

TEESSIDE PENSION BOARD

A meeting of the Teesside Pension Board was held on 11 February 2019.

PRESENT: G Whitehouse, (Chair), C Monson and Councillor N J Walker

PRESENT AS OBSERVERS: J Cain, BBC Local Democracy Reporter

OFFICERS: S Lightwing, P Mudd, N Orton, J Shiel

APOLOGIES FOR ABSENCE were submitted on behalf of J Cook, Councillor B Woodhouse.

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 - 5 NOVEMBER 2018**

The minutes of the meeting of the Teesside Pension Board held on 5 November 2018 were taken as read and approved as a correct record.

2 **MINUTES - TEESSIDE PENSION FUND COMMITTEE - 19 SEPTEMBER 2018**

A copy of the minutes of the Teesside Pension Fund Committee meeting held on 19 September 2018 were submitted for information.

3 **TEESSIDE PENSION FUND COMMITTEE - 12 DECEMBER 2018 - VERBAL UPDATE**

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 12 December 2018.

4 **ADMINISTRATION REPORT**

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

A copy of the latest Teesside Pension Fund Service Delivery Report was attached at Appendix A to the submitted report and provided information on the work undertaken since the last update by the Administration Unit.

The Governance and Communications Manager made particular reference to the Common Data information provided and highlighted the most recent figures. The fails on 'Title', stated as 993 in the report, had now reduced to 31. It was noted that it was almost impossible to have a 100% return on the capture of National Insurance Numbers as some people who were beneficiaries of the Fund were dependants under the age of 16.

The Head of Pensions and Governance raised a query in relation to DOB (Dates of Birth) as it had been identified that over 300 people had 7/7/77 as a DOB. It was explained that this was a default number used when the DOB was not known. Board Members agreed that it would be helpful if further efforts were made to ascertain the correct information from Employers.

One area of concern for the Board were the figures for the capture of address fails (3782) and postcode (3761). It was explained that the majority of these fails related to deferred Members and that it was Members responsibility to provide this information. It was also noted that

generally those Members approaching retirement age would eventually make contact with the Pensions Unit and update their information. Board Members agreed it would be helpful for the Pensions Unit to carry out some analysis, targeting those Members over 50 for whom the Pensions Unit did not currently have an up-to-date address.

The report provided details of performance against individual service requirements and it was noted that with regard to Annual Benefit Statements, these were issued where the Pensions Unit had been provided with year-end data. A Board Member requested information on how many Members did not receive a Statement where the information was not supplied.

Updates were also provided on responses to the customer satisfaction survey and recruitment to the Pensions Unit. Meetings were taking place on 11 and 12 February 2019 with XPS to undertake a full review of staffing requirements and to determine whether resources already existed within the organisation to undertake the required work for the Teesside Pension Fund. This was expected to mainly impact the communication and systems posts while the employer liaison posts were awaiting approval and advertising.

AGREED as follows:

1. Details of the number of Members not receiving their Annual Benefit Statement due to the required information not being supplied to the Pensions Unit by Employers would be provided to the Board.
2. Employers would be requested to supply accurate DOBs for all Members currently listed with the default DOB.
3. Analysis would be carried out with regard to the number of Members over the age of 50 for whom the Pensions Unit did not currently have an up-to-date address and how much it would cost to actively pursue obtaining this information and details would be provided to the Board.

5

FUNDING STRATEGY STATEMENT AND INVESTMENT STRATEGY STATEMENT

A report of the Strategic Director Finance, Governance and Support was presented to advise Members of the Board of the Fund's revised Funding Strategy Statement and the Investment Strategy Statement. Copies of the revised Statements were attached at Appendices A and B to the submitted report.

At a meeting of the Teesside Pension Fund Committee held on 12 December 2018, changes were approved to the Funding Strategy and Investment Strategy Statements, subject to any further changes required following consultation with Pension Fund employers.

The changes from the previous version of the Funding Strategy Statement were as follows:

- Treatment of surplus revealed at an actuarial valuation is clarified. In particular it is made clear that in normal circumstances tax-raising employers would be able to use surplus to reduce their contributions below the cost of accruing benefits by spreading the surplus element over the maximum period for deficit recovery.
- Employers with guarantors who are in surplus or deficit when they exit the Fund would normally have that surplus or deficit transferred to the guarantor.
- Where an exit calculation is required, the Statement confirms this can only commence once the necessary data has been supplied to the actuary.
- The Fund's target strategic benchmark has been updated to reflect the new details set out in the revised Investment Strategy Statement.

The changes from the previous version of the Investment Strategy Statement were as follows:

- Reference is made to the Deputy Section 151 Officer in the roles and responsibilities.
- The Fund's long term target strategic asset allocation is updated in line with the proposal agreed at the 19 September 2018 Committee meeting.

Comments had been received from one Pension Fund employer, Thirteen Group, but had not resulted in any further changes to the Statements.

The revised Statements would be published on the Fund's website. Further amendments were possible as the Actuary progressed with the actuarial valuation later this year. Further consultation would take place if additional changes were required.

AGREED that the report was noted.

6 **UPDATES TO REGULATIONS**

A report of the Strategic Director Finance, Governance and Support was presented to advise Members of the Board of changes to the regulations and associated guidance governing the Local Government Pension Scheme (LGPS).

The Local Government Pension Scheme (Miscellaneous Amendment) Regulations 2018 were laid before parliament on 18 December 2018 and came into force from 10 January 2019 (some provisions were backdated).

The regulations:

- a) Introduced a general power for the Secretary of State to issue statutory guidance to administering authorities on the operation of the LGPS.
- b) Made changes to survivor benefits, to allow pensions to be paid at the same level as widows' pensions to survivors of registered civil partnerships or same-sex marriages. These changes are implemented in the LGPS as if they had applied from the dates that civil partnerships and same-sex marriages were implemented (5 December 2005 and 13 March 2014 respectively).
- c) Made a correction to previous regulations to make it clear that all deferred members age 55 or more can choose to draw their pension benefits early (with appropriate early retirement reductions applied).

The Government sought to provide reassurance in relation to the introduction of the power to issue statutory guidance, by stating that it undertook to publicly consult with stakeholders on any new guidance before issue, where possible, and ensure there was a dedicated page on gov.uk for all current guidance.

AGREED that the report was noted.

7 **CONSULTATION ON POOLING**

The Head of Pensions Governance and Investment presented a report to advise Members of the Board of an informal consultation on new statutory guidance on asset pooling within the Local Government Pension Scheme (LGPS), and to ask for comments on the proposed revised guidance.

The draft guidance was more prescriptive about what LGPS investment pooling should look like. In general, the approach to pooling set out in the draft guidance closely matched the approach that the Border to Coast Pensions Partnership (and the twelve Funds that owned it) had taken. The report detailed nine points of particular note from the draft guidance.

Information about the consultation would also be circulated to the next Pension Fund Committee meeting. Board Members were invited to submit any comments they had in relation to the draft guidance.

AGREED that:

1. The report was noted.
2. Comments on the consultation should be submitted to the Head of Pensions Governance and Investment.

8 DRAFT CONSULTATION ON COST MANAGEMENT

A report of the Strategic Director Finance, Governance and Support was presented to advise Members of the Board of changes proposed to the regulations governing the Local Government Pension Scheme (LGPS), as a consequence of the Scheme Advisory Board's cost management process.

The changes would result in an average increase to employer contributions in the LGPS of around 0.9% of pensionable pay. The exact amount would vary by employer, with those who employed mainly lower paid staff seeing an increase in employer costs of around 2.75% of pensionable pay.

The Future Service Cost mechanism operated by the Scheme Advisory Board had determined the future service cost for LGPS was 19% as against the target of 19.5%. In order to bring the cost back in line with target cost, the Scheme Advisory Board recommended the following changes to contributions and benefits:

- Removal of the third tier of ill-health (assume it will be replaced by second tier ill-health).
- A minimum death in service benefit of £75,000.
- Enhanced early retirement reduction factors.
- Employee contributions: A new 2.75% band at pay from £0 to £12,850, reduced rate of 4.4% (from 5.8%) for pay from £12,501 to £22,500, and an expansion of the top of the current 6.8% band from £45,200 to £53,500.

The Scheme Advisory Board had produced a draft consultation document, a copy of which was attached at Appendix A to the submitted report. This document set out the expected content of a more formal consultation.

The impact on employers would vary, depending on the profile of their scheme members. AON, the Pension Fund Actuary, had provided more detail on the proposals and a copy of that document was attached at Appendix B to the submitted report. The Actuary estimated the cost of employers as being 0.9% of pensionable pay on average but ranging up to 3.0% of pensionable pay. This additional cost would be taken into account as part of the next valuation in March 2019.

However, on 30 January 2019, the Scheme Advisory Board issued an email advising that the Government had announced a pause in the cost management process for public service pension schemes due to an ongoing unlawful discrimination appeal. If the Government's appeal was not successful, the potential cost of rectifying this had been estimated at £4 billion a year. While the risk existed and there was uncertainty about the value of all public service pension schemes' liabilities, the Government had decided not to progress its cost management assessment. It was doubtful whether the Scheme Advisory Board would progress with its own cost management process to enable implementation of the changes by April 2019. It was highlighted that whether the Government wins its appeal or not, the cost to employers of providing the scheme looked likely to increase.

The Pension Fund Actuary would take into account any changes to the value of liabilities that result from the cost management process when preparing the 31 March 2019 actuarial valuation.

AGREED that the report was noted.

9 BOARD MEMBERSHIP - VERBAL UPDATE

The Head of Pensions Governance and Investments advised Board Members that their current four year term of office was due to end in July 2019.

It was highlighted that there was provision in the Board's Terms of Reference for the

Appointment Panel to extend Members' terms of office by two years, if deemed appropriate, and with the agreement of the Board. It was suggested that, in the interests of continuity, and also to stagger the end dates of Board appointments in future, the terms of office of the current Chair and Deputy Chair should be extended by two years.

The role of Chair was currently rotated on a two yearly basis with the Deputy Chair and it was proposed that consideration was given to appointing a new Deputy after one year, to allow for continuity in the first instance, but also to enable a new member to take on that role if they wished.

It was also noted that there was currently an employer representative vacancy which needed to be recruited to.

AGREED that:

1. The employee representative vacancy should be filled as soon as practicable.
2. The Head of Pensions Governance and Investments would make a proposal to the Appointments Panel regarding a two-year extension to the current terms of office of the Chair and Deputy Chair and bring a report to the next Board meeting.

10

ANY OTHER URGENT ITEMS WHICH IN THE OPINION OF THE CHAIR, MAY BE CONSIDERED.

The Board was informed that Hymans Robertson had been appointed by the Scheme Advisory Board to conduct a survey on good governance of Local Government Pension Schemes (LGPS). The Head of Pensions Governance and Investment would provide the Board with further information once available.

NOTED