Officer has not provided assurance that the declarations are not in conflict based on the interest declared and the members responsibility.

Internal Audit also identified the following opportunity

- A checklist should be developed that would enable measurement of the Pension Board's governance arrangements, including the requirements of COP-14, against governance best practice.

The Board support independent review and the work of Internal Audit and their reports and findings are reported to the Board. Details of previous audits can be found in the Board's meeting notes

<http://vm-civ-mgov/ieListMeetings.aspx?CId=563&Year=0>

8. Pension Fund Communications

Effective member and employer communications form a core part of the role of the APF. During the year the Board reviewed at a high level the APF's communications strategy and website.

The Board continue to work with APF officers on assessing all methods of communication both with Members and Employers, especially where issues have been identified and greater engagement or training is required.

Reviewing the strategy and approach to 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 APF follow the framework laid down by the LGPS administering authority (BANES Council) as well as CIPFA guidance. 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 –

- Brunel PP Governance, asset pooling and benefit realisation
- Delivering the future funding & investment strategies
- Significant growth of new employers, especially Academies as well as the ongoing financial stability of employers (employer covenants)
- Recruitment and Retention of staff
- Compliance with Legal Timeframes & service delivery to members
- Data Protection & Cyber Security

Avon Pension Fund – Local Pension Board – Annual Report 2020/21

- Business Continuity in response to the Covid-19 outbreak
- Impacts of McCloud Judgement
- Climate change emergency

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 has actively engaged on the key risks facing the APF and supports increases in resources to mitigate some of these risks as well as discussing issues around capacity, skills gaps and recruitment and retention.

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

10. Review of Areas Covered in 2020/21 & Recommendations Made

Over the last 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 the Brunel Pensions Partnership. A summary of the areas covered is as follows –

Review of LPB Arrangements	Review of Pension Fund Activities	Review of Pension Fund Administration	Independent Assurance
Review of LPB Terms of Reference, Code of Conduct, Conflicts of Interest, Breaches	Review of Avon Pension Fund Committee & Investment Panel Minutes	Review of Compliance Reports & legal timeframes at all meetings	Review of TPR, SAB & CIPFA external benchmarking exercises
Review of Training Requirements	Review of Project Brunel, Brunel Oversight Board	Review of Risk Register at all meetings	Review of External Audit plan and reports
Review of Work Plan	Review of Funding Strategy Statement	Review of Service Plan annually	Review of Internal Audit plan and reports
	Review of Investment Strategy Statement	Review of Statutory Annual Requirements eg ABSs & PSS	
	Review of Scheme Employers & Admitted Bodies	Review of McCloud remedy implementation plan	
	Review of Business Continuity in response to the Covid-19 outbreak	Review of Annual Report	

Meeting	Area	Action/Minutes
13/11/20	LGPS Regulatory Update Fund & Employer Performance Statutory Annual Requirements Breaches Log Risk Management Workplan & training plan	http://vm-civ-mgov/ieListDocuments.aspx?CId=563&MIId=5834&Ver=4
25/02/21	LGPS Regulatory Update Fund & Employer Performance Brunel Update CIPFA Benchmarking Risk Register Update Workplan & training plan	http://vm-civ-mgov/ieListDocuments.aspx?CId=563&MIId=5835&Ver=4

Avon Pension Fund – Local Pension Board – Annual Report 2020/21

27/05/21	LGPS Regulatory Update Fund & Employer Performance Brunel Update Service Plan & Transformation Proposals Good Governance Review & TPR Consultation Risk Register Update Workplan & training plan	http://vm-civ-mgov/ieListDocuments.aspx?CId=563&MId=5978&Ver=4
----------	--	---

11. Forward Plan for 2021/22

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

AGENDA ITEM	07/09/21	30/11/21	22/02/22	TBC (6/22)
Board Governance				
Terms of Reference (Governance) review	X			
Code of Conduct/ Conflicts of Interest policy	X			
Work Plan (to be dynamically updated)	X	X	X	X
Annual budget setting and monitoring				X
Training Plan (to be updated as required)	X	X	X	X
Annual Report to PC and Council approval	X			
Scheme and Fund Governance				
Legal, policy, regulatory developments	X	X	X	X
Minutes PC, IP, BOB	X	X	X	X
Annual Service Plan				X
Risk Register review	X	X	X	X
Good Governance Review		X		
TPR Code 14 Compliance updates	X	X	X	X
Internal Audit plan/reports on APF		X		X
External Audit Governance Report and Accounts			X	
Benchmarking against other BPP funds			X	
Funding/Investments				
BPP update (delivery/savings)	X	X	X	X
Benefits Admin/Comms				
Admin Strategy Review		X		
Fund and employers' compliance/TPR reporting	X	X	X	X
Breaches policy/register/TPR reporting		X		X
GDPR compliance				X
Record keeping, data security, business recovery		X		
ABS process annual review		X		
Admin performance benchmarking			X	
Comms policy statement and website review		X		
Complaints policy, IDRPCs, PO cases review		X		

Avon Pension Fund – Local Pension Board – Annual Report 2020/21

Pension Board Training Plan

Training Plan	Type of Training	Date planned / delivered
Trustee Fundamentals	Seminar	Autumn 2021
Brunel Investor Days	Online Seminar	27 Sept & 6 Oct 2021
Governance Conference	Conference	20 & 21 January 2022
Good Governance Review Workshop	Workshop	Autumn 2021
Actuarial & Valuation Session	Workshop	September 2021
Pension Administration & Governance	Workshop	December 2021
Investment performance & risk management	Workshop	June 2022