

# **ANNUAL REPORT OF THE BEDFORDSHIRE LOCAL PENSION BOARD – 2018/2019**

## **1 Constitution, Representation and Attendance**

- 1.1 The Bedfordshire LGPS Local Pension Board (“the Board”) was constituted under the Public Service Pensions Act 2013. As such, the Board is not a Committee of Bedford Borough Council (the Council), who is the Administering Authority.
- 1.2 The Board held its first meeting on 25 June 2015. It consists of four representatives of the Scheme employers, and four representatives of the Scheme members, all of whom are voting members. Nominated substitutes are allowed. There is also a non-voting independent Chair who was appointed at the start of the financial year. Due to local elections and other reasons, there was significant turnover of Board membership during the year.
- 1.3 The Board met on five occasions during the year, on 3 May, 19 July, 11 October and 13 December 2018, and on 21 March 2019. Attendance during the year was 60%. Individual records are shown in the Appendix.
- 1.4 Board meetings are open to the public, other than when considering exempt items.
- 1.5 To facilitate the operation of the Board, the Chair is invited as an observer to meetings of the Pension Fund Committee (“the Committee”).

## **2 Functions and Operation of the Board**

- 2.1 The two primary functions of a Local Pension Board (LPB) are to assist the Administering Authority to:
  - ensure effective and efficient governance and administration of the LGPS;
  - ensure compliance with relevant laws and regulations.
- 2.2 It therefore has a monitor/assist/review/scrutinize purpose, rather than being a decision making body. It could be seen as being a critical but supportive friend. The Board sets its own agenda, and can be selective and probe particular topics in more depth than the Committee with its wider range of statutory responsibilities. As such, the general approach of the Board is to seek assurances with evidence from the Fund and external bodies that it is meeting its objectives, producing its required statements, managing its risks, etc. so as to achieve the overall objectives as set out in paragraph 2.1 above. It can and does commission its own reports, and where appropriate, makes recommendations to the Committee and to officers.

- 2.3 In so doing, the Board is helping manage the reputational risk of both the Fund and the Administering Authority. This is more critical now that the LGPS in England and Wales has both the Ministry of Housing, Communities and Local Government (MHCLG) and the Pensions Regulator (TPR) as its regulators. The Administering Authority, and in extreme circumstances Board members, can be fined by TPR, who also has other powers available.
- 2.4 The Board is supported by the Principal Accountant (Board) and operates under Terms of Reference which were initially agreed by Council in March 2015. Terms of Reference are reviewed annually. On 7 February 2018, the Council accepted recommendations from the Committee to make various revisions, including the desire to appoint an Independent Chair. The url for current Terms of Reference is shown in paragraph 7.1. Other information regarding the Pension Board can be located from this webpage.
- 2.5 In 2018/2019 the direct costs of operating the Board, covering travel and training expenses relating to Board members and the fees and expenses of the Independent Chair amounted to £10,645. These costs do not include any indirect costs relating to officer time nor any apportioned costs for the use of the Council's premises, systems or services recharged to the Fund by the Council. The Board seeks approval from the Administering Authority for its budget on an annual basis. Mindful of delivering value for money, the Board endeavours to work in a cost-effective manner, as its costs are reflected in employer contribution rates.

### **3 Detailed Work of the Board**

#### **3.1 Overview**

- 3.1.1. This is the fourth Annual Report produced by the Board, but the first written by the new Independent Chair. Since their inception, Local Pension Boards have become increasingly visible, as have the expectations of both TPR and the Scheme Advisory Board (SAB), who now make direct contact with Board Chairs.
- 3.1.2. As such, Boards are in a continuous state of evolution. This has manifested itself in a number of ways. There is an increasing dialogue with and between Board members between formal meetings, and between the Board Chair and officers. There are also half yearly meetings between the Board Chairs of the Pensions Funds who are members of the Boarders to Coast Pooling Partnership (BCPP).
- 3.1.3 To further improve the communication links between the Board and the Committee, the Committee accepted the Board's recommendation that Board Chair produces and formally presents to the Committee an Executive Summary from each Board meeting indicating any specific recommendations made by the Board, with justifications, what assurances it has gained on behalf of the Committee, and any other matters considered to be relevant to the Committee. This report would also include any areas where the Board had concerns over any Committee decisions, although no such concerns were reported in the year.

3.1.4. The main elements of the work programme of the Board are governance, and oversight of the pensions administration function, which is run by an in-house team. An administration report is scrutinised at each Board meeting, and minor presentational improvements have been recommended and adopted.

3.1.5 Paragraph 4 sets out further examples of how the Board is endeavouring to help manage the reputational risk of the Fund. Such a focus seeks assurances that the Fund is complying with its responsibilities and obligations. Where appropriate, these reviews are extended to ensure that all scheme employers are similarly complying, as their efficient, accurate and timely supply of information and data is critical to the Fund avoiding poor key performance indicators, but more fundamentally, avoiding breaches of the law, inaccurate data, inaccurate contribution rates and inappropriate investment decisions.

## 3.2 Risk management

3.2.1 A separate Risk Register is produced for Bedfordshire Pension Fund (BFP). The detailed assessment of the likelihood of each risk occurring and its impact had been judged in the light of the existence of the Board as an additional scrutiny resource. Review of the Risk Register is now a standing item at Board meetings. During the year, the Board made various recommendations regarding the Risk Register. These included making reference to advantages in succession planning for key pensions staff. The Board was assured that a staffing structure is now in place that can currently cope with the ever increasing demands and complexities of pension administration, including additional external scrutiny regarding standards. A key risk is poor data, and various suggestions were made to reduce the volume of missing or incorrect data, and ensure timely receipt from scheme employers of correct data. These and other aspects are included in the Data Improvement Plan, described in paragraph 3.3.4. Cyber security and data protection continue to receive increased scrutiny, with appropriate training being received.

3.2.2 In addition, the Board has considered the planned mitigation of risks regarding the roll out of on-line access to their personal data by individual scheme members.

3.2.3 The Risk Register was re-formatted towards the end of the financial year and will be examined in depth at the first meeting of the new financial year, with any appropriate recommendations being presented to the Committee.

## 3.3 The Pensions Regulator (TPR)

3.3.1 The Pensions Regulator examines the Scheme on an ongoing basis and has, for example, highlighted delays across LGPS Funds in producing Annual Benefit Statements (ABS's). The Board was pleased to note that BPF once again produced its ABS's by the due date but nevertheless continues to seek assurances that the next set of ABS's will once again be delivered on time.

- 3.3.2 A key achievement of the Board has been to commence, with the Principal Accountant (Board), a continuous review of the Fund against the standards and expectations as reflected in TPR's Code of Practice 14, on a red, amber, green basis: RAG. The assessment identifies areas in which the Fund needs to make improvements. No areas have red status. The Board has studied and makes recommendations on amber items but would also challenge those areas assessed as "green", so seeking on-going assurance that the evidence supports this level.
- 3.3.3 The Board monitors TPR's annual review of its priorities, and reflects these in agenda setting. BPF was not in the LGPS cohort of 10 Funds visited by TPR. The results are not yet published, but will in due course be scrutinised to see what can be learned from the exercise.
- 3.3.4 A significant addition was made in 2018/19 to the contents of TPR's Scheme Annual Return, which is an obligatory document to be returned within a set deadline, with which BPF complied. The return shows percentages for completeness and accuracy of "common data" and "scheme specific data". Using this 2018/19 data as a baseline, TPR will be measuring and seeking annual improvements in data quality. Whilst data quality for BPF was of a high level, nevertheless a Data Improvement Plan is now in place, which the Board will continue to monitor as a key part of its Work Programme.
- 3.4 Reporting and Recording Breaches  
The Board, and all associated with the Fund, other than individual scheme members, have a responsibility to report significant breaches of law to TPR. Following the improved procedures implemented in the previous year, the Board reviews any breaches of the law as a standing item on its agenda. During 2018/19, none of the recorded breaches were deemed to be of material significance to the TPR, hence no breaches were formally reported via the Administering Authority. Following a recommendation from the Board, a defined fast track reporting system is now in place for reporting breaches of material significance to TPR in a timely manner.
- 3.5 Scheme Advisory Board (SAB)
- 3.5.1. The Board monitors the focus and priorities of the SAB, takes them into account in setting its Work Programme, and also receives minutes of SAB meetings.
- 3.5.2. The SAB commissions periodic surveys of local pension boards, with the second such survey scheduled for 2019/20.
- 3.6 Review of Investment Issues  
Whilst the vast majority of the Board's work programme focuses on administration and governance issues, investment issues are not ignored.

- 3.6.1 As expected under the relevant Investment Regulations, the Board continues to monitor the on-going consideration and development of an appropriate strategy for responsible investment, as reflected in the Fund's Investment Strategy Statement and notes BPF's Tier 1 status as a Responsible Investor under the Stewardship Code.
- 3.6.2. The Board continued to receive updates on progress by BCPP regarding the pooling of assets. A representative of the scheme members of the partner Funds observes the Joint Committee of BCPP and reports back to partner Boards.
- 3.6.3 On behalf of the Board, the Chair liaised with the Administering Authority in providing a joint response to the informal MHCLG Guidance on Asset Pooling, with specific reference to those paragraphs which related to the role of Local Pension Boards. The Board felt that there was scope for these paragraphs to be made more prescriptive.
- 3.6.4 The Board keeps a watchful eye on on-going compliance with MiFID II, particularly should there be any changes of key staff with investment expertise.

### 3.7 Scheme and Council documents

- 3.7.1 The Board examines the range of scheme documents expected to be in place. It has reported where it found gaps or a need to update. The Board also checks that appropriate information regarding the Board is shown on the website.
- 3.7.2 The Board pays particular regard to those standard documents which are sent to scheme members and may make recommendations regarding their content.
- 3.7.3 The Board reviewed the Contracts Register and found nothing untoward. A review of declaration of interests by Committee Members was also satisfactory.

## **4. Ensuring Compliance with Regulatory Deadlines.**

- 4.1 An increasing component of the Board's agenda is ensuring compliance with regulatory deadlines, some of which represent an annual requirement, whilst others relate to the effective dates of new legislation and regulations. In all cases progress reports are received with the Board considering whether any recommendations are appropriate to help meet the deadlines.
- 4.2 Annual requirements include producing Annual Benefit Statements for active members, Pension Savings Statements and the submission of the Scheme Annual Return to the TPR. BPF complied with these deadlines.

4.3 Other specific deadlines included compliance with the General Data Protection Regulations (GDPR: 25 May 2018) and the Guaranteed Minimum Pension (GMP) reconciliation exercise. At the same time it is appropriate to continue to review on-going compliance of recently implemented legislation, such as GDPR and MiFID II (into effect 3 January 2018).

## **5. Training**

5.1 Each Board member must be conversant with the details of the Scheme, which translates as having a good working knowledge. The training policy for Board members is based on an individual training needs analysis and is therefore being individually tailored. This allows use of both the CIPFA Framework and TPR Toolkit. In addition, Board members are informed of external training opportunities such as CIPFA Pensions Network events and the annual LGA/LGPS Trustees Conference.

5.2 Board members are encouraged to attend at least two LGPS-focussed seminars/conferences each year. Training is often targeted to specific events, e.g. the Triennial Valuation 2019, and the General Data Protection Regulations.

5.3 Board members are invited to training provided for Committee members. New Board members receive one to one training with the Board Chair. In addition, all new Board members attend the LGA three day Fundamentals course.

## **6. Work plan**

6.1 The work plan for 2019/20 covers the separate activity areas of:

- Pension Fund Annual Report and Accounts
- administration, including Key Performance Indicators, the Data Improvement Plan and, potentially, Value for Money studies
- audit and risk management, including the Risk Register
- governance; including conflicts of interest, recording and if appropriate reporting breaches, and compliance with TPR's Code of Practice 14
- investments, including developments with the BCPP covering implications for Administering Authorities
- monitoring developments in responsible investment, including further requirements under the Stewardship Code and climate change
- external deadlines
- training
- member communications
- participating in and learning from relevant surveys, e.g. of SAB and TPR.

6.2 There is flexibility to allow for any additional reviews and developments.

## 7. Public accountability

7.1 As well as being open to the public, the agendas, minutes and the Board's Terms of Reference are available on the Authority's website at the following address:

[https://www.bedspensionfund.org/fund\\_information/pension\\_board.aspx](https://www.bedspensionfund.org/fund_information/pension_board.aspx)

The Chair of the LGPS Local Pension Board wishes to thank his fellow Board members who have volunteered their time and energies in their roles. Thanks are also expressed to the Principal Accountant (Board), the Chief Officer for Corporate Finance & Pensions, the Pensions Manager, the Chair of the Pension Fund Committee, Democratic Services and other support officers.

A handwritten signature in black ink, appearing to read 'Gerard Moore', with a long horizontal flourish extending to the right.

Gerard Moore  
Independent Chair  
Bedfordshire LGPS Local Pension Board

12 June 2019

**Attendance at Pension Board Meetings 2018/2019**

<b>Board member</b>	<b>3rd May 2018</b>	<b>19th July 2018</b>	<b>11th Oct 2018</b>	<b>13th Dec 2018</b>	<b>21st Mar 2019</b>
Stephen Moon (Employer Representative - Bedford Borough Council)	X	X	✓	X	X
Mike Blair/James Jamieson (Employer Representative -Central Bedfordshire Employer rep)	X	X	✓	✓	✓
Paul Castleman/Jacqui Burnett (Employer Representative - Luton Borough Council)	X	✓	✓	X	✓
Stuart Goodwin (Employer Representative – Bedfordshire Police)	✓	X	✓	✓	✓
Martin Foster (Member representative)	✓	X	✓	X	✓
Stewart Briggs (Member Representative)	X	X	✓	X	X
Frances Bowler (Member Representative)	X	✓	✓	✓	X
Liam McKeating/Kiran Mal (Member Representative)	✓	X	✓	✓	✓

All meetings were attended by the Independent Chair.