

**TEESSIDE PENSION BOARD**

A meeting of the Teesside Pension Board was held on 10 February 2020.

**PRESENT:** Councillors C Monson, (Chair), L Littlewood and G Whitehouse

**PRESENT AS OBSERVERS:** J Cain, BBC Local Democracy Reporter

**OFFICERS:** M Beaver, G Hall, S Lightwing, N Orton

**APOLOGIES FOR ABSENCE** were submitted on behalf of Councillor W Ayre, Mrs J Cook, Councillor C Hobson.

**DECLARATIONS OF INTERESTS**

<b>Name of Member</b>	<b>Type of Interest</b>	<b>Item/Nature of Interest</b>
C Monson	Non Pecuniary	Member of Teesside Pension Fund
G Whitehouse	Non Pecuniary	Member of Teesside Pension Fund
L Littlewood	Non Pecuniary	Member of Teesside Pension Fund

19/18 **WELCOME AND EVACUATION PROCEDURE**

The Chair welcomed all present to the meeting and the Fire Evacuation Procedure was read out.

**NOTED**

19/19 **MINUTES - TEESSIDE PENSION BOARD - 4 NOVEMBER 2019**

The minutes of the meeting of the Teesside Pension Board held on 4 November 2019 were taken as read and approved as a correct record.

19/20 **MINUTES - TEESSIDE PENSION FUND COMMITTEE - 18 SEPTEMBER 2019**

A copy of the minutes of the Teesside Pension Fund Committee held on 18 September 2019 were submitted for information.

**NOTED**

19/21 **TEESSIDE PENSION FUND COMMITTEE - 22 JANUARY 2020**

The Head of Pensions Governance and Investments provided a verbal update on agenda items considered at the meeting of the Teesside Pension Fund Committee held on 22 January 2020.

**NOTED**

19/22 **ACTUARIAL VALUATION TRAINING PRESENTATION**

The Head of Pensions Governance and Investment presented training on the actuarial valuation.

The presentation covered the following areas:

What is an actuarial valuation.  
Setting the assumptions.

Funding strategy and uncertainties.  
Timescales.

**AGREED** that the information provided was received and noted.

19/23

### **DRAFT ACTUARIAL VALUATION OUTCOME**

A report of the Strategic Director Finance, Governance and Support was presented to provide Members with details of the draft outcome of the actuarial valuation as at 31 March 2019. The final valuation report would be published at the end of March 2020 and would set the employer contribution rates for scheme employers for the three-year period starting 1 April 2020.

A draft summary report was attached to the submitted report at Appendix A setting out the whole of Fund results. Many of the scheme employers had already been provided details of how the valuation outcome would affect them, including details of their expected future employer contribution rate for the three year period from 1 April 2020.

The valuation outcome at a whole Fund level had been very positive, with the funding level improving from around 100% to around 116%, largely because of the investment returns significantly above the level forecast at the last valuation. This had resulted in many employers being in surplus and, in some cases (depending on the type of employer) being able to use some of that surplus to maintain or reduce their employer contribution rate.

At the same time as an improved funding level, the cost of providing Fund benefits had increased significantly. This was primarily as a result of changes to the financial assumptions: reducing the discount rate and increasing the probability of funding success. Another factor in the increased costs of the scheme was the allowance made to cover the expected cost of both the payments to settle the McCloud case and to cover the cost sharing adjustment.

As part of the valuation a distinction was being made between how contribution rates were set for different employers. A different funding target, with associated different financial assumptions, would normally apply to admission body employers closed to new entrants and other bodies, whose participation in the Fund was believed to be of limited duration through known constraints or reduced covenant, and for which no access to further funding would be available to the Fund after exit. These employers were likely to see increases in contributions as part of this valuation. This allowed employers to pay contributions which better targeted the funding required on exit from the Fund and would help mitigate the risk this type of employer posed to the other employers in the Fund, should they exit without paying their Fund liabilities in full. Where possible, employers with a significant increase in contribution rate would be given the opportunity to spread the implementation of the increase across a number of years.

The main tax-raising employers would see material reductions in their employer contribution rate for the three years up to the next valuation because of their ability to use surplus to reduce their ongoing contribution rate. The Actuary was currently working closely with XPS to determine the contribution rates for approximately ten employers and an interim rate might have to be introduced, which would be corrected at a later date.

The final valuation report would be completed by 31 March 2020 and would be published on the Fund website with a link circulated to all employers and other relevant parties including Committee and Teesside Pension Board Members.

**AGREED** that the information provided was received and noted.

19/24

### **REVISED FUNDING STRATEGY STATEMENT**

A report of the Strategic Director Finance, Governance and Support was presented to inform Members of proposed revised wording for the Funding Strategy Statement.

The Local Government Pension Scheme Regulations 2013 (as amended) required Administering Authorities to publish a Funding Strategy Statement by 31 March 2015 and to

keep this statement under review, in consultation with appropriate persons.

The proposed revised wording for the Funding Strategy Statement (the Statement) was attached at Appendix A to the submitted report. The Fund Actuary had led the redrafting of the Statement. Most of the changes were required because of the ongoing actuarial valuation and were needed to ensure the Statement was consistent with the final valuation report.

The most significant differences from the previous version were set out at paragraphs 5.2 to 5.9 of the submitted report and included:

- Different Funding Targets applied to different employers.
- Different Funding Targets lead to different discount rates applying.
- Use of surplus.
- Pooling of risk benefits.
- A process for calculating any exit payment due from, or exit credit to pay to, an employer exiting the fund.
- Increase in the probability of funding success to 75%.
- The section on risk.
- The approach to setting funding levels for Academies.

The Head of Pensions Governance and Investments drew particular attention to the pooling of risk benefits and explained that this was self-insurance within the scheme. For a small employer the cost of providing a lump sum for death in-service or ill-health retirement could be significant and pooling shared the cost across all employers in the Fund. The Head of Pensions Governance and Investments confirmed this was best practice.

The revised Funding Strategy Statement would be circulated to relevant stakeholders for comments. If there were no significant amendments it would be published on the Fund's website. Any significant amendments requested would be sent back to the Committee for approval before publication.

**AGREED** that the:

1. Report was received and noted.
2. Revised wording for the Funding Strategy Statement was noted.

19/25

#### **FUTURE WORK PLAN**

A report of the Strategic Director Finance, Governance and Support was presented to request Members of the Teesside Pension Board to agree to a proposed future Work Plan. Details of the proposed Work Plan were included in the submitted report.

The Work Plan had been prepared taking into account the work the Board had already covered since its creation, the guidance from the Pensions Regulator and the Scheme Advisory Board. The Work Plan could be adapted, amended or revised to take into account the views of the Board at any time or when national guidance was updated.

The Chair suggested that the Annual Report could be presented to the Board at the April meetings instead of the July meetings.

The items on the Work Plan would be delivered mainly through reports provided at future Board meetings by the Head of Pensions Governance and Investments.

**AGREED** as follows that:

1. the Annual Report would be presented to the Board in April.
2. the future Work Plan for the Teesside Pension Board, as amended, was approved.

19/26

#### **UPDATE ON CURRENT ISSUES**

A report of the Strategic Director Finance, Governance and Support to provide Members with an update on current issues affecting the Pension Fund locally or the Local Government Pension Scheme (LGPS) in general.

The report covered three issues as follows:

- LGPS Cost Management Process and changes expected because of the McCloud Case.
- Scheme Advisory Board Governance Report.
- Competition and Markets Authority (CMA) Order.

In relation to the LGPS Cost Management Process it was likely that the LGPS would be treated separately from the rest of the public sector pension schemes in respect of the method for remedying discrimination identified in the McCloud case. The remedy was likely to involve extending the underpin to ensure that members of all ages who were scheme members at the cut-off date of April 2012 had their benefits checked.

The Head of Pensions Governance and Investment highlighted some of the recommendations in the Scheme Advisory Board Governance Report which included:

- The Administering Authority must have a single named Officer who was responsible for the delivery of all LGPS related activity for the Fund. This could be the Section 151 Officer or someone else.
- The Fund should publish its own Conflict of Interests Policy and a Policy on the representation of scheme members and non-administering employers on its committees, explaining its approach to representation and voting rights for each party.
- Key individuals within the LGPS, including Officers and Committee Members, should have the appropriate level of knowledge and understanding to carry out their duties effectively.
- The administering authority must give proper consideration to the utilisation of pay and recruitment policies, relevant to the needs of their pension function. General Council staffing policies such as recruitment freezes should not be automatically applied to the pensions function.

The Head of Pensions Governance and Investments would ensure compliance with the Guidance, when published, and report any changes required to the Fund's policies and procedures to the Committee and the Board.

The Competition and Markets Authority published the Investment Consultancy and Fiduciary Management Market Investigation Order 2019 in October 2019, setting out how pension schemes should obtain investment consultancy. It was confirmed that from the Fund's perspective, both investment advisers were appointed as part of a competitive tendering process and had been set objectives, in compliance with the CMA Order.

**AGREED** that the information provided was received and noted.

19/27

#### **XPS ADMINISTRATION REPORT AND PRESENTATION**

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 XPS Administration.

The following areas of the report were highlighted:

In relation to the Guaranteed Minimum Pension reconciliation exercise - this was continuing and it was now anticipated that it would be the end of June before the closure scan.

The percentage of completed customer satisfaction surveys returned was approximately 20% with over 14,000 issued.

The communications role had now been filled and the successful applicant started work on 16 December 2019.

XPS were currently reviewing processes to enable a move to monthly contribution postings which should lead to greater efficiencies and more up to date information on member records. It was anticipated that there would be a decision on this by April 2020.

The Employer Liaison Team had been working closely with employers, particularly in relation to Member Self Service and also on late payments. It was suggested that any Employers whose contributions were late could be named in the administration report in future.

The report also contained an overview of the disclosure requirements with timelines.

The Chair referred to a previous complaint where a Member was informed there was a 10 year guarantee on benefits in error. Information was requested as to how many Members the error might have affected.

It was confirmed that no breaches had been reported to the Pensions Regulator since the last report.

The Board also received a presentation on plans to launch a new Teesside Pension Fund website. The intention was to have a fully responsive website that was easy to use with multiple devices. Board Members were shown examples of possible designs incorporating a photograph of the Transporter Bridge. The website would incorporate an online chat bot which could respond to queries or forward them to a team member for a response. Other channels would include: a Facebook Messenger chat bot, Facebook page, YouTube, LinkedIn, Newsletters and PDF flip books. It was anticipated that a plan for implementation would be available in time for the next Board meeting in April.

**AGREED** as follows:

1. that the report was received and noted.
2. details of the number of Members the error on the guarantee on benefits might have affected would be provided to the Board.
3. future administration reports would contain details of any breaches reported to the Pensions Regulator.