

BATH AND NORTH EAST SOMERSET

PENSION BOARD

Wednesday, 6th September, 2023

Present:- Nick Weaver (Chair), Steve Harman (Employer Representative), Tony Whitlock (Employer Representative - via Teams), Stuart Anstead (Employer Representative) and Alison Wyatt (Member Representative)

Also in attendance: Nick Dixon (Head of Pensions), Jeff Wring (Director - One West), Anna Capp (Member Services Manager), Claire Newbery (Pensions Operations Manager), Carolyn Morgan (Governance and Risk Advisor), Charlotte Curtis (Governance & Risk Officer) and Yolonda Dean (Employer Services Manager)

1 EMERGENCY EVACUATION PROCEDURE

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

2 APOLOGIES FOR ABSENCE

Helen Ball and David Yorath had sent their apologies to the Board.

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: 23RD MAY 2023

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

8 BRUNEL / INVESTMENT UPDATE

The Head of Pensions addressed the Board. He stated that over the last 12 months the Fund's performance has been -0.3% which he believed was slightly below the typical Local Authority benchmark. He added that this was mainly due to a 12% property allocation which has not performed well and gilts exposure.

He explained to the Board that the Fund has £5.4 billion worth of assets and that the funding level had improved to around 97% at 30 June 2023, as rising interest rates reduced the present value of future liabilities. Therefore, the Fund is in a strong, robust financial position.

He said that 86% of the Fund's assets had now transferred to Brunel and that the remaining 14% was deemed difficult to transfer and were likely to be allowed to run off into Brunel over the next 3 – 4 years.

He informed the Board that the carbon intensity within the equity portfolio was 40% below the global benchmark. He added though that they were aware of resource constraints within Brunel, in particular regarding Private Markets and Local Impact Investing and that it was vital to have a structure in place to help them to attract the best talent.

He stated that in response to the Government's consultation on pooling that they were broadly in favour of further pooling and would be presenting the Committee with three options later in the month before issuing the Fund's formal response. He added though that the Fund was against being mandated to invest in specific asset categories and should maintain its investment freedom.

He explained that a Climate Review for the Fund was ongoing involving both Brunel and Mercer who were providing an analysis to set out options for the Fund. He added that the review would set out the trade offs to be considered, in particular, the pace of change on net zero -v- investment risk.

He said that Mercer have already advised that to attempt to achieve net zero by 2030 would mean that only 75 global stocks would be available to invest in and this would create a large concentration risk for the Fund.

He said that the analysis was due to be completed by the end of September, consultation with stakeholders would then take place during October & November, with a decision due to be taken by the Committee in December.

Alison Wyatt asked why only 75 investment options would be available to the Fund.

The Head of Pensions replied that the main reason was that if you analyse the value chain of these companies, there would only be this number that could claim to having an actual net zero impact on the planet.

Nick Weaver asked how much risk should be assigned to the Government's consolidation proposals.

The Head of Pensions replied that he felt that there was a material risk to them mandating certain investments. He added however that he was sure that they would be receiving universal feedback that mandating in certain sectors is against the other objectives of the funds and their risk management stance. He said that he was hopeful that lobbying would mitigate this risk to some degree.

Nick Weaver asked what benefits could be gained from further consolidation.

The Head of Pensions replied that deeper pools of talent could be created and that this could enable experts to be identified in different pools to be used across the country.

The Board **RESOLVED** to note the update that had been provided.

9 PENSION BOARD ANNUAL REPORT

The Governance & Risk Advisor introduced this report to the Board. She explained that a few amendments had been made following a draft circulation and a workshop discussion.

She stated that the Pension Board reports annually to Council on the work it has undertaken in the previous twelve months. She added that the report would be taken to Council on 17th November 2023 along with the Pension Committee's annual report to Council.

Steve Harman thanked her for making the amendments as requested and said that he felt that the report now read a lot better.

Tony Whitlock asked if the links within the report would work when published.

The Governance & Risk Advisor replied that she believed they would as all the links are to public documents. She said that this would be checked prior to publication.

Claire Newbery added that the report could be viewed using a different browser to enable the links to work.

Alison Wyatt asked why the figure of £25,500 for Pension Board Recruitment had not been used and what actions were needed for that amount to be allocated.

The Governance & Risk Advisor replied that this amount had been allocated to the budget as potentially two recruitment campaigns for Board members could have been required. She added though that the current members had decided to extend their term of office.

She stated that primarily the costs would have been associated with advertising the posts and printing and mailing information to prospective members.

The Board **RESOLVED** to approve their 2023 Annual Report.

10 ANNUAL REVIEW OF COMMITTEE AND BOARD GOVERNANCE ARRANGEMENTS

The Governance & Risk Advisor introduced this report to the Board. She referred to Appendix 1 – Annual review of Pension Board Governance and said that it was good to see that the majority of the table was green.

She asked for member's assistance in resolving those that had been identified as amber or red and highlighted the areas of Declarations of Interest forms and Training undertaken as matters to be completed.

She stated that there had been no changes to the Board's Terms of Reference (Appendix 2) and that Appendices 3 – 8 had been approved by the Committee earlier in the year.

Alison Wyatt asked if the Scheme of Delegations was benchmarked against those of any other Local Authorities.

The Governance & Risk Advisor replied that it was not. She added that it is agreed by the Senior Management Team with this review taking place every year and then audited every 2 – 3 years.

The Head of Pensions said that he had compared the scheme with some within the private sector and said that they were broadly similar.

The Director, One West added that the scheme was in line with the Council's general principles and has approval from both the Monitoring Officer and Section 151 Officer.

The Pensions Operation Manager assured the Board that various levels of checking do take place as part of the scheme.

The Member Services Manager explained that within the applications that are used as part of their work there are set levels so that only officers of a certain position can carry out such duties.

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

11 CIPFA BENCHMARKING

The Governance & Risk Advisor introduced this report to the Board. She stated that the Fund had taken part in the exercise for the past 15 years as it had been seen as a useful process to carry out. She explained that they were aware that the participation of other Funds had been dropping and that they had taken the decision not to take part in the exercise in 2023 and to consider other options, including using the SF3 data, in relation to gathering information.

She highlighted the following areas from within the report.

Administration Cost Per Member

Previous Year (2020-2021)

£19.62

Average: £20.45

Difference to average: £0.83

Current Year (2021-2022)

£21.17

Average: £35.10

Difference to average: £13.93

Administration Cost Per Member (nearest neighbour in size)

Northamptonshire £26.51

Cambridgeshire £26.00

Cheshire £24.35

Staffordshire £23.47

B&NES £21.17

Administration Cost Per Member (nearest neighbour geographically)

Oxfordshire £42.69

Gloucestershire £26.72

Wiltshire £21.95

West Midlands £21.56

B&NES £21.17

Administration Cost Per FTE

Previous Year (2020-2021)

£48,000

Average: £67,042

Difference to average: £19,042

Current Year (2021-2022)

£44,723

Average: £70,591

Difference to average: £25,868

KPIs (Active Members)

KPI (15 days)	Previous Year (2020-2021)	Current Year (2021-2022)
Retirements (estimates)	76.8%, 726 cases within KPI	48.5%, 670 cases within KPI
Retirements (actual)	84.8%, 570 cases within KPI	81.4%, 770 cases within KPI
Retirements – process and payment	84.8%, 570 cases within KPI	81.4%, 770 cases within KPI

She said that officers were aware that the service was not quite where they want it to be and recognised that investment into it is required.

Steve Harman said that the report showed that it was clear that the admin function of the Fund is underinvested and that this needs to improve to enable its performance levels to rise.

Stuart Anstead asked if officers had assessed where the Fund would be if the Transformation Plan had been completed.

The Governance & Risk Advisor replied that this was not an exercise that had been carried out yet.

Nick Weaver commented that the use of SF3 data will still not be a perfect analysis and suggested that officers compare those figures with the Fund's annual accounts.

The Board **RESOLVED** to note the report and the decision not to take part in the 2023 benchmarking exercise and instead look at alternative options.

12 ADMINISTRATION UPDATE

The Pensions Operations Manager introduced the report to the Board. She emphasised that, whilst it remains a challenging time within the service, she wanted to recognise the work that has been carried out by the teams, particularly regarding the Year End Data.

She explained that demand for the service is increasing, with a high influx of calls and emails. She added that most processes within the service are still carried out manually.

She highlighted to the Board the following areas from Appendix 3 - Administration Service Improvement Plan update Q2 2023.

Key levers to improve people environment

- Improve salaries – Done
- Fill vacant positions - Started
- Leadership & communication – Ongoing
- Organisation, Training, Development, and Career Progressions – Ongoing

Payroll

Q2 UPDATE

- Resourced with 3 full time officers (2 seconded) and 2 casual officers
- Resilience & confidence in ability to maintain payroll services

OBJECTIVES

- Fully resourced
- Robust processes

- MI on workflow – full transparency

ACTIONS

- Review structure of payroll team
- Maintain support from Members Services officers
- Work on backlogs

Leaver process

Q2 UPDATE

- Leaver team in position
- Training rolled out to removed duplication of checking
- Agile review of officer resource to support business needs

OBJECTIVES

- No backlogs > 60 days
- Meet TPR & regulatory requirements
- Meet SLA targets set in Admin Strategy (CIPFA) agreed by Pensions Committee
- Employers providing timely & accurate data

ACTIONS

- Development of bulk digital processing underway
- Streamline & digitalise 3 key processes
 - Leaver
 - Starter
 - Post changes
- Support & Development
 - Employer training ongoing
 - People training & upskilling ongoing

Management Information (MI)

Q2 UPDATE

- New reports giving better oversight however further development required
- MI being used to make weekly decisions with officer resource

OBJECTIVES

- Reporting to support pro-active achievement of KPIs and SLAs
- Agile reporting, weekly, monthly
- Employer performance
- Team productivity

ACTIONS

- Ongoing review & development of weekly MI reports
- Review of workflows to in-bed new reporting with new processes and responsibilities
- Create, design, test and deliver new reports

Day-to-day and backlogs

Q2 UPDATE

- Increase in outstanding cases due to increase in incoming cases
- PI error cases c.1000 cases
- Task force created to deal with increase in email traffic due to ABS campaign

OBJECTIVES

- Fully resourced & trained team
- No backlogs > 60 days
- Self service & digital processes for members & employers
- Satisfied members
- Engaged workforce

ACTIONS

- Weekly cross team meetings to discuss workloads & support
- Operational focus on 2 key areas
 - Retirements
 - Death
- Review options including outsourcing of PI error cases

She stated that the Board should not expect to see an improvement in the performance figures over the next two quarters. She added though that good progress was being made on the Service Improvement Plan.

Tony Whitlock asked how worried the Board should be with the current situation.

The Pensions Operations Manager acknowledged that they should be concerned, but that she would be more worried if there were no plan in place to follow. She added that there was a good management team in place who were focused on achieving better outcomes.

Steve Harman commented that he felt the figures were shocking and was concerned that there were no signs of them improving. He asked if there was anything radical that could be done to aid an upturn in these levels. He proposed that a sum of money be used from within the Fund to allow agency work to assist with clearing the backlog.

The Pensions Operations Manager replied that they are looking at options and have already had a discussion with one consultant. She said that they were not the only Fund to be in this position and that any additional spend would need to be justified.

Nick Weaver said that he acknowledged the frustrations that have been raised and that the Board was right to be concerned. He stated that he was confident in the officer's current approach and the need for the Fund to deliver the service properly, thoroughly and consistently. He suggested a realistic timeline be set for when any improvements could be expected.

The Head of Pensions replied that the detail of the Service Improvement Plan needed to be worked through and that he expected to be in a more positive position in June 2024.

Stuart Anstead said that the outputs of the Service Improvement Plan will need to be acknowledged and show what differences any recruitment and digitalisation has made. He added though that with Birmingham City Council having effectively declared itself bankrupt after issuing a section 114 notice, there is a risk that other Local Authorities could find themselves in a similar position and then there would be the possibility of redundancy processes.

The Director, One West replied that there was a separate governance system in place so the Fund would be insulated against this type of risk. He added that he also expected an improvement in performance over the next 12 months.

Stuart Anstead commented that he was concerned about the possible additional correspondence regarding voluntary redundancy if such a situation did arise. He suggested that support for the service be generated in a managed way through the use of a newsletter.

The Head of Pensions summarised the concerns that had been raised.

- The Board is deeply concerned over the current levels of service
- Officers note core challenges and suggestions from the Board:
 - Recruitment should be accelerated where possible.
 - The improvement plan should set out what outcomes will be achieved and when.
 - The Fund should explore further funding options to raise capacity and the new organisational structure should have resilience embedded.
 - Officers need to be clear in communications with all stakeholders.
- The Board's concerns will be shared with the Pensions Committee

The Board **RESOLVED** to note the service performance for the three months to 30 June 2023.

13 WORKPLAN / TRAINING PLAN

The Governance & Risk Advisor introduced this report to the Board. She highlighted that a second version of the Hyman's LGPS Online Learning Academy (LOLA) had been launched in July 2023. She explained that the training was split into a number of modules covering the CIPFA Knowledge & Skills Framework and there was a timetable for completion of all modules contained in Appendix 2.

The Board **RESOLVED** to:

- i) Note the workplan & training plan for 2023/24
- ii) Note the dates for future meetings.

The meeting ended at 11.50 am

Chair(person)

Date Confirmed and Signed

Prepared by Democratic Services