

Minutes of the Meeting held

Friday, 22nd September, 2023, 10.00 am

Bath and North East Somerset Councillors: Paul Crossley (Chair), Toby Simon and Chris Dando

Co-opted Voting Members: Councillor Steve Pearce (Bristol City Council), Councillor Mike Drew (South Gloucestershire Council), Councillor Robert Payne (North Somerset Council), Charles Gerrish (Academies), William Liew (HFE Employers), Wendy Weston (Trade Unions), Pauline Gordon (Independent Member), John Finch (Independent Member) and Jackie Peel (Independent Member)

Advisors: Steve Turner (Mercer)

Also in attendance: Nick Dixon (Head of Pensions), Liz Woodyard (Group Manager for Funding, Investment & Risk), Nathan Rollinson (Investments Manager), Carolyn Morgan (Governance and Risk Advisor), Nicky Russell (Technical & Compliance Advisor), Jeff Wring (Director - One West), Anna Capp (Member Services Manager) and Jason Morel (Communications & Public Relations Manager)

16 EMERGENCY EVACUATION PROCEDURE

The Chairman drew attention to the emergency evacuation procedure.

17 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Councillor Joanna Wright, Councillor Kate Kelliher and Councillor Shaun Stephenson-McGall had all sent their apologies to the Committee.

18 DECLARATIONS OF INTEREST

Councillor Toby Simon declared that he is a pensioner member of another LGPS Fund - Greater Manchester PF - which administers Probation Service pensions; and is also a pensioner and Trustee of a private sector fund - The Chartered Society of Physiotherapy PF.

19 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

There was none.

20 ITEMS FROM THE PUBLIC - TO RECEIVE DEPUTATIONS, STATEMENTS, PETITIONS OR QUESTIONS

Elaine Ashley had submitted a question to the Committee. A copy of this and the response are attached as online appendices to these minutes.

21 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

There were none.

22 MINUTES: 23RD JUNE 2023 (PUBLIC & EXEMPT)

The Committee **RESOLVED** that the minutes of the meeting on 23rd June 2023 be confirmed as a correct record and signed by the Chair.

23 PENSION BOARD DRAFT MINUTES: 6TH SEPTEMBER 2023

The Committee **RESOLVED** to note the minutes of the Board meeting held on 6th September 2023.

24 LOCAL IMPACT PORTFOLIO FRAMEWORK

The Group Manager for Funding, Investments & Risk introduced the report to the Committee. She explained that the strategic asset allocation agreed by the Committee includes a 3% allocation to a Local Impact Portfolio.

She stated that the key principles for the Framework were as follows:

- i) All assets will be managed by external fund managers, either via Brunel or directly where Brunel is unable to help.
- ii) Working through Brunel is the preferred implementation route.
- iii) Internal decision making must be flexible, robust and timely so that opportunities are not missed.

She said that investment decisions for this portfolio will be delegated to a named Officer (Head of Pensions) who will consult a Working Group consisting of Investment Panel members and officers. The Working Group will consist of at least 3 Panel members including the Chair of the Panel and 1 independent member, plus the Head of Pensions, Group Manager Investments and the Investments Manager.

She added that the officers and advisors will provide the due diligence for the working group to consider and that decisions taken by the named Officer will be based on the agreed recommendation of the Panel members on the Working Group.

Councillor Mike Drew asked how much of the portfolio would actually be formed of assets within the Avon Area.

The Group Manager for Funding, Investments & Risk replied that it was difficult to assess at this stage. She said there were likely more infrastructure opportunities

outside of Avon, but more niche ones within it. She added that if they were minded to invest in a wider fund they would seek that 15-20% of it was within the South West.

Councillor Toby Simon said that one category of investment that should be approached with caution was Public Sector Infrastructure, in particular Care Homes and Children's Homes, as it could come with a degree of reputational risk.

Councillor Chris Dando said that he was happy with the proposed Framework and felt that the Investment Panel were in a good place to proceed with this work.

The Committee **RESOLVED** to agree the proposed Local Impact Portfolio Framework as set out in this paper.

25 LGPS CONSULTATION: NEXT STEPS ON INVESTMENTS

The Group Manager for Funding, Investment & Risk introduced the report. She explained that the report is supported by two exempt appendices: 10 a) covers proposed answers to Questions 2-15 of the government consultation, where we believe there is a clear answer for each question: 10 b) addresses Question 1 and provides three very different options for the Committee to consider.

The Committee, having been satisfied that the public interest would be better served by not disclosing relevant information, **RESOLVED**, in accordance with the provisions of the Section 100(A)(4) of the Local Government Act 1972 that the public should be excluded from the meeting for this item of business, because of the likely disclosure of exempt information as defined in paragraph 3 of Part I of Schedule 12A of the Act as amended.

26 ADMINISTRATION PERFORMANCE UPDATE

Nick Weaver, Chair of the Pension Board addressed the Committee. He informed them that at their meeting in September the Board had expressed its concern over the performance levels of the service. He said that he was also aware that many other Funds were facing the same backlog issues.

He acknowledged that a huge effort has been made by the team to put in place steps for improvements to be made and that officers are showing the drive and determination required to make it happen.

The Head of Pensions thanked him for his support and said that the service level was not where the team want it to be and that they are working towards achieving the SLA targets.

He gave the following reasons for the current performance levels.

- Staff vacancies
- Payroll – Transfer of staff from Member Servicing to assist with this process.
- Demand for the service – This has risen substantially.
- Management Information (MI) – This needs to improve.
- Process weakness – Manual data entry

He stated that they are actively recruiting to the service and that a market supplement has been put in place for these salaries. He added that a more dynamic solution for MI was being developed.

He said that they were also working on forming an organisational structure that has more capacity and resources built into it.

The Member Services Manager added that four Pensions Officers had been recently appointed, as well as a Senior Pensions Officer within the Employer Services Team. She added that meetings take place on a weekly basis to analyse the work within the services and that deaths and retirements are always considered to be a priority.

She added that a task force has been established to support the Member Contact Team with the increase in enquiries and that this helped in some degree for some pressure to be alleviated.

She stated that the forthcoming regulatory changes, such as McCloud, would also affect the service with likely complications leading to delays.

Wendy Weston asked if following the resignation of a Team Leader and subsequent structure review, has the post now been readvertised.

The Member Services Manager replied that recruitment to this position has been postponed at the present time to make sure that we have the right people in the right positions.

William Liew commented that he could imagine that recruitment into this work area could be difficult. He asked whether Chatbox or another form of AI could be used for answering regular questions.

The Head of Pensions said that in terms of addressing customer queries, this was part of a longer-term process to enable self-service and improve the technology behind it, but it could not be implemented to make a difference in the near term.

Councillor Chris Dando said that he would like to have some assurance that service levels will begin to improve and put in place a deadline for this to happen. He added that the Fund needs to retain as much credibility as possible for the services that it provides.

The Head of Pensions replied that expectations need to be managed carefully as performance will likely get worse before they start to get better. He added that he did not expect there to be much change in the reports the Committee receives in December 2023 and March 2024, but expected improvements to show from June 2024 onwards.

Councillor Dando asked if there would be any merit in amending the SLAs at this current time.

The Head of Pensions replied that, rather than amending them in response to currently poor performance, a strategic review of SLAs be carried out so that they can be refined in line with current member expectation.

The Chair, on behalf of the Committee, wished to record their thanks to officers across the service for all their work.

The Board **RESOLVED** to:

- i) Note the service performance for the three months to 30 June 2023.
- ii) Request a strategic review of the SLAs be carried out and that progress on this be reported to the March 2024 Committee meeting.

27 INVESTMENT STRATEGY AND BRUNEL UPDATE (FOR PERIODS ENDING 30 JUNE 2023)

The Investments Manager introduced the report to the Committee. He reminded them that the Fund will be reviewing its climate objectives as part of the Climate Workshop taking place on 19th October and will be undertaking a series of engagement sessions including a dedicated ESG member survey in the lead up to the workshop.

Steve Turner, Mercer highlighted the following areas from within Appendix 2.

- Funding level: 97%. Estimated to be c.6% higher over year to 30 June.
- Rally in Equity Markets over the past 12 months, being particularly driven by a small number of stocks known as the 'Magnificent Seven'.
- Recovery in Credit Markets.
- Asset class headwind for Property.
- Inflation appears to be steady.

He stated that the upcoming Climate Review in October will be very important as well as the review of the Equity Protection Strategy that is due to be reported to the Committee in December.

Charles Gerrish said that in his view the presentation from Brunel was less positive with regard to the state of inflation and questioned if there was any correlation between now and what occurred during the 1970's whereby a slight fall in the rate was seen before it rose again.

Steve Turner replied that he could not rule that possibility out and that the dominant factor in driving markets was the level of Interest Rates. He added that it was hoped that these had now peaked and said that the portfolio was diversified with a degree of risk management in place.

The Committee **RESOLVED** to note the information set out in the report and its appendices.

28 APF REBRAND PRESENTATION

The Head of Pensions introduced this item to the Committee. He stated that the main aim of the rebrand was to make our branding more digital-friendly and accessible for all stakeholders, so we can effectively communicate our ethos, goals and key messaging.

He said that there were challenges to this work, including the current use of heavy technical language, long documents and brand clutter and confusion.

He said that they had identified some common sense objectives and that these would focus on what we communicate, how we speak – tone of voice – plain English, visual identity and colour schemes. He added that these would be applied consistently online and in letters, guides and forms.

The Communications and Marketing Manager addressed the Committee and highlighted the following areas from the presentation.

Discovery process

We've conducted a deep dive into the brand core, positioning and identity. Stakeholder interviews took place, an all staff survey was carried out and Discovery Workshops were held.

New logo

A new logo has been designed and samples for posters, social media posts and marketing emails have been drafted.

Tone of voice

We will aim for all communications to be simple, welcoming and matter of fact. Jargon and technical language will be minimised, with focus on facts and being neutral.

Next steps

- **October / November 2023** - Update all APF documents with the new brand, including Altair Word documents, re-writing some copy for frequently used documents.
- **November 2023** - Branding templates, PowerPoint etc. delivered.
- **Early December** - Prepare updates to APF email signatures and share brand guidance with APF staff. Communications to employers and members begin.
- **Mid December** - 'Brand in action' presentation delivered to the Pension Committee.
- **2024 Q1** - Member website & rebrand launch - the new branding should feature on all documents.

The Chair asked if the proposed changes have been made with the needs of specific disability groups taken into account.

The Communications and Marketing Manager replied that they have followed all the procedures as set down by the guidance on gov.uk. He added that the colours used will aim to make text clear and that a suitable large font will be used.

Wendy Weston asked how much would the process cost.

The Communications and Marketing Manager replied that over the two years of the project the cost would be around £25,000.

Charles Gerrish commented that he could see in the long term how the branding could be more helpful, but was tentatively concerned that any changes at this current time could lead to further enquiries.

The Communications and Marketing Manager replied that the current website platform is reaching the end of its life and this was seen as an opportunity for this project to come to fruition. He added that additional step by step guides will be in place on the new website to assist with enquiries.

Councillor Steve Pearce said that he strongly approved of the logo update.

William Liew said that he commended the work so far and that the communication to members about the changes would be key.

Councillor Chris Dando said that he supported the changes and liked the way that different elements of the work of the Fund could be signposted through the use of different colours.

Nick Weaver asked if the new website would be used effectively to help members self-serve.

The Member Services Manager replied that they were working with the Communications Team on the content of the website in order to improve access to information.

The Head of Pensions thanked the Chair and Jackie Peel for their part in selecting the logo.

The Committee **RESOLVED** to note the report and proposed new brand.

29 UPDATE ON LEGISLATION

The Technical & Compliance Advisor introduced the report to the Committee. She explained that since the publication of the report the regulations have been received for the McCloud remedy and a response to the consultation from Government in respect of some of the processes that the team will now have to deal with.

She informed the Committee that they have three months to communicate the regulations to all Fund members as per Disclosure regulations.

She said that the regulations were very detailed, although at the same time were open to a degree of misinterpretation and that further statutory guidance was expected to be issued.

She wished to highlight the following three key areas.

- Aggregation – Combining of member’s posts. In the original consultation Funds were told that members would have a 12month window to aggregate member benefits. However, in the second consultation DLUHC have confirmed that benefits no longer have to be aggregated, but Funds are to take into consideration any earlier or later service that falls within the remedy period. This period being between on or after 31st March 2012 and still active on 1st April 2014.
- Club Transfers into the Fund – The Government in the first consultation proposed that Funds could only take into account service that had been transferred in from another Public Sector scheme. In the second consultation DLUHC have confirmed that members do not have to transfer other service that falls within the remedy period, but it will count if it falls within the qualifying period.
- Excess Teacher Service – This issue has been raised during the second consultation in terms of retrospective admissions into a Local Government Pension Scheme for teachers that have a secondary role. It is not known at this stage how many members this will affect.

She said that the Fund are currently testing the capability of their system and that the software provider has been able to give some functionality to allow BAU from 1st October and also to be compliant with the new regulations. She added that unfortunately it was unlikely that any of the more complex cases would be accounted for.

Councillor Toby Simon asked if the software provider would be able to provide a solution in time or will there need to be a period of manual processing.

The Technical & Compliance Advisor replied that these processes will commence on 1st October and a solution will not be in place by then, therefore a degree of manual calculations will need to be carried out.

Nick Weaver commented that it would be interesting to find out at some stage how much the remedy has cost to implement -v- how much costs have actually been paid out.

The Committee **RESOLVED** to note the current position regarding the developments that could affect the administration of the fund.

30 RISK MANAGEMENT PROCESS & RISK REGISTER

The Governance and Risk Advisor introduced this report to the Committee and highlighted the following points from within it.

- NR06 – the likelihood of a cyber attack has been increased from unlikely to likely due to the recent high profile attacks in the public domain. The Fund is seeking further re-assurances from Heywood on system security.
- NR02 – due to a couple of regulatory risks, the impact has been increased from low to medium and the likelihood from unlikely to likely. This is to reflect the impact of the McCloud remedy on the administration and the possible impact of the pooling consultation on the Fund.
- NR12 – failure to achieve decarbonisation targets has been reduced from High to Medium impact given the increased alignment of the portfolio with current carbon targets.
- NR01 – Ability to deliver admin service to members and employers within agreed standards – this is the most critical risk and is already an issue. Current factors impacting this issue and measures to address it are set out in item 11 – Pension Fund Administration report.

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

31 GOVERNANCE UPDATE (INCLUDING WORKPLANS)

The Governance & Risk Advisor introduced the report to the Committee and drew their attention to the following sections.

- Appendix 4 - The service plan monitoring currently includes ongoing projects and now includes the Administration Change Programme.
- Terms of Reference - Following a recent audit it was brought to officers' attention that a clause should have been removed from the TOR. The Council Constitution was updated last year to reflect that the Director, One West is the LGPS designated senior officer and therefore this sentence was removed from the TOR.
- Conflicts of Interest Policy - The Fund's Conflicts of interest Policy has been updated to reflect how internal conflicts of interest should be treated for the Fund's officers. A paragraph has been added on the last page of the policy.

Wendy Weston asked why within Appendix 4 was the Employers website listed as on hold.

The Communications and Marketing Manager replied that priority has had to be given to the Members website at the present time.

The Committee **RESOLVED** to:

- i) Note the Committee & Investment Panel workplans, training programme and service plan.
- ii) Note the correction to the Committee's Terms of Reference
- iii) Note the amendment to the Conflicts of Interest Policy.

The meeting ended at 12.58 pm

Chair(person)

Date Confirmed and Signed

Prepared by Democratic Services