

TEESSIDE PENSION BOARD

A meeting of the Teesside Pension Board was held on 22 July 2019.

PRESENT: Councillors C Monson (Chair), J Cook, C Hobson and G Whitehouse

ALSO IN ATTENDANCE: G Hall, XPS Administration

OFFICERS: W Brown, S Lightwing, N Orton, J Shiel

APOLOGIES FOR ABSENCE were submitted on behalf of Councillor Woodhouse.

DECLARATIONS OF INTERESTS

Name of Member	Type of Interest	Item/Nature of Interest
J Cook	Non pecuniary	Member of Teesside Pension Fund
Councillor C Hobson	Non pecuniary	Member of Teesside Pension Fund
C Monson	Non pecuniary	Member of Teesside Pension Fund

19/1 **MINUTES - TEESSIDE PENSION BOARD - 15 APRIL 2019**

The minutes of the meeting of the Teesside Pension Board held on 15 April 2019 were taken as read and approved as a correct record, subject to the following amendment:

Mr C Monson's declaration of a non pecuniary interest to be added to the minutes.

19/2 **MINUTES - TEESSIDE PENSION FUND COMMITTEE - 13 MARCH 2019**

A copy of the minutes of the Teesside Pension Fund Committee meeting held on 13 March 2019 were submitted for information.

NOTED

19/3 **TEESSIDE PENSION FUND COMMITTEE - 19 JUNE 2019 - 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 19 June 2019.

19/4 **TEESSIDE PENSION BOARD - ANNUAL REPORT 2018/2019**

The Chair presented the third Annual Report of the Teesside Pension Board.

The report provided details of the membership, attendance, training and work programme for the year 2018 to 2019 including training, governance and policies, performance and risk.

The report also outlined the aims for the current year's work programme as follows:

- Continue to work closely with Officers and Members of the Authority.
- Undertake any further training or attendance at events for Board members as appropriate and continue to revise our training and development programme.
- Invite the Pension Regulator to provide training on the work of the Regulator, and on recent developments and priorities.

- Continued and close involvement with the Teesside Pension Fund Administrator.

The Head of Pensions Governance and Investment highlighted that in the original guidance there was an appendix listing areas of activity for Pensions Board and it was suggested that this could be used as a checklist to make sure the Board was covering all appropriate areas.

In response to queries in relation to investments with Border to Coast Pension Partnership (BCPP) the Head of Pensions Governance and Investment confirmed that the Teesside Pension Fund Committee retained responsibility for asset allocation and also that BCPP had a dedicated officer for responsible investment.

AGREED that:

1. the report was received and noted.
2. the actions for the current year's work programme as detailed in the report were approved.

19/5

DRAFT ANNUAL PENSION FUND REPORT 2018/19

A report of the Strategic Director, Finance Governance and Support was presented, the purpose of which was to provide details of the Annual Report and Accounts for the Teesside Pension Fund.

The terms of reference for the Teesside Pension Fund Committee required the Annual Report and Accounts to be received by Members. A copy of the Draft Report and Accounts for the year ended 31 March 2019, which would be presented to the Pension Fund Committee on 24 July 2019 was attached to the submitted report.

The overall financial performance of the Fund for the year to 31 March 2019 was a reasonably positive increase. The Fund's value increased to £4.08 billion, an increase over the year of approximately £187 million or 4.8%.

The membership of the Fund had increased, with total membership at the year-end now standing at 72,266, an increase of 2,971 over last year. The number of active members had decreased by 363 (1.6%) over the year, but increased by 1.6% over the past four years. The number of pensioners increased by 967 (4.2%) over the year, and increased by 12.7% over the past four years. The number of deferred members increased last year by 2,367 (10.2%), and increased by 4.8% over the past four years.

In this financial year the Fund received over £4.1 million from early retirement recharges, down on last year's figure of £4.5 million, a 9.4% decrease on last year.

The Head of Pensions Governance and Investments drew the Board Members' attention to following sections of the report:

- Finance Performance Report.
- Analytical Review of the Financial Year.
- Asset Allocation Strategy.
- Late payment history.
- Head of Pensions Governance and Investments' Report.

It was noted that there had been a significant increase in costs in the Fund, some of which were as a consequence of set up fees for Border to Coast Pension Partnership (BCPP), and starting to invest in asset classes, where the fees were higher. In addition, £833,334, being a one-twelfth share, had been allocated to BCPP to meet the Financial Conduct Authority (FCA) requirement to hold £10 million capital. This capital value could increase as the value of assets increased. The Chair requested a detailed breakdown of the oversight and governance costs, which showed an increase of 81%.

The next actuarial valuation was due to be carried out as at 31 March 2019, with the final report published in March 2020, and any changes required to employer contribution rates due to come into force from April 2020.

The Head of Pensions Governance and Investments suggested that it would be timely for the Teesside Pension Fund Committee to refresh the asset allocation strategy once the actuarial valuation results were available.

A query was raised regarding the amounts owed in relation to the table showing late payments by Employers. It was suggested that this information could be added to the Administration Report provided by XPS in future.

In a response to a query regarding new Employers joining the Fund, the Head of Pensions Governance explained that there was a formal process involving an admission agreement, sometimes a bond, and input by the Actuary. It was suggested that the Board or the Committee should be notified of new Employer entrants to the Fund as well as any leavers.

The Council adopted International Finance Reporting Standards (IFRS) from 1 April 2010. The Pension Fund accounts complied with the reporting standards.

AGREED that:

1. the information provided was received and noted.
2. a breakdown of the oversight and governance costs would be provided to the Board.
3. details of late payments by employers would be added to the Teesside Pension Fund Service Delivery Report by XPS.
4. the Board and Committee would be notified of any new Employer entrants or leavers to the Fund.

19/6

CONSULTATION ON CHANGES TO VALUATION CYCLE, EXIT PAYMENTS AND ACCESS TO THE LGPS FOR SOME EMPLOYERS

A report of the Strategic Director, Finance, Governance and Support was presented to advise Board Members of a consultation on changes to the regulations governing the Local Government Pension Scheme (LGPS), and to ask Board Members for any comments that could be taken into account in drafting the response to the consultation on behalf of the Council as Administering Authority of the Fund.

The Ministry for Housing, Communities and Local Government (MHCLG) issued a consultation document on 8 May 2019 entitled "LGPS: Changes to the local valuation cycle and the management of employer risk policy", (Appendix A) opening a 12 week consultation which ended 31 July 2019.

The consultation covered the following areas:

- Changes to the local fund valuations from the current 3 year (triennial) to a 4 year (quadrennial) cycle.
- A number of measures aimed at mitigating the risks of moving from a triennial to a quadrennial cycle.
- Proposals for flexibility on exit payments.
- Proposals for further policy changes to exit credits.
- Proposals for changes to the employers required to offer local government pension scheme membership. More specifically the proposal was: "to remove the requirement for further education corporations, sixth form college corporations and higher education corporations in England to offer new employees access to the LGPS."

In relation to the proposal to change the local fund valuations from the current 3 year (triennial) to a 4 year (quadrennial) cycle, Board Members agreed that the current 3 year cycle should remain in place.

The Pension Committee had agreed that the Head of Pensions Governance and Investments formulate a suitable response to the consultation, taking into account comments from the Actuary and, following consultation with the Chair and Vice Chair, submits this to MHCLG by the 31 July 2019 deadline.

AGREED that the information provided was received and the Board's comment noted.

19/7

TEESSIDE PENSION BOARD - 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 following elements of the report were highlighted by the Operations Manager:

- Membership Movement.
- Complaints
- Common Data.
- Conditional Data.
- Customer Service/Satisfaction Surveys.
- Recruitment.

XPS Administration was currently working on a method to report Conditional Data. Discussions were ongoing with a software provider on a cost for this reporting function along with investigation as to whether this could be achieved internally. This followed the issuance by SAB of 22 data fields that had to be reported upon. It was anticipated that a Conditional Data Score would be available prior to the Pension Regulator's Scheme Return which was required later in the year. A full list of data items was attached at Appendix B to the submitted report.

Just over 19% of customer satisfaction surveys had been returned since December 2016. Any negative comments had been investigated.

The Pensions Unit had recently recruited an Employer Liaison Team Leader and an Administrator. A third post in the liaison team was also available. Work had been undertaken to fill the Communications role and, once progress had been made in planning the move to monthly postings, additional recruitment on the systems team would take place.

AGREED that the information provided was received and noted.

19/8

ANY OTHER URGENT ITEMS WHICH IN THE OPINION OF THE CHAIR, MAY BE CONSIDEREDTeesside Pension Fund Audit Results Report - Year Ended 31 March 2019

A copy of the Teesside Pension Fund Audit Results Report for the Year Ended 31 March 2019 had been circulated to Board members prior to the meeting.

The audit of the Fund's financial statements for the year ended 31 March 2019 was substantially completed and, subject to satisfactory completion of the following outstanding items, EY expected to issue an unqualified opinion. The outstanding items were listed as follows:

- Obtaining four investment confirmations.
- Review of the Teesside Pension Fund Annual Report.
- Reconciliation of the Custodian report to the financial statements.
- Review of the final accounts.

- Receipt of management representation letter.
- Final review of audit work completed and audit completion procedures.

The Head of Pensions Governance and Investments highlighted that the overall materiality assessment had been updated to £40.8 million (Audit Planning Report £38.9 million). This resulted in updated performance materiality, at 75% of overall materiality, of £30.6 million. However, the threshold for reporting misstatements remained the same at £1.9 million.

There were no issues reported by EY in relation to the significant risks identified in the areas of audit focus, although there were still some minor items outstanding as listed above.

The report would be presented to the Teesside Pension Fund Committee at its next meeting on 24 July 2019.

AGREED that the information provided was received and noted.