

TEESSIDE PENSION BOARD

A meeting of the Teesside Pension Board was held on 28 July 2015.

PRESENT: Councillors N J Walker (Chair); Mr C Monson (Deputy Chair); Mr G Clyburn, Mrs J Cook, Mr G Whitehouse and B Woodhouse

OFFICERS: P Campbell - Head of Investments and Treasury Management, B Carr - Governance Officer, G Hall - Scheme Co-ordinator, M Hopwood - Head of Pensions and P Slocombe - Chief Finance Officer.

DECLARATIONS OF INTERESTS

Name of Member	Type of Interest	Item/Nature of Interest
Councillor B Woodhouse	Non-Pecuniary	Wife is Member of Teesside Pension Fund

15/1 **WELCOME AND INTRODUCTIONS**

The Chair welcomed everybody to the first meeting of the Teesside Pension Board.

15/2 **APPROVAL AND FORMAL ADOPTION OF THE BOARD'S TERMS OF REFERENCE**

The Chief Finance Officer submitted a report the purpose of which was to provide draft Terms of Reference for the establishment and operation of the Teesside Pension Board (TPB). The TPB was a Local Pension Board which was established under Section 5 of the Public Services Pensions Act 2013 and regulation 106 of the Local Government Pension Scheme Regulations 2013 (as amended).

The original Terms of Reference for the TPB had been submitted to full Council on 1 April 2015. A review of the Terms of Reference had subsequently been carried out and a small number of amendments had been made in order to provide clarity and bring the timescales for the Committee administration process in line with the Council's current Governance arrangements.

The Head of Investments and Treasury Management advised that the proposed amendments included:

Paragraph 36 - originally provided for "*Urgent business of the Board between meetings, in exceptional circumstances, to be conducted via communications between members of the Board including telephone conferencing and e-mails*".

It was suggested that this provision be deleted and that all the business of the Board be conducted at meetings of the Board.

Paragraph 38 - originally stated that "*A meeting that becomes inquorate may continue but any decisions will be non-binding*".

It was suggested that any meeting that became inquorate be re-arranged for a future date. It was highlighted that as the quorum for the TPB was 2, (1 Member representative and 1 Employer representative), it was unlikely that many of the meetings would be inquorate.

Paragraph 43 - originally stated that "*The results of any voting outcomes will be reported in the Board minutes*".

It was suggested that to provide clarity, the voting outcome of the Board be recorded by a number split.

Paragraph 45 - originally stated that "*The agenda and supporting papers will be issued at least ten working days (where practicable) in advance of the meeting except in the case of*

matters of urgency".

It was suggested that the timescale for the issue of the agenda and supporting papers for the Board be amended to five clear working days to bring the timescales in line with the Council's current Governance arrangements for the publication of agendas.

Paragraph 46 - originally stated that *"Draft minutes of each meeting including all actions and agreements will be recorded and circulated to all Board members within fifteen working days after the meeting. These draft minutes will be subject to formal agreement by the Board at their next meeting. Any decisions made by the Board should be noted in the minutes and in addition where the Board was unable to reach a decision such occasions should also be noted in the minutes"*.

It was suggested that the provision to circulate the minutes within fifteen working days be removed. It was also suggested that the proviso that any decisions where the Board was unable to reach a decision such occasions should also be noted in the minutes, be removed as there was a proviso for the Chair of the meeting to have a casting vote in the likelihood that a vote was tied.

The Chair of the Board and the Chief Finance Officer suggested that the provision to circulate the minutes of the Board within fifteen working days be reinstated as the minutes could contain actions which might need to be implemented within a certain timescale.

It was agreed that the provision to circulate the minutes within fifteen working days be reinstated and that the draft minutes would be subject to formal confirmation at the next meeting of the Board.

It was also suggested that the proviso that any decisions where the Board was unable to reach a decision should be noted in the minutes, be removed as there was a proviso for the Chair of the meeting to have a casting vote in the likelihood that a vote was tied.

Paragraph 69 - originally stated that *"The Board should report any concerns over a decision made by the Committee to the Committee subject to the agreement of the majority of Members present"*

In order to provide an outlet to report any concerns regarding a decision made by the Scheme Manager, it was suggested that the wording be changed to "The Board should report any concerns over a decision made by the Committee or the Scheme Manager to the Committee subject to the agreement of the majority of Members present.

It was suggested that the details of the Members of the Board be included within the Terms of Reference document together with the names of the officers who held particular positions in relation to the Board.

AGREED as follows:

1. That the proposed amendments outlined in bold be incorporated into the Teesside Pension Board's Terms of Reference.

15/3

APPROVAL AND FORMAL ADOPTION OF THE BOARD'S OTHER CONSTITUTIONAL DOCUMENTS

The Chief Finance Officer submitted a report to provide draft policy documents in relation to how the Teesside Pension Board would operate and report to the Scheme Manager.

Regulation 5 of the Public Sector Pensions Act places a requirement on the Scheme Manager to be satisfied that a person appointed to be a Member of the Teesside Pension Board did not have a conflict of interest and to be satisfied from time to time that none of the members of the Board have a conflict of interest.

A copy of the proposed Conflict of Interest Policy was attached at Appendix A to the report.

The Policy set out the principles which the Members of the Board would be expected to follow in order to fulfil their legal obligations under the Public Service Pensions Act 2013, in identifying, monitoring and managing potential, actual or perceived conflicts of interest. The report provided a definition of a conflict of interest and detailed examples of potential conflicts for illustrative purposes.

Regulation 108 of the 2013 Regulations requires that:

Each administering authority must be satisfied that any person to be appointed as a member of a local pension board does not have a conflict of interest.

Section 5(5) of the 2013 Act defines a conflict of interest as:

A financial or other interest which is likely to prejudice the person's exercise of functions as a member of the board (but does not include a financial or other interest arising merely by virtue of membership of the scheme or any connected scheme).

The 2013 regulations allow for elected members to sit on a Local Pension Board, and under the Localism Act 2011, all elected members would be covered by and subject to their own local authority's Code of Conduct. The Pensions Regulator had published guidance in the form of a Code of Practice which included guidance for Scheme Managers to assist in meeting their legal duty in ensuring that Local Pension Board members did not have a conflict of interest.

Guidance on dealing "Confidential Information" where a Member of the Board considered that the information could:

- a) adversely affect the Teesside Pension Fund or an employer within the Fund;
- b) reasonably cause the TPB to interpret a decision by the Teesside Pension Fund and Investment Panel differently or act in a different way were it to be known at the time, and
- c) the information was not available to the TPB through some other means within such time as the Board was able to fully act upon it,

stated that the TPB member should withdraw from all discussion in relation to that issue and notify the Board that a conflict of interest existed. The details of the conflict did not have to be disclosed. An example given was where a Board member was aware of legally confidential negotiations, for example, the takeover of a Fund employer which could radically alter the business and have a knock on effect on its participation in the Fund or the size of its liabilities.

The Policy Objectives of the TPB included:

1. To ensure that all members of the Teesside Pension Board comply with their statutory requirements under the Public Service Pensions Act 2013 and associated regulations and guidance.
2. Ensure that all Teesside Pension Board members are aware of their duty to act independently and carry out their roles to a high ethical standard.
3. Remove any perception that the actions of the Teesside Pension Board members are influenced by the presence of a separate responsibility or interest that conflict with their responsibilities as a Board member.
4. Maintain appropriate records of declared conflicts of interest and manage any potential conflicts to ensure they do not become actual or perceived conflicts of interest. Records will be lodged in advance of the Board Member's appointment and will be maintained by Middlesbrough Council's Monitoring Officer.
5. Ensure that public confidence in the governance of the Teesside Pension Fund is maintained.

An overview of the roles of the following was provided in identifying and monitoring conflicts of interest:

- Individual Members of the TPB;
- The Administering Authority; and
- The TPB.

It was highlighted that in the event that the TPB considered that a potential conflict of interest could become an actual or perceived conflict in respect of one or more of its members; the Board must determine the most appropriate mechanism for managing that conflict. The approach taken would depend on the nature and extent of the potential conflict. Details of examples of possible methods of managing potential conflicts were included within the report.

The TPB would receive support and advice from officers of the Fund with regard to its day to day business. The Board, if appropriate, could also seek independent or professional advice including governance or legal advice.

In order for the TPB to be confident that any advice received from officers or advisers was independent and in the best interests of the Fund, any officer or adviser providing advice to the Board was required to declare any situation where a potential, perceived or actual conflict of interest existed, to enable the situation to be appropriately managed.

In terms of the receipt of Gifts and Hospitality by any of the Board members, the Board would be expected to adhere to Middlesbrough Council's Gifts and Hospitality Policy.

AGREED that the Conflict of Interest Policy as included within the report, be approved.

A copy of the proposed policy for Training and Knowledge and Understanding of the Local Pension Board of Middlesbrough Council was attached at Appendix B to the report.

The Board was advised that Knowledge and Understanding must be considered as part of the role of the Board to assist the Administering Authority in line with the Board's Terms of Reference. The Board was required to establish and maintain a Knowledge and Understanding Policy and Framework to address the knowledge and understanding requirements of all of the Board members as required under Section 5 of the Public Service Pensions Act 2013 and regulation 106 of the Local Government Pension Scheme Regulations 2013 (as amended).

An outline of the key requirements in terms of Knowledge and Understanding of the TPB was outlined within the report. Members were required to be conversant with:

- a) the rules of the scheme;
- b) any document recording policy about the administration of the scheme which was for the time being, adopted in relation to the scheme;
- c) the law relating to pensions; and
- d) any other matters which were prescribed within the regulations.

The degree of the knowledge and understanding required must be appropriate for the purposes of enabling the Board member to properly exercise the functions required of a member of the TPB.

TPB members were required to complete the Pension Regulators Public Service Toolkit within three months of being appointed to the Board, and evidence of completion of this training was required to be provided to the Board's Governance Officer, for training record purposes. In addition, Board members were required to complete any additional content, or amendments, within one month of the Pension Regulator announcing any such change.

Each Board member was expected to attend at least 50% of all training courses provided to the Board, within a twelve month rolling period. It was highlighted, that if a Board member had undertaken equivalent, alternative training then this could count as attendance at a planned

session; this would however be determined by the Chair of the Board.

The Teesside Pension Fund website would include an area specifically dedicated to the TPB which would include links to documentation or information which may be required by Board members as part of their Board role.

The costs of attending any external training courses would require approval by the Scheme Manager prior to attendance at the course. A record of all training undertaken by Board members would be maintained by the Scheme Manager.

A list of the Scheme documentation that Board members were required to be conversant with, was included within the report. A review of Board members training needs would be completed on an annual basis by individual Board members. Where additional training needs were identified, with the agreement of the Scheme Manager, suitable training would be arranged within a reasonable time, but within the next 12 month period as a minimum.

The Knowledge and Understanding Policy would be reviewed on each material change to those parts of the Regulations covering knowledge and understanding of local pension boards or upon relevant issuance of codes of practice by the Pensions Regulator, and at least every three years.

AGREED as follows:

1. That the Knowledge and Understanding Policy as included within the report be approved.
2. That the Policy be reviewed on each material change to those parts of the Regulations covering knowledge and understanding of local pension boards or upon relevant issuance of codes of practice by the Pensions Regulator, and at least every three years.

A copy of the proposed Constitutional Procedures in respect of the Local Pension Board of Middlesbrough Council was attached at Appendix C to the report.

In terms of the Data Protection Act and Information Security, the Board would adhere to the Data Protection and Information Security policies of the Administering Authority. Copies of the policies would be made available to Board members and they would be notified of any subsequent changes to the policies.

The report included details on the reporting procedure to be followed by the Board and other responsible parties such as managers of the scheme, any other person involved in the administration of the scheme, employers, professional advisers including auditors, actuaries, legal advisers and fund managers and any other person involved in advising the Scheme Manager in relation to the scheme; in respect of reporting any suspected breaches of law to the Pension Regulator.

In terms of the Board's Financial Policy, the Board would, on an annual basis, agree an annual budget based on the assessed potential costs required to undertake their duties as Board members for the coming year. The proposed annual budget would be required to be submitted to the Scheme Manager for approval. Any subsequent changes to the agreed budget would require the approval of the Scheme Manager on a case by case basis prior to any undertakings that could lead to costs being payable.

Initially, it was proposed that Board members would be paid £100 per meeting, up to a maximum annual allowance of £1,200. Attendance at training courses would be classed as a meeting. This allowance would be reviewed from time to time by the Scheme Manager. The Scheme Manager would also have the option not to pay fees for certain duties and this could also be reviewed from time to time.

Board members would be required to follow the Middlesbrough Council Expenses Policy in place for co-opted members in terms of claims for travel and subsistence.

AGREED that the Constitutional Procedures as included within the report, be approved.

15/4 KEY OPERATING FUNCTIONS

The Chief Finance Officer submitted a report, the purpose of which was to provide the key operating functions that the Teesside Pension Board would undertake in assisting the Scheme Manager in the administration and governance of the Teesside Pension Fund. A copy of the proposed Key Functions of the Board was attached at Appendix A to the report

The Scheme Manager suggested that four key operating functions that the Pension Board could undertake, included:

- Policies and Procedure;
- Performance;
- Governance; and
- Risk.

Guidance on best practice on undertaking each of the four areas listed above was included within the report. The Chief Finance Officer highlighted that these four areas were initial areas that the Board might want to focus on, but as the Board developed, further issues would come forward.

In terms of the Performance of the Fund, the Board could look at issues such as whether the Fund was providing value for money in relation to its contractual requirements and how it compared with its peers in Local Government.

The role of Governance was similar to a scrutiny and audit role. The Board might want to consider if the right decisions were being made by the Fund and the scheme or if the correct people with the appropriate delegated authority were taking those decisions and whether any actions as a result of any decisions taken were being followed up and implemented. It was suggested that the Board should also look at the output and outcome of a project to look at how and why a decision in respect of a particular project was made and whether in the view of the Board, the correct decision was made taking into consideration the information available.

In terms of Risk, the Board might want to consider how decisions were made and what controls were put in place to mitigate any risk in respect of those decisions. The Board could also examine whether the Fund was too risk averse or whether the Fund was taking too many risks in terms of investments.

AGREED that the report in relation to the Key Operating Functions of the Board be noted.

15/5 KNOWLEDGE AND UNDERSTANDING AND TRAINING NEEDS

The Chief Finance Officer submitted a questionnaire which was designed to determine the training needs for individual members of the TPB.

The Board was advised that it was proposed that the questionnaire should be completed after members had completed the Pension Regulators Public Service Toolkit. The Toolkit was the starting point for Board Members in terms of training requirements and once this had been completed, members would be better placed to identify any further training needs. A link would be sent to those members of the Board who had not yet completed the Toolkit.

It was suggested that the Board receive an overview of the work of the Teesside Pension Fund and Investment Panel, similar to the training presentation given to Members of the Teesside Pension Fund and Investment Panel.

AGREED that report be noted and that following receipt of the completed training assessment questionnaires, the Head of Investments and Treasury Management liaise with regard to the provision of any future training identified through the completed assessment questionnaires.

15/6 CONSIDERATION AND DISCUSSION OF ACTIONS IN ADVANCE OF THE NEXT MEETING

The following actions were identified following consideration of the Agenda Items:

Action

Responsible Officer

Amend Terms of Reference.

Board to receive presentation on the work of the TPFIP and list of potential training dates to be circulated to Board. Head of Inv & Treas Mngt (P Campbell)

Circulate future dates of TPFIP to Board Members. Governance Officer (B Carr)

Circulate Contact Details of Board Members to Board. Governance Officer (B Carr)

Add TPB Members to publication of TPFIP Agenda/Minutes. Governance Officer (B Carr)

Submit Risk Register to every meeting of TPB. Head of Inv & Treas Mngt

(P Campbell)

Arrange next meeting of the Board for 3 months time (circulate possible dates for future meetings) Governance Officer (B Carr)

Circulate Expenses Form to Board Members Governance Officer (B Carr)

Review of Knowledge and Understanding Policy Head of Inv & Treas Mngt on three yearly basis (P Campbell)

Examine how other Pension Boards operate and what topics they are looking at. Head of Inv & Treas Mngt and Governance Officer

Circulate link to Pension Regulator Basic Toolkit. Head of Pensions (M Hopwood)

Notify Chair of Potential Agenda Items. TPB members

Submit completed training certificates to Governance Officer. TPB members

Submit completed expenses form to Head of Investments and Treasury Management TPB members

The following potential issues were suggested for the Board to consider:

- The role of the employer in providing information;
- Report on actuarial valuation and assumptions made in arriving at the valuation.
- Communication channels e.g. how do we communicate activities to the Board, what channels of communication should we use;
- How are investment decisions arrived at?
- Submission of Risk Register to every meeting of TPB

NOTED

15/7

AGREE DATES FOR FUTURE BOARD MEETINGS

It was suggested that the TPB meet on a quarterly basis. The next meeting would be scheduled to be held in October.

AGREED that in liaison with the Chair and the Scheme Manager, the Governance Officer circulate a list of potential dates for the meeting to be scheduled in October and the two remaining meetings for the Municipal Year to TPB members.