

TEESSIDE PENSION BOARD

A meeting of the Teesside Pension Board was held on 4 November 2019.

PRESENT: Mr C Monson, (Chair), W Ayre, Mrs J Cook, C Hobson and Mr G Whitehouse

ALSO IN ATTENDANCE: P Mudd, XPS Administration

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

APOLOGIES FOR ABSENCE There were no apologies for absence.

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
G Whitehouse	Non pecuniary	Member of Teesside Pension Fund

1 MINUTES - TEESSIDE PENSION BOARD - 22 JULY 2019

The minutes of the meeting of the Teesside Pension Board held on 22 July 2019 were taken as read and approved as a correct record, subject to the following minor amendment:

J Cook to be added to the Declarations of Interests.

2 MINUTES - TEESSIDE PENSION FUND COMMITTEE - 24 JULY 2019

A copy of the minutes of the Teesside Pension Fund Committee meeting held on 24 July 2019 were submitted for information.

NOTED

3 TEESSIDE PENSION FUND COMMITTEE - 18 SEPTEMBER 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 18 September 2019.

NOTED

4 PENSION BOARD MEMBERSHIP – VERBAL UPDATE

The Chair welcomed Councillor Ayre to his first meeting of the Pension Board and welcomed back Jackie Cook.

The Head of Pensions Governance and Investments confirmed that two additional Scheme Employer Representatives and two additional Scheme Member Representatives had been appointed to the Board for four years from today's meeting.

Training had been provided and further training would be offered as appropriate.

AGREED that the information provided was received and noted.

5 XPS 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 Governance and Communications Manager and further explanation was provided at the meeting:

- McCloud judgement.
- Good governance project.
- LGPS engagement report published.
- Regulations and guidance - Scape and GAD factors.
- Membership movement.
- Guaranteed Minimum Pension reconciliation exercise.
- Complaints.
- Internal Dispute Resolution Process.
- Pensions Ombudsman.
- High Court Ruling.
- Common and Conditional Data.
- Customer Service.
- Recruitment.
- Performance.
- Employer Liaison.

In relation to the complaint about a Member being incorrectly informed there was a 10 year guarantee on his benefits, the Governance and Communications Manager undertook to carry out some further analysis to try and prevent this issue from occurring in future.

It was highlighted that a Communications Consultant had been recruited and would take up post on 16 December 2019. One of their tasks would be to update the website for members and employers as well as looking at social media engagement. The Chair requested a copy of the staffing structure for the next meeting.

AGREED as follows that:

1. The information provided was received and noted.
2. A copy of the XPS staffing structure would be presented at the next meeting.

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INVESTMENT POOLING UPDATE

A report of the Strategic Director Finance, Governance and Support was presented to provide Members of the Teesside Pension Board with an update on the continuing pooling of assets through Border to Coast Pensions Partnership (Border to Coast).

The Pension Fund's equity assets mainly transferred to either Border to Coast (UK equities) or State Street Global Advisers (Overseas equities). The Pension Fund has also invested into Border to Coast's Overseas equity sub-fund and committed to invest into two alternative asset classes: private equity and infrastructure.

The twelve Partner Funds that wholly own Border to Coast were at different stages in terms of investing within the sub-funds. It was always acknowledged that this would be the case, with the three internally-managed Funds (including Teesside), initially moving significant assets to be invested by Border to Coast. With the launch of two externally-managed equity funds (UK Listed Equity Alpha, last year, and Global Equity Alpha, this year), a significant proportion of the assets of most of the nine mainly externally-managed Funds was also now invested through Border to Coast.

Border to Coast continued to work with the Partner Funds to develop, refine and agree the indicative launch timetable for future funds.

The Pension Fund had committed to investing £200 million (around 5% of its assets) into Border to Coast's Alternatives Fund during the current financial year, with half being allocated to private equity and half to infrastructure. The intention was that a further £100 million a year would be invested over the subsequent four years. No commitment was made to private credit initially, but this would be reviewed before the next opportunity to invest (expected to be March 2021).

The Pension Fund would review its asset allocation strategy in the context of the results of the current triennial valuation, and this review would help determine whether any investments were made to the Border to Coast sub-funds being launched next year. Discussions were underway with Border to Coast over the cost/benefits of property investment through the pool company, in particular whether it made sense to transfer the Pension Fund's direct property portfolio to Border to Coast.

The Pension Fund's shareholding was exercised by the Chair of the Pension Fund under delegated power from the Mayor. The following shareholder resolution had recently been agreed to by the Chair on behalf of the Pension Fund:

Property lease - a resolution allowing Border to Coast to lease additional office space in Leeds. This required agreement from at least 75% of the shareholders.

The Head of Pensions Governance and Investments provided summary of the main points from the Joint Committee meeting held on 11 September 2019, which included:

- Annual Election of Committee Chair and Vice Chair, Annual Nomination to the Board to Coast Board.
- Joint Committee Budget.
- Annual Performance Overview: UK Equity Fund and Overseas Developed Fund.
- CEO Report August 2019.
- Alternative Asset Update.

AGREED that the information provided was received and noted.

7 **BORDER TO COAST GOVERNANCE CHARTER**

A report of the Strategic Director Finance, Governance and Support was presented to provide Members of the Board with an opportunity to comment on the current Border to Coast Governance Charter in order to inform a review of the Charter being undertaken by Border to Coast early in 2020.

Border to Coast published a Governance Charter in March 2019, a copy of which was attached at Appendix A to the submitted report. The purpose of the Charter was to summarise the governance arrangements for the Pool, including the structure and roles, responsibilities and authority of the following in relation to Border to Coast:

- The Administering Authorities.
- The Pensions Committees.
- Advisors to Pensions Committees.
- Local Pension Boards.
- The Joint Committee.
- Officers Operations Group.
- Statutory Officers (including S151 and Monitoring Officers).
- Shareholders.
- Border to Coast Board.
- Border to Coast Management Team.

- The Financial Conduct Authority.
- The Depository (in respect of regulated collective vehicles such as the Authorised Contractual Scheme).

The Governance Charter also summarised Border to Coast's objectives and approach. The Charter was reviewed annually by the Border to Coast Head of Legal and Company Secretary and the Officers Operations Group, and updated as required to reflect any changes in governance arrangements in agreement with the Border to Coast Board, Joint Committee and Shareholders.

As part of the review process, the CEO of Border to Coast had asked Local Pension Board Chairs, and, where possible, Local Pension Boards for initial feedback on the Governance Charter to inform the company's assessment. The Head of Pensions Governance and Investments invited members to submit any comments to him within the next week.

AGREED that:

1. the information provided was received and noted.
2. any comments received from Members would be forwarded to Border to Coast.

8

UPDATE ON CURRENT ISSUES

The Head of Pensions Governance and Investments presented a report to provide Members of the Board with an update on current issues affecting the Pension Fund locally or the Local Government Pension Scheme (LGPS) in general.

Actuarial Valuation

The valuation was underway and discussions had taken place with the Actuary about the whole of Fund position and what assumptions the Actuary was using. The outcome appeared favourable for the Fund and the funding level had improved significantly. However, expectations for future returns were not as good as previously and the service rate could increase. For some employers there might be scope to allow surplus funds to offset their contributions. Officers would look at ways to reduce the risk for the Fund and ensure it continued to be well-balanced going forward. The outcomes for all Employers would be available by the end of December 2019.

LGPS Cost Management Process and the changes expected because of the McCloud case

The cost management proposals remained on hold. The Fund was working with the Actuary to ensure an appropriate degree of prudence was built into the valuation outcome to take account of this. The current expectation was that the actuary would be setting out an explicit increase to employer contribution rates to take this into account. However, owing to the continuing uncertainty over what remedy the Government would apply to remove the discrimination, it was not possible to accurately forecast the exact impact, either at Fund or scheme employer level.

The Pensions' Regulator's Engagement Report

In September 2019 The Pensions Regulator (TPR) produced the results of its engagement with 10 LGPS Funds selected from across the UK to understand scheme managers' approaches to a number of key risks. A copy of the report was enclosed at Appendix A to the submitted report.

Competition and Markets Authority Order

The Competition and Markets Authority (CMA) published the Investment Consultancy and Fiduciary Management Market Investigation Order 2019 in June. The Order had potential implications for LGPS Investment Pools and Funds.

Investment Pools were potentially affected by the Order if they were carrying out fiduciary management for their underlying LGPS funds. Fiduciary management typically involved a

manager taking full responsibility for investment, including asset allocation decisions. One further possible impact of the Order was that LGPS Funds could be required to carry out a competitive procurement process in order to appoint the LGPS investment pooling company to manage their assets - despite the fact most such pooling companies were owned by the LGPS Funds whose assets they managed. This potential anomaly had now been resolved through clarification of how the Order would be applied, and the Order now had no direct impact in this area.

The Order also set out rules about how pension schemes should obtain investment consultancy and required consultants to be appointed through a competitive tendering process and for them to be set objectives. It was confirmed that this was the case with the Teesside Pension Fund's Advisers.

A report confirming the Fund's compliance with the requirements of the Order would be presented to the next meeting of the Teesside Pension Fund Committee.

AGREED that the information provided was received and noted.

9 PENSION BOARD TRAINING

The Head of Pensions Governance and Investment presented a report to remind Members of the Board of the legal requirement for all Board Members to have the necessary knowledge and understanding to carry out their role, and to outline how this level of competency could be acquired and maintained.

The main documents the Board Members were required to be conversant with were listed at paragraph 5 of the submitted report, along with the main areas the Board Members were expected to have knowledge and understanding of.

It was acknowledged that the level of knowledge and understanding required could not be acquired overnight and could be delivered in a number of ways including:

- Papers provided to the Board throughout the year.
- Training sessions delivered by Council staff or external companies.
- Self-study through access to training materials and documents.

AGREED as follows that:

1. All Members should complete the Pension Regulators on-line training module - the Public Service Toolkit.
2. The Head of Pensions Governance and Investment would provide additional training throughout the year as appropriate.