

## **BATH AND NORTH EAST SOMERSET**

### **PENSION BOARD**

Tuesday, 4th October, 2022

**Present:-** Nick Weaver (Chair), Helen Ball, Steve Harman, Tony Whitlock and Alison Wyatt

**Also in attendance:** Jeff Wring (Director - One West), Liz Woodyard (Group Manager for Funding, Investment & Risk), Geoff Cleak (Pensions Manager), Anna Capp (Member Services Manager), Carolyn Morgan (Governance and Risk Advisor) and Charlotte Curtis (Governance & Risk Officer)

#### **14 EMERGENCY EVACUATION PROCEDURE**

The Chair welcomed everyone to the meeting and asked the Democratic Services Officer to read out the Emergency Evacuation Procedure.

#### **15 APOLOGIES FOR ABSENCE**

Stuart Anstead had sent his apologies to the Board.

#### **16 DECLARATIONS OF INTEREST**

There were none.

#### **17 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR**

There was none.

#### **18 ITEMS FROM THE PUBLIC**

There were none.

#### **19 ITEMS FROM MEMBERS**

There were none.

#### **20 MINUTES OF PREVIOUS MEETING: 9TH JUNE 2022**

The Board approved the minutes of the previous meeting and they were duly signed by the Chair.

#### **21 BRUNEL UPDATE (VERBAL)**

The Group Manager for Funding, Investment & Risk addressed the Board. She informed them that there had been a significant level of activity following the announcement of the mini budget by the Government and that the markets were already sensitive prior to the announcement.

She explained that the Bank of England have now taken measures to attempt to stabilise the markets and will at this point offer temporary support until 14<sup>th</sup> October.

She stated that to limit the impact of further collateral calls on the Fund's LDI portfolio following the spike in yields the decision had been made by FRMG on the Monday (26<sup>th</sup> Sept) to suspend further trading.

She said that Bond Yields started to rise around three to four weeks ago and at that time a decision was taken lock some in. She added that since the announcement of the mini budget more have been locked in.

She stated that the markets were now beginning to rally with sterling starting to strengthen.

She said that the portfolio overall remains in a good position and it has shown how important it is for the portfolio to be diverse. She added that there has been no change to the Strategic Asset Allocation.

The Chair asked if she could outline the responsibilities of the Committee and Brunel regarding the Strategic Asset Allocation.

The Group Manager for Funding, Investment & Risk replied that the Strategic Asset Allocation is set by the Committee every three years. She said that Brunel are then informed that, for example, the Fund wants to have 40% in equities to be split across a range of portfolios for investment.

She added that the LDI portfolio is managed by BlackRock through a bespoke strategy for the Fund and that this is supported through the FRMG (Funding & Risk Management Group) which comprises of officers and advisers from Mercer. She said that the FRMG meet at least once a month and had met on 26<sup>th</sup> Sept to take appropriate actions.

She explained that the Committee had recently approved the Taskforce on Climate-related Financial Disclosures (TCFD) report and that the Fund is due to respond on this matter to the DLUHC in due course.

Steve Harman asked how our Fund's approach differs from others within Brunel.

The Group Manager for Funding, Investment & Risk replied that on the whole they were probably quite similar, but said that Avon has the least exposure to equity and was the most diversified. She added that she felt in time that it was likely that asset allocations will converge as they seek similar opportunities to invest in. She said that Avon has a high level of risk management in place.

She stated that Brunel are working on improvements to the Fund's reporting processes and also that the Climate Stocktake was ongoing, with a new Climate Change Policy expected in January 2023.

Tony Whitlock asked if recent events have had an impact on the employer funding position.

The Group Manager for Funding, Investment & Risk replied that it had not had any at this stage, but that it continues to be monitored.

The Chair thanked her for the update on behalf of the Board.

## **22 FUNDING STRATEGY STATEMENT 2022**

The Group Manager for Funding, Investment & Risk introduced the report to the Board. She explained that the Committee had approved the Funding Strategy Statement (FSS) at its meeting on 23<sup>rd</sup> September and that the Board is asked to review it for compliance with the LGPS Regulations 2013 and CIPFA guidance.

The Chair asked if a number of interested parties involved with the Fund had responded to the consultation.

The Group Manager for Funding, Investment & Risk replied that more Academies had responded than in previous years alongside 2 Unitary Authorities and a number of colleges. She added that conversations regarding the FSS had also been held prior to the consultation.

The Chair asked if the Actuary was minded to reduce the prudence of his assumptions based on feedback from the employers.

The Group Manager for Funding, Investment & Risk replied that he wasn't and that they did challenge him throughout the process. She said that most employers will see a reduction in contributions. She added that if stagflation was prolonged it could see a negative value at the next valuation. She said that if inflation persists it could affect public sector funding significantly.

She informed the Board that they expect to receive the first results of the Actuary's report by the end of October / early November and that the process will conclude finally in March 2023.

The Board **RESOLVED** to approve the Funding Strategy Statement 2022 and determined that it was compliant with LGPS Regulations 2013 and CIPFA guidance.

## **23 ADMIN STRATEGY UPDATE**

The Pensions Manager and the Governance & Risk Advisor addressed the Board and gave them a presentation regarding the APF Administration Strategy & New Operating Model. A copy of the presentation will be attached as an online appendix to these minutes and a summary is set out below.

### New Admin Strategy 2022

- New strategy introduced to Pension Board March 22
- Included in service plan taken to Committee in March 22
- Part of concept is to maximise digital services and achieve greater focus on workloads
- Create new posts & career grades

## Operating Model Concept and High Level Structure Chart

The new Digital Services Team will support end to end processes - Two thirds of employers are now submitting online returns or IConnect extracts.

This will enable officers within the Member Services team to focus on specific critical cases (eg retirements/deaths/transfers).

Officers are working with consultants currently to develop the new posts. Discussions will take place in the future with the Human Resources team with regard to the grading of the new posts.

The aim is to deliver the project over three phases and conclude by April 2023. Where possible certain elements will be put in place ahead of this date.

### Project Plan – Phase 1

- Set up temporary Member Contact Team (June 2022)
  - 2 members of staff to triage emails and encourage use of My Pension Online
- Review functionality of My Pension Online (October 2022)
  - Explore the use of a portal
  - New starters to receive activation key to My Pension Online as standard
- Analysis of workload & resources (June 2022)

### Project Plan – Phase 2

- Expand Customer Contact Team (December 2022)
  - Team Leader has been appointed on a secondment basis.
  - 2 members of staff to move across in October, making 5 in total
- Iconnect Project
  - Rollout of document portal to all existing employers (December 2022)
  - Rollout of Iconnect to non IC employers (April 2023)
- Set up Iconnect Processing Team
  - Aim is to process cases to end status eg deferred, refund, aggregation (January 2023)
  - Use of bulk processes where possible (January 2023)

### Project Plan – Phase 3

- Consultation & Implementation of new operating model
  - Review, write and approve new Job Descriptions (December 2022)
  - Consultation Exercise with staff (begin in January 2023)
  - Review all processes and workflows across Teams (April 2023)
  - Update Administration Strategy (April 2023)

The Pensions Manager stated that alongside this project, officers are still trying to manage business as usual. He added that it had been good to receive external support for this work and that he was hopeful that career pathways with differing grade levels could be set within certain posts.

Steve Harman asked if training would be provided to existing staff to ensure that they have the technical expertise to carry out their roles.

The Governance & Risk Advisor replied that it would be and is within the project plan. She added that officers were working with Heywood to have training in place for new officers to understand the range of functionality within My Pension Online.

Alison Wyatt asked if there was a structured appraisal system in place for staff.

The Governance & Risk Advisor replied that annual reviews are held as well as 1-2-1 meetings on a monthly basis where performance and personal objectives are discussed.

Alison Wyatt asked if there was a particular profile of the employers who were not engaged with the Iconnect system.

The Pensions Manager replied that in general these were employers that only have a handful of members such as Town / Parish Councils, admitted bodies and some small colleges.

Alison Wyatt asked if officers were able support those employers to come online.

The Pensions Manager replied that training and support is available to onboard employers. He added though that it was important to the Fund to receive this information digitally and therefore fines would be issued to employers if necessary.

The Governance & Risk Advisor said that there is a dedicated Iconnect Team in place and acknowledged that some employers might not have enough resources in place. She added that if employers change their payroll provider, this can be a factor.

The Chair commented that the process does rely on employers giving data in good time. He asked how assertive can the service be with employers to make sure we receive the information on time.

The Member Services Manager replied that engagement with employers does take place. She added that when employers do change payroll providers they do not always consider how that will impact on the pensions process.

The Governance & Risk Advisor said that they have historically provided guidance to employers on this matter. She added that changes in personnel within an employer can also be a factor.

Alison Wyatt asked what happens if an employer decides to take payroll responsibilities in house.

The Governance & Risk Advisor replied that they have the same obligation to provide the data.

The Chair asked if the data received is measured for accuracy.

The Governance & Risk Advisor replied that a monthly verification process takes place.

Helen Ball commented that it appeared to be a large group of small organisations that are causing an awful lot of work for the officers. She asked if there were any measures that could be taken to remove them from the scheme.

The Governance & Risk Advisor replied that they could not be removed as if they are scheduled or admitted body employers they have a right to be part of the scheme.

Tony Whitlock asked how many members were currently actively using My Pension Online.

The Pensions Manager replied that he believed that this was around 30% of members.

The Governance & Risk Advisor added that as part of the new process all new members will be set up with a My Pension Online account.

The Chair thanked both officers for their presentation on behalf of the Board.

## **24 PENSION FUND ADMINISTRATION**

The Pensions Manager introduced the report to the Board.

He informed them that officers had this week returned to the Keynsham Civic Centre following its refurbishment with 46 workstations available for them to use. He said that the intention is that staff will come into the office for a minimum of two days a week or pro-rata if part-time.

He stated that the Fund continues to operate below its desired target of >90% for most case types and the case-by-case breakdown demonstrates an overall general maintenance from the previous quarter. He added that generally, however, KPI benchmarking performance has declined over the past year.

He said recruitment and retention remain a key factor impacting business operations. Employer Services currently have 5 FTE vacancies and Member Services team have 4 FTE vacancies, in addition the Technical & Compliance Manager post has now been re-advertised. He added that the administration is also carrying three maternity absences across the service.

He explained to mitigate operational workload some project work had already been outsourced, in particular; the GMP reconciliation project and the address tracing project. He added that consultancy engagement had now been procured to provide ongoing support with the McCloud remedy and the Annual Allowance tax charges review project.

He stated that 98% of Annual Benefit Statements have now been issued and that as part of the digital transformation project 11,384 statements were published digitally to members signed up with access to My Pension Online.

He informed the Board that 100% of Employer year end returns had now been received and the team have completed all required checks and validations before submitting to the scheme actuary.

He said that data for the 2 Unitary Authorities had now been received in relation to McCloud, but that there are still a number other employers who have not supplied their data and officers continue to chase. He added that we will now be part of a working group with the LGA and other admin authorities to tackle common issues regarding employers that are unable to return data.

He explained that the Address Tracing project had now concluded and that there Business as Usual processes in place to manage the ongoing tracing of new “Gone Away” members. He said that this will be supported by the new Digital Strategy that is being rolled out by the fund over the next 12 months.

He commented that gathering the benchmarking data can take a considerable amount of officer time and that they were in the process of testing new software (Insights) that would provide real-time information with results expected to feed in by the end of the financial year.

The Chair said that he also felt it was good to see the CIPFA standard reports.

The Pensions Manager said that Insights will report on both CIPFA standards and local SLAs.

The Pension Board **RESOLVED** to note the Fund performance for the three months to 30th June 2022.

## **25 CIPFA REPORTING**

The Pensions Manager addressed the Board and gave them a presentation regarding CIPFA Benchmarking. A copy of the presentation will be attached as an online appendix to these minutes and a summary is set out below.

He said that the Fund has taken part in CIPFA’s benchmarking gathering exercise for over 15 years. He explained that when they began more than 90% of Funds took part, but now only approximately 20 had.

He stated that the cost of participating in the exercise was around £2,700 (supplier £1k / APF resource £1.7k) plus officer time – approximately 74hrs across the admin team.

He explained that the report was quite difficult to interrogate and to extract data from. He informed the Board that the Fund (£19.62) was only just above the average admin cost per member when compared with our nearest neighbours by size (£19.36) and well below the national average (£31.90).

He said that the Fund's Performance KPIs were comparable in general apart from transfers.

He informed the Board that the majority of staff had been Fund members for either 1-5 years (42.69%) or more than 15 years (33.21%). He added that the highest proportion staff within the Fund earned between £20 - £25k (35%).

He asked the Board to consider whether the Fund should take part in future exercises, given that it is resource demanding, the consistency of the way the data is provided and the level of accessibility of the results data from CIPFA.

He added that even though data from 2020/21 was submitted last September no results were given until May 2022.

The Chair said that he was slightly disappointed that not as many Funds were now taking part.

Alison Wyatt questioned whether it was worth the officer time and stress to take part in future exercises.

The Pensions Manager said that officers will monitor what effect Insights has on this process.

The Chair asked if whether it was felt that CIPFA were engaged enough currently in this process.

The Group Manager for Funding, Investment & Risk said that maybe their role was slightly less prominent because of the Scheme Advisory Board. She added that pooling might also affect their involvement.

The Director – One West stated that his view was that benchmarking was a critical tool and valuable process that needs to be continued in some form. He said that opportunities within Brunel could be explored from those funds that are pooled together.

The Chair thanked the Pensions Manager for his presentation on behalf of the Board.

## **26 RISK REGISTER UPDATE**

The Governance & Risk Advisor introduced the item to the Board. She stated that the purpose of the report was to update them with the latest risk register as at September 2022. She added that officers were in the process of streamlining the register and that the intention was that the new version would be published within the December 2022 agenda.

Alison Wyatt referred to Risk R01 - Disaster Recovery & Business Continuity and asked when the Board would receive the report on Cyber Security and Business Continuity as it had been scheduled for earlier in the year.



The Governance & Risk Advisor replied that further internal work had been required and that a review within the Council was ongoing.

The Director, One West added that the report should form part of the agenda for the December 2022 meeting.

Steve Harman commented that he welcomed the decision to streamline the register as it would be more meaningful in his view to discuss the risks that are judged to be red.

The Board **RESOLVED** to note the report.

## **27 PENSION BOARD'S ANNUAL REPORT**

The Governance & Risk Advisor introduced the report to the Board. She informed them that the Pension Board reports annually to Council on the work it has undertaken in the previous twelve months. She added that the report will be taken to Council on 17th November 2022 along with the Pension Committee's annual report to Council.

Steve Harman commented that the content of the report was good, but felt that some work could be done with regard to the layout to make it slightly easier to read / engaging.

The Group Manager for Funding, Investment & Risk replied that in previous years they had spent a lot longer on producing a report that was probably more interesting and that maybe some middle ground could be found for next year's version.

The Director, One West asked for the training costs for the Board on page 103 of the agenda pack to be checked as he felt that they were likely to be higher than the £195 stated.

The Governance & Risk Advisor replied that she would check these figures prior to the report being submitted to Council.

The Board **RESOLVED** to approve the report.

## **28 PENSION BOARD WORKPLAN & TRAINING PLAN**

The Governance & Risk Advisor introduced the report to the Board. She highlighted Appendix 2 of the report and reminded members of the need for them to complete the training modules from the Hymans Learning Academy.

She stated that in order to ensure all members have the correct access to Modern Gov and the library, the APF Communications Team have been contacting members to provide the relevant support & training required.

She asked for Board Members to inform officers if they have any specific training needs or feel that they would benefit from having a workshop on a particular subject area.

The Board **RESOLVED** to:

- i) Note the workplan & training plan for 2022/23
- ii) Note the dates for future meetings.

The meeting ended at 4.30 pm

Chair(person) .....

Date Confirmed and Signed .....

**Prepared by Democratic Services**