

Teesside Pension Fund and Investment Panel

Introduction by Aon Hewitt:

We have reviewed the current Terms of Reference (included in the Appendix) and recommend that improvements could be made. As a starting point, we have included below a draft of what could be adopted, from which you will see there is a much greater focus on strategy and oversight, as well as ensuring all areas of fund management are considered. .

We would also suggest that the name is changed to the Teesside Pension Fund Committee (or Teesside Pension Committee). We believe that using the term Panel could be perceived as indicating it is acting more in an advisory capacity rather than as a decision making body. We also feel that no longer including the word "Investment" within its name will reflect the wider role and responsibilities that fall on the Committee.

We also recommend that the level of detail relating to pension matters to be included within Council's Constitution should be reviewed as it is currently very light touch with the only mention of the role of the Pension Committee being "Functions relating to local government pensions, etc" and with there being no mention of the Pension Board. We assume the existing terms of reference were agreed at Council. This also does not fully clarify any responsibilities delegated to officers. We expect to have some discussions with the Monitoring Officer and Section 151 Officer (or their representatives) after the Working Group to consider the level of detail to be included within the Constitution further.

A further consideration is whether any matters relating to the Borders and Coast Asset Pooling Collaboration should be delegated from Council to the Committee. The Council agreed on 15 February 2017 that the Monitoring Officer should update the Constitution to enable The Council to undertake all activities in relation to being an investor in Borders to Coast Pensions Partnership Limited (BCPP Ltd). We would expect that some of these could / should be delegated to the Pension Fund Committee and should therefore be incorporated within the Terms of Reference. Again we hope to discuss this further with Monitoring Officer in due course. We have, however, included some general supervisory elements in relation to the move to pooling of assets.

The Working Group will, of course, be updated after the discussions with the Monitoring Officer and Section 151 Officer.

Teesside Pension Fund Committee

Role and Delegated Functions

The Pension Fund Committee's principal aim is to carry out the functions of Middlesbrough Council as the Scheme Manager and Administering Authority for the Teesside Pension Fund in accordance with Local Government Pension Scheme and any other relevant legislation.

The Pension Fund Committee will have the following specific roles and functions, taking account of advice from the Chief Finance Officer and the Fund's professional advisers:

- a) Ensuring the Teesside Pension Fund is managed and pension payments are made in compliance with the extant Local Government Pension Scheme Regulations, Her Majesty's Revenue & Customs requirements for UK registered pension schemes and all other relevant statutory provisions.
- b) Ensuring robust risk management arrangements are in place.
- c) Ensuring the Council operates with due regard and in the spirit of all relevant statutory and non-statutory best practice guidance in relation to its management of the Teesside Pension Fund.
- d) Determining the Pension Fund's aims and objectives, strategies, statutory compliance statements, policies and procedures for the overall management of the Fund, including in relation to the following areas:
 - i) Governance – approving the Fund's Governance Policy and Compliance Statement for the Fund within the framework as determined by Middlesbrough Council and making recommendations to Middlesbrough Council about any changes to that framework.
 - ii) Funding Strategy – approving the Fund's Funding Strategy Statement including ongoing monitoring and management of the liabilities, ensuring appropriate funding plans are in place for all employers in the Fund, overseeing the triennial valuation and interim valuations, and working with the actuary in determining the appropriate level of employer contributions for each employer.
 - iii) Investment strategy - approving the Fund's Investment Strategy Statement and Compliance Statement including setting investment targets and ensuring these are aligned with the Fund's specific liability profile and risk appetite.
 - iv) Administration Strategy – approving the Fund's Administration Strategy determining how the Council will the administer the Fund including collecting payments due, calculating and paying benefits, gathering information from and providing information to scheme members and employers.
 - v) Communications Strategy – approving the Fund's Communication Strategy, determining the methods of communications with the various stakeholders including scheme members and employers.
 - vi) Discretions – determining how the various administering authority discretions are operated for the Fund.
- e) Monitoring the implementation of these policies and strategies on an ongoing basis.

- f) In relation to the Borders to Coast Asset Pooling Collaboration arrangements:
 - i) Monitoring of the performance of the Borders to Coast Asset Pooling Collaboration and its Operator and recommending actions to the Joint Committee, [*Shareholders?*], Officers Groups or BCPP Ltd, as appropriate.
 - g) Considering the Fund's financial statements prior to approval by the Council and agreeing the Fund's annual report. [*Need to understand the MC approach to approval of financial statements*]
 - h) Selection, appointment, dismissal and monitoring of the Fund's advisers, including actuary, benefits consultants, investment consultants, global custodian, fund managers, lawyers, pension funds administrator, and independent professional advisers.
 - i) Making decisions relating to employers joining and leaving the Fund. This includes which employers are entitled to join the Fund, any requirements relating to their entry, ongoing monitoring and the basis for leaving the Fund.
 - j) Agreeing the terms and payment of bulk transfers into and out of the Fund.
 - k) Agreeing Pension Fund business plans and monitoring progress against them.
 - l) Agreeing the Fund's Knowledge and Skills Policy for all Pension Fund Committee members and for all officers of the Fund, including determining the Fund's knowledge and skills framework, identifying training requirements, developing training plans and monitoring compliance with the policy.
 - m) Agreeing the Administering Authority responses to consultations on LGPS matters and other matters where they may impact on the Fund or its stakeholders.
 - n) Receiving ongoing reports from the Chief Finance Officer [*and anyone else?*] in relation to delegated functions.

No matters relating to Middlesbrough Council's responsibilities as an employer participating within the Teesside Pension Fund are delegated to the Pension Fund Committee.

Composition

(a) *Membership*

The Teesside Pension Fund Committee will be composed of 15 members. Its membership will include:

- i) Nine Councillors of Middlesbrough Council, determined by the Council.
- ii) One Councillor from each of Hartlepool Borough Council, Stockton Borough Council and Redcar & Cleveland Borough Council.
- iii) One representative of the other Scheme Employers in the Teesside Pension Fund appointed in accordance with procedures **agreed by the Chief Finance Officer and Monitoring Officer**.
- iv) One representative of the scheme members of the Teesside Pension Fund, appointed in accordance with procedures **agreed by the Chief Finance Officer and Monitoring Officer**..

Named substitutes are permitted providing they satisfy the knowledge and skills policy of the pension fund.

(b) *Term of office*

- i) The representative members (for other scheme employers and scheme members) are appointed for a period of no more than **six** years and may be reappointed for further terms.
- ii) Councillors of the participating Councils will have a term of office to the next ordinary local government election following their appointment. They may be reappointed for further terms.

(c) *Quorum*.

A meeting of the Pension Fund Committee shall only be quorate when:

- i) At least eight members are present, and
- ii) At least five of the members present are Councillors of Middlesbrough Council.

(d) *Voting*

Voting Rights are held by all members **[with the exception of the scheme member representatives]**.

(e) *Chairing the Committee.*

- i) Only Councillors of Middlesbrough Council may be the Chair and Vice-Chair.
- ii) The Chair will be elected annually by members of Middlesbrough Council.
- iii) The Vice-Chair will be elected annually by members of the Pension Fund Committee.

(f) *Procedure Rules*

The Council's Rules of Procedure, Codes and Protocols will apply to this Committee in the same way as they apply to other Committees unless different provision is made in this article.

(g) *Location*

The Pension Fund Committee may occasionally meet outside of Middlesbrough Council area.

Officers

The Committee may delegate a limited range of its functions to one or more officers of the Authority.

The Pension Fund Committee will be responsible for outlining expectations in relation to reporting progress of delegated functions back to the Pension Fund Committee.

OFFICERS' DELEGATIONS

Chief Finance Officer
The day to day management of Teesside Pension Fund matters including ensuring arrangements for investments of assets and administration of contributions and benefits, excluding matters delegated to the Teesside Pension Fund Committee.

Appendix – Existing Terms of Reference (extracted from Governance Policy Statement 2009)

Note – these do not currently appear within the Middlesbrough Constitution (nor do the Pension Board terms)

1. For Members of the Council to act as Trustees of the Fund.
2. To have delegated powers to manage the investments of the Fund within the requirements of the Local Government Pension Scheme Regulations as amended from time to time.
3. To manage the Fund in accordance with the Management Agreement.
 - i. To ensure that the fund complies with the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007, the Local Government Pension Scheme (Administration) Regulations 2008 and the Local Government Pension Scheme (Transitional Provisions) regulations 2008 (as amended), Her Majesty's Revenue and Customs (HMRC) requirements for Pension Funds and any other relevant statutory provision.
 - ii. The selection, appointment and dismissal of investment managers, scheme administrators, independent advisors and ad hoc advisors.
 - iii. The formulation of investment strategy and risks strategy for the Fund under its stewardship, after receiving advice from its independent advisors and the Loans and Investment Manager.
 - iv. Setting investments targets and monitoring the investment performance and financial control of the Funds' assets and commissioning the preparation of actuarial valuations and accounts.
 - v. Ensuring that value for money is achieved from all the specialists supplying services to the Fund through a comprehensive and qualitative selection process and through budgetary control.
 - vi. Commissioning any actuarial valuation and taking appropriate action in the light thereof.
 - vii. Receiving and agreeing the annual report and accounts.
 - viii. Ensuring effective communication with scheme members and pensioners.
 - ix. Receiving and dealing with general complaints from scheme members and pensioners.
 - x. To determine the exercise of the discretions allowed to the administering authority, as laid down in by relevant legislation.
 - xi. Any other responsibilities delegated to it by the Authority.