

TEESSIDE PENSION BOARD

A meeting of the Teesside Pension Board was held on 5 November 2018.

PRESENT: G Whitehouse, (Chair), C Monson, Councillors N J Walker and B Woodhouse

ALSO IN ATTENDANCE: G Coates, XPS

OFFICERS: W Brown, P Campbell, G Hall, S Lightwing, N Orton, J Shiel

APOLOGIES FOR ABSENCE were submitted on behalf of J Cook.

DECLARATIONS OF INTERESTS

Name of Member	Type of Interest	Item/Nature of Interest
Mr C Monson	Non pecuniary	Member of Teesside Pension Fund
Mr G Whitehouse	Non pecuniary	Member of Teesside Pension Fund

1 **MINUTES - TEESSIDE PENSION BOARD - 23 JULY 2018**

The minutes of the meeting of the Teesside Pension Board held on 23 July 2018 were taken as read and approved as a correct record.

2 **MINUTES - TEESSIDE PENSION FUND COMMITTEE**

A) 27 JUNE 2018

B) 26 JULY 2018

Copies of the minutes of the Teesside Pension Fund Committee meetings held on 27 June and 26 July 2018 were submitted for information.

3 **TEESSIDE PENSION FUND COMMITTEE - 19 SEPTEMBER 2018 - VERBAL UPDATE**

The Interim Head of Pensions Governance and Investments provided a verbal update on agenda items considered at meetings of the Teesside Pension Fund Committee held on 27 June and 26 July 2018.

4 **PENSION ADMINISTRATION REPORT - UPDATE**

A report of the Strategic Director Finance, Governance and Support was presented to provide an overview of administration services provided to the Teesside Pension Fund by Kier Pensions Unit.

A copy of the Teesside Pension Fund Service Delivery Report was attached at Appendix A to the report and provided information on the work undertaken by the Administration Unit and details of progress on recruitment to the posts discussed at previous meetings relating to the improvement to services.

It was noted that there had been one complaint to the Ombudsman, which was not included in the Report, and this was ongoing.

Gavin Coates, Client Relationship Manager, provided an introduction to the XPS Pensions Group, which had recently taken over pensions administration from Kier.

AGREED that the report was received and noted.

5 **PENSIONS GOVERNANCE AND INVESTMENTS - NEW STRUCTURE RECRUITMENT**

A report of the Strategic Director Finance, Governance and Support was presented to inform

Members of the Teesside Pension Board of recruitment to the new structure for Pensions Governance and Investments.

The new structure was in place following the implementation of pooling and to assist the Fund with its responsibilities in the future. The new staffing structure cost the Fund approximately £550,000 per annum, and was designed to ensure the Fund complied with regulations, managed key partnerships and assisted with setting the Fund's strategy.

A copy of the new staffing structure was attached at Appendix A to the submitted report. The first two phases of recruitment were complete. The remaining vacant posts required approval by the Council's Leadership Management Team and once approved would be advertised in line with the Council's recruitment policy.

The remaining post would be resolved and if still vacant then would be taken through the same process of approval as the current vacant posts. The plan was to complete the recruitment of all posts by the end of the calendar year. This was on track and it was envisaged that posts would be filled by early 2019.

AGREED that the information provided was received and noted.

6 **GAD SECTION 13 REPORT - EXECUTIVE SUMMARY**

A report of the Strategic Director Finance, Governance and Support was presented to inform Members of the Teesside Pension Board of the Government Actuary Department (GAD) Local Government Pension Scheme Section 13 Report.

The GAD's report reviewed the main aims of Section 13 to ensure they were achieved by the LGPS Funds of England and Wales.

The Government Actuary had reported that in aggregate the Local Government Pension Scheme was in a strong financial position and funds had made significant progress since the 2013 valuation based on the criteria.

Teesside had received no amber or red flags in its assessment. It was highlighted at an early stage that there was the potential for flags in asset shock, liability shock and employer default, however GAD had determined that Funds in surplus did not receive a flag in those categories.

Teesside remained one of the best funded in the LGPS at 100.4% in its own Actuarial Valuation and 105.9% funded in the standardised basis, and it still had the lowest average total employer contribution rate in the LGPS in England and Wales.

AGREED that the information provided was received and noted.

7 **BUSINESS PLAN 2018/21 - PROGRESS REPORT**

A report of the Strategic Director Finance, Governance and Support was presented to provide Members of the Teesside Pension Board with an update of progress against the Business Plan for the Fund.

Progress against the key elements of the Business Plan was reported as follows:

- The key performance indicators for the Fund (Appendix A).
- An up to date Risk Register (Appendix B).
- The estimated outturn for the Pension Fund 2018/2019 budget (Appendix C).
- Progress against the detailed work programme for 2018/2019, including a new assessment against the Pension Regulator Code of Practice (Code 14) (Appendix D).

The Fund was outperforming all the key indicators with the exception of the one for investment performance. This was because there was less contribution income than the pensioner payments being made and assets were being used to cover the shortfall. However, there was

still a surplus since the return was 7% on a 10 year basis which was above the required 4.7%.

A key change to the Risk Register was that the main risk previously highlighted was the move to the Border to Coast Pension Partnership (BCPP). This risk had now been mitigated as the pooling had taken place. However, the Member data would be transferred from Kier at some point so the risk remained on red alert.

A Board Member highlighted in the outturn report that the management costs had increased by approximately £1.5 million. It was explained that additional funding had been put into oversight and governance to reflect transition costs and it was also due to having externally managed funds now.

Some progress had been made on the Forward Work Plan. Arrangements with BCPP were now in place and some investment had been made into UK equities and overseas equities funds. All equities, with the exception of those in Taiwan, had been transitioned to the pool fund. A tax guarantee was required before the Taiwan equities could be moved. An interim valuation had been carried out to provide an idea of the funding level and any possible consequences for employer rates. The Asset Liability Study had been agreed in principle and some progress had been made with the tender for property and investment agency services.

AGREED as follows that:

1. the information provided was received and noted.
2. a breakdown of the management expenses quoted in estimated outturn for the Pension Fund 2018/2019 budget would be provided.

8 **TRAINING POLICY AND PLAN - UPDATE**

A report of the Strategic Director Finance, Governance and Support was presented to inform Members of the Teesside Pension Board of the Training Policy and plan for the Members of the Board and Teesside Pension Fund Committee and the Officers of the Fund.

Following the new Policy being adopted there had been a lack of progress with implementation of this and other adopted new Policies. In the new staffing structure for the Pensions Governance and Investments Section, there was capacity in the Governance and Reporting part of the new Section for implementation of the Policy and working with Board and Committee Members and Fund Officers to create individual training plans and provide hot topic and general awareness training. There were still vacancies in this part of the new structure and until they were filled, implementation of the new policy was on hold.

A further consideration was the Local Authority Elections in May 2019. Following Election, Committee Members would be expected to commit to a period of four years and longer term training plans could be considered. In addition, Elected Members of the Pension Board were timed to stand down, with new Elected Members sought for the Board.

It was highlighted that 2019/2020 would be an actuarial valuation year for the Fund and it would be helpful for Members to receive additional training on how the valuation was calculated.

AGREED as follows that:

1. The information was received and noted.
2. Progress with the Training Policy and Plan would be reviewed by the Board in six months' time.

9 **EXCLUSION OF PRESS AND PUBLIC**

ORDERED that the press and public be excluded from the meeting for the following items on the grounds that, if present, there would be disclosure to them of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 and that the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

10 KIER PENSION SERVICE CONTRACT - UPDATE

A report was presented to inform Members of the Teesside Pension Board in relation to the Kier Pension Service Contract.

NOTED

11 CUSTODIAN CONTRACT - UPDATE

A report was presented to update Members of the Teesside Pension Board in relation to the Custodian Contract.

NOTED

12 LOCAL PRESS REPORTS - VERBAL UPDATE

The Interim Head of Pensions Governance and Investments provided a verbal update on recent local press reports.

NOTED