

# **ANNUAL REPORT OF THE BEDFORDSHIRE LOCAL PENSION BOARD – 2019/2020**

## **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).
- 1.2 It 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 a non-voting independent Chair.
- 1.3 The Board met on four occasions during the year, on 24 June, 4 September, 31 October 2019 and 13 January 2020. Overall attendance during the year was 74%%. 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. It sets its own agenda, and can be selective and probe particular topics in more depth than the Committee, which has a 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 Board Secretary 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 that webpage.
- 2.5 In 2019/2020 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 £12,188. 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 fifth Annual Report produced by the Board, and the second written by the 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 Border to Coast Pensions Partnership (BCPP).
- 3.1.3 As Board Chair, I formally present 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. Helpfully, Board meetings are now scheduled before Committee meetings, which, for some reports, allows any observations from the Board to be considered prior to the Committee reaching its decision.

- 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. A detailed and wide-ranging administration report is scrutinised at each Board meeting. The Board has requested a few minor presentational improvements to help its understanding. Regularly reviewing the performance of the administration function, and probing when certain tasks appear to be missing targets, helps the Board appreciate the need to prioritise and achieve the basic key objective of accurate and timely payment of pensions at times when the workload is subject to a spike in volume.
- 3.1.5 Amongst other objectives, 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 complete, accurate, timely and secure supply of information and data is critical. Provision of such quality data prevents a chain reaction of poor key performance indicators, breaches of the law, inaccurate payment of pensions, inaccurate employer contribution rates and inappropriate investment decisions. With these objectives in mind, the Board informally previewed a draft Pensions Administration Strategy, primarily from the viewpoints of process, procedures and communications, and made a number of recommendations.

### 3.2 Risk management

- 3.2.1 The Pension Fund Committee owns the Risk Register. The separate Risk Register for Bedfordshire Pension Fund (BFP) was re-formatted prior to the start of the year. 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, and each meeting scrutinised a particular area of the Register. At each meeting the Board reviewed a particular section of the Risk Register and is expected to complete its first full cycle at its next meeting.
- 3.2.2 During the year, the Board made various recommendations regarding the Risk Register. In the main they related to the inclusion of specific additional risk controls and processes which help mitigate the related risk. As an example, the approval by the Committee of a Pensions Administration Strategy will in itself mitigate risks by clarifying and bringing appropriate transparency to procedures, thus improving the understanding by scheme employers of what the Fund expects from them. This example indicates that the Risk Register is seen as a live, not a static document.
- 3.2.3 In addition, the Board has further considered the planned mitigation of risks regarding the roll out of on-line access to their personal data by individual scheme members. The Board has been helped by an independent assessment of the processes by Internal Audit to ensure compliance with appropriate standards.

### 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 BFP 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 The Board undertakes an annual 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. An interim review of any area of the Code is undertaken should circumstances so require.
- 3.3.3 The Board monitors TPR's annual review of its priorities, and studies its guidance, intervention reports and the reasons behind any fines it levies, and reflects these in agenda setting. The Bedfordshire Fund was not in the LGPS cohort of 10 Funds visited by TPR. Our local review of the TPR's report and recommendations will now be considered as part of the 2020/2021 work programme. A particular focus of TPR is cyber security, which has featured appropriately on Board agendas.
- 3.3.4 The Board continues to be mindful of TPR's Scheme Annual Return, which is a statutory, factual document to be returned within a set deadline, with which Bedfordshire complied. The return shows percentages for completeness and accuracy of "common data" and "scheme specific data". Using 2018/2019 data as a baseline, TPR will be measuring and seeking annual improvements in data quality. Whilst data quality for Bedfordshire is at a high level, nevertheless a Data Improvement Plan is 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 2019/20, 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. A considerable amount of time was spent reviewing a handful of examples of late payment of contributions by employers. The Board supported the continuous monitoring and liaison by officers with one employer to ensure timely payments, which will hopefully continue to be successful and thus avoid the need to formally report a breach.

Following a previous 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. The survey scheduled for 2019/20 was postponed.

### 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 noted BPF's Tier 1 status as a Responsible Investor under the 2012 version of the Stewardship Code. The Board welcomed the decision to establish a Responsible Investment sub group and noted the more challenging requirements of asset owners who sign up to the updated 2020 Stewardship Code.

3.6.2 The Board continued to receive updates on progress by Border to Coast Pensions Partnership (BCPP) regarding the pooling of investment 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 The Board Chair participates, along with the other Board Chairs of the partner Funds, in half yearly discussion re aspects of governance and procedures with regard to the BCPP and the Joint Committee.

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 and a loss of 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.

## 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 timely progress reports are received with the Board considering whether any recommendations are needed to help meet the deadlines.
- 4.2 Annual requirements include producing Annual Benefit Statements for active members, Pension Savings Statements, the submission of the Scheme Annual Return to the TPR and publication of the Pension Fund Annual Report and Accounts. BPF complied with these deadlines.
- 4.3 The Fund complied with the specific deadline of 31 March 2020 for the certification by the Fund's Actuary of scheme employer contribution rates following the Triennial Valuation as at 31 March 2019.
- 4.4 Whilst the commencement date of some recently implemented legislation has passed, nevertheless the Board feels it is appropriate to continue to review on-going compliance in areas such as General Data Protection Regulation (GDPR) and MiFID II.

## **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.
- 5.3 Board members are invited to training provided for Committee members. New Board members receive one to one training with the Board Chair on appointment. In addition, all new Board members attend the three-day LGA Fundamentals course.
- 5.4 A specific training session is often provided immediately before the Board considers a particular topic. In the last 12 months this occurred prior to discussions on the Triennial Valuation and on the Internal Dispute Resolution Procedure (IDRP).

## **6. Work plan**

6.1 The work plan for 2020/21 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
- monitoring direction, outcomes and guidance from both TPR and SAB
- investments, including developments with the BCPP covering implications for Administering Authorities
- monitoring developments in responsible investment, including the 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.
- lessons learned from the Covid-19 pandemic

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 Board Secretary, the Chief Officer for Corporate Finance & Pensions, the Pensions Administration Manager, the Chair of the Pension Fund Committee, Democratic Services and other support officers.



Gerard Moore  
Independent Chair

Bedfordshire LGPS Local Pension Board

18 May 2020

**Attendance at Pension Board Meetings 2019/2020**

Board member	24th June 2019	4th Sept 2019	31st Oct 2019	13th Jan 2020
Stephen Moon (Employer Representative - Bedford Borough Council)	✓	X	✓	✓
Mike Blair (Employer Representative -Central Bedfordshire Employer rep)	✓	✓	✓	✓
Jacqui Burnett (Employer Representative - Luton Borough Council)	✓	X	✓	X
Stuart Goodwin (Employer Representative – Bedfordshire Police)	✓	✓	✓	✓
Martin Foster (Member representative)	✓	✓	X	X
Alison Knox/ John Wallace (Member Representative)	N/A	N/A	✓	✓
Frances Bowler (Member Representative)	✓	X	✓	X
Kiran Mal (Member Representative)	X	✓	X	✓
Total Attendance including Chairman = 74%	89%	63%	78%	67%

All meetings were attended by the Independent Chair.