

# Avon Pension Fund – Local Pension Board – Annual Report 2021/22

## 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 1<sup>st</sup> August 2021 to 31<sup>st</sup> July 2022 within which the Board has held four formal meetings & joined the committee in two Valuation Workshops.

The year saw a few changes to board members, with Pete Sloman retiring in November 21 and Mark King standing down, following the completion of his second term at the end of April 22. The Board was pleased to welcome Stuart Anstead as its new employer representative and Alison Wyatt as its new member representative, replacing Pete and Mark respectively.

The LPB has continued to focus on the Fund's operational arrangements as the post Covid new normal saw services delivered in a mixed environment of virtual and office working. The Board has challenged officers over key performance indicators with a view to ensuring that the Fund delivered a good service to members and employers, whilst considering the wellbeing of staff and acknowledging the challenges the Fund faces with ongoing recruitment.

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

Over the year it has reviewed a wide range of LGPS regulations, governance requirements and received regular updates on its pooling arrangements with the Brunel Pensions Partnership. Of particular note it reviewed key issues around data quality for both the McCloud remedy and the introduction of the Pensions Dashboard, as well as the Fund's plan for the implementation of the SAB's Good Governance Review.

In November 2021 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 March 2022 the LPB welcomed an update on the proposed three-year service plan including more detailed plans for a revised operating model to deliver the Fund's digital transformation project.

Looking ahead the LPB will continue to assist and support the APF and will be particularly looking at how the Fund implements the requirements of the Good Governance review and the Pension Regulator's single code of practice. Following the introduction of Hymans' LGPS Online Learning Academy, Pension Board members have started to study modules to improve their understanding of various topics discussed at meetings.

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 required 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 assists 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 several 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.

One member of the Pension Board retired this year and one member left on completion of their second, four year term. Following a successful recruitment campaign a replacement member and employer rep were appointed.

#### Details of the Local Pension Board Members

##### Independent Chairman:

Nick Weaver. Appointed 1<sup>st</sup> November 2019. Term of office 4 years.

##### Employer Member Representatives:

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

Tony Whitlock, active member. Appointed 1<sup>st</sup> May 2016. Extended to 1<sup>st</sup> May 2024

Pete Sloman, active member. Appointed 1<sup>st</sup> March 2020. Retired 30<sup>th</sup> Nov 2021

Stuart Anstead, active member. Appointed 1<sup>st</sup> Dec 2021. 4 year term of office to 30<sup>th</sup> Nov 2025

##### Scheme Member Representative:

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

Mark King, active member. Appointed 1<sup>st</sup> May 2016. Term ending 30<sup>th</sup> April 2022

Helen Ball, retired member. Appointed 1 March 2020. 4 year term of office to 28<sup>th</sup> February 2024

Alison Wyatt, retired member. Appointed 1<sup>st</sup> May 2022. 4 year term of office to 30<sup>th</sup> April 2026

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 2021 – July 2022

Due to the Covid 19 Pandemic all meetings & workshops over the last year continued to take place remotely.

Role	Board Member	Attendance
Independent Chairman	Nick Weaver	4/4
Employer Representative	Steve Harman	3/4
	Tony Whitlock	2/4
	Pete Sloman	1/1
	Stuart Anstead	2/3
Member Representative	David Yorath	3/4
	Mark King	2/3
	Helen Ball	3/4
	Alison Wyatt	1/1

#### **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.

The Pension Board joined the Committee for a couple of workshops held by Mercer explaining the valuation process and the results of the interim valuation.

Training also took place to introduce Pension Board members to Hymans' LGPS Online Learning Academy. Members are undertaking a series of modules to improve knowledge and understanding as recommended as part of the SAB's Good governance review and in line with upcoming agenda items.

Throughout the year members attended various seminars and conferences such as CIPFA's Pension Board autumn & spring events, LGE's Trustee Fundamentals and Governance Conference 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.

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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 BANES Council's Code of Conduct policy, 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 Fund's 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 four formal meetings which have been held during the year only one conflict was declared, but agreement was reached that this did not constitute a conflict of interest. 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

Budget Area	2021/22 Budget	2021/22 Actual Spend
LPB Members Allowances	£8,000	£7,306
LPB Members Training Costs & External Support	£6,000	£195
Pension Board Recruitment	£25,000	£0
LPB Meeting & Democratic Services Costs	£20,700	£8,252
<b>Total</b>	<b>£59,700</b>	<b>£15,753</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**

In 2021 Internal Audit carried out a governance review against the requirements of TPR’s Code of Practice and their report is available via the following link <http://vm-civ-mgov/ieListDocuments.aspx?CId=563&MId=5944&Ver=4>

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.
- 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.

Following the audit an annual governance check was put in place to capture the requirements of the audit recommendations. The first governance review was reported to the LPB in May 2022. The report can be found here <http://vm-civ-mgov/ieListDocuments.aspx?CId=563&MId=6200&Ver=4>

### **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.

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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
- 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.

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### 10. Review of Areas Covered in 2021/22 & 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 Training Requirements  Review of Work Plan	Review of Avon Pension Fund Committee & Investment Panel Minutes  Review of Project Brunel, Brunel Oversight Board  Review of Funding Strategy Statement  Review of Investment Strategy Statement  Review of Scheme Employers & Admitted Bodies  Review of Business Continuity	Review of Compliance Reports & legal timeframes at all meetings  Review of Risk Register at all meetings  Review of Service Plan annually  Review of Statutory Annual Requirements eg ABSs & PSS  Review of McCloud remedy implementation plan  Review of Annual Report	Review of TPR, SAB & CIPFA external benchmarking exercises  Review of External Audit plan and reports  Review of Internal Audit plan and reports  Hymans’ gap analysis of requirements of the SAB’s Good Governance Review
Meeting	Area	Action/Minutes	
21/09/21	LGPS Regulatory Update Fund & Employer Performance Brunel Update Annual audit review Pension Board’s Annual Report Risk Register Update PB’s Workplan & Training Plan	<a href="http://vm-civ-mgov/ieListDocuments.aspx?CId=563&amp;MId=5944&amp;Ver=4">http://vm-civ-mgov/ieListDocuments.aspx?CId=563&amp;MId=5944&amp;Ver=4</a>	
30/11/21	Update on Legislation Fund & Employer Performance (including service plan update) Brunel Update Annual review of regulatory & data breaches Review statutory annual requirements APF Communications Update Risk Register Update PB’s Workplan & Training Plan	<a href="http://vm-civ-mgov/ieListDocuments.aspx?CId=563&amp;MId=5945&amp;Ver=4">http://vm-civ-mgov/ieListDocuments.aspx?CId=563&amp;MId=5945&amp;Ver=4</a>	
22/03/22	Regulatory Update Pension Fund Administration: Overview & summary performance report plus update on Service Plan Brunel Update Risk Register Update PB’s Workplan & Training Plan	<a href="http://vm-civ-mgov/ieListDocuments.aspx?CId=563&amp;MId=6177&amp;Ver=4">http://vm-civ-mgov/ieListDocuments.aspx?CId=563&amp;MId=6177&amp;Ver=4</a>	
09/06/22	Brunel Update Regulatory Update Pension Fund Administration: including update on CIPFA benchmarking & Admin Strategy Annual review of committee & PB governance arrangements Risk Register Update PB’s Workplan & Training Plan	<a href="http://vm-civ-mgov/ieListDocuments.aspx?CId=563&amp;MId=6200&amp;Ver=4">http://vm-civ-mgov/ieListDocuments.aspx?CId=563&amp;MId=6200&amp;Ver=4</a>	

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### 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	13/09/22	08/12/22	02/22	05/22
<b>Board Governance</b>				
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			
<b>Scheme and Fund Governance</b>				
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
Governance Review				X
TPR Code 14 Compliance updates	X	X	X	X
Internal Audit plan/reports on APF	X			
External Audit Governance Report and Accounts	X			
<b>Funding/Investments</b>				
BPP update (delivery/savings)	X	X	X	X
<b>Benefits Admin/Comms</b>				
Admin Strategy Review			X	
Fund and employers' compliance/TPR reporting	X	X	X	X
Breaches policy/register/TPR reporting		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		
Complaint's policy, IDRPs, PO cases review		X		

#### Pension Board Training Plan

Training Plan	Type of Training	Date planned / delivered
Trustee Fundamentals	Seminar	Autumn 2022
Brunel Investor Days	Seminar	Autumn 2022
Governance Conference	Conference	19 & 20 January 2023
Hymans' LGPS Online Learning Academy	Online modules	2022
Cyber Security Review	Workshop	TBA