Middlesbrough
moving forward

Legal and Governance

TEESSIDE PENSION BOARD

Date: Monday 21st February, 2022
Time: 2.00 pm
Venue: Mandela Room, Town Hall, Middlesbrough

AGENDA

be considered

Charlotte Benjamin
Director of Legal and Governance Services

Town Hall
Middlesbrough
Friday 11 February 2022

MEMBERSHIP

Councillors , , B Cooper, W Ayre, J Bell, J Cook and P Thompson

Assistance in accessing information

Should you have any queries on accessing the Agenda and associated information please contact Susan Lightwing, 01642 729712, susan_lightwing@middlesbrough.gov.uk

TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 3

TEESSIDE PENSION BOARD REPORT

21 FEBRUARY 2022

DIRECTOR OF FINANCE – IAN WRIGHT

APPOINTMENT OF DEPUTY CHAIR

1. PURPOSE OF THE REPORT

1.1 The purpose of the report is to ask the Chair to appoint a Deputy Chair from the employer representatives.

2. RECOMMENDATION

2.1 That the Chair appointments a Deputy Chair from the Board's three employee representatives.

3. FINANCIAL IMPLICATIONS

3.1 There are no financial implications resulting from this report.

4. APPOINTMENT OF DEPUTY CHAIR

4.1 The Board's Terms of Reference set out the following in relation to the roles of Chair and Deputy Chair:

"(a) The role of Chair will be rotated every two years with the Deputy Chair.

Each of the posts will be held by one employer representative and one scheme member representative.

(b) The existing Deputy Chair will become the Chair at the point of rotation.

(c) A new Deputy Chair will be appointed from the appropriate representatives (i.e. employer or scheme member depending on the rotation) by the new Chair of the Pension Board. The Deputy Chair will then take over as Chair after a period of two years."

4.2 As the previous Chair was an employee representative and the position of Deputy Chair was vacant when the previous Chair stood down, the Current Chair (Cllr Cooper) was chosen from the employer representatives and took office effective from the date of the previous meeting (15th November 2021). However, as there was not a full complement of employee representatives at that point, it was felt appropriate to delay the appointment of the Deputy Chair until this meeting.

4.3. As all three employee representatives are now in place the role of Deputy Chair can be filled. Under the Board's Terms of Reference a "Deputy Chair will be appointed from the appropriate representatives (i.e. employer or scheme member depending on the rotation) by the new Chair of the Pension Board. The Deputy Chair will then take over as Chair after a period of two years"

5 NEXT STEPS

5.1 Once appointed, the Deputy Chair will become Chair once the current Chair's two year term of office is complete.

CONTACT OFFICER: Nick Orton – Head of Pensions Governance and Investments

TEL NO.: 01642 729040

TEESSIDE PENSION BOARD

A meeting of the Teesside Pension Board was held on Monday 15 November 2021.

PRESENT: Councillor B Cooper, (Chair), J Cook, and P Thompson

ALSO IN ATTENDANCE: P Mudd, XPS

OFFICERS: W Brown, S Lightwing, C Lunn, N Orton and I Wright

APOLOGIES FOR ABSENCE: None submitted

21/12 DECLARATIONS OF INTEREST

Name of Member	Type of Interest Item	Nature of Interest
Councillor B Cooper	Non pecuniary	Member of Teesside Pension Fund
J Cook	Non pecuniary	Member of Teesside Pension Fund

21/13 MINUTES - TEESSIDE PENSION BOARD - 19 JULY 2021

The minutes of the meeting of the Teesside Pension Board held on 19 July 2021 were taken as read and approved as a correct record.

The Head of Pensions Governance confirmed that a report on membership and appointment of a Deputy Chair of the Board would be presented to the next meeting, when it was anticipated that the current vacancies would be filled.

21/14 MINUTES - TEESSIDE PENSION FUND COMMITTEE - 23 JUNE 2021

A copy of the minutes of the Teesside Pension Fund Committee meeting held on 23 June 2021 was submitted for information.

NOTED

21/15 TEESSIDE PENSION FUND COMMITTEE - 8 OCTOBER 2021

The Head of Pensions Governance and Investments provided a verbal update on agenda items considered at a meeting of the Teesside Pension Fund Committee held on 8 October 2021.

Items considered by the Committee included:

- Investment Activity Report.
- External Managers' Reports.
- Border to Coast (BCP) Update including Real Estate Proposal.
- CBRE Property Report.
- Internal Audit Reports.

The total value of investments was £4.7billion as at 30 June 2021 which was an increase on the previous quarter and had continued to increase since then.

The transfer of passive funds from State Street to Border to Coast had been completed in May 2021 being a total of £1.3 billion. Approximately 60% of the Fund's assets were now invested with Border to Coast.

With regard to the three Local Investments:

- GB Bank – the £20 million investment had been called in full and a further investment would be made subject to certain criteria being met. GB Bank had achieved the first step of authorisation and it was anticipated that the Bank would be fully authorised by the Banking Regulator in nine months' time.
- Ethical Housing Company - £5 million investment had been made but only £361,000 had been called to date. This slow-down was partly to do with the unexpected increase in property prices recently.
- Waste Knot - £1 million investment had been made but had not been called as yet.

Border to Coast's real estate proposal was presented with a view to pooling the directly held property portfolios of the various Funds, including Teesside. There was also a proposition for a Global Investment, which Teesside was perhaps more likely to invest in. The Committee would be involved in the final decision making.

A report on the Risk Register had been deferred to the next meeting due to the Committee meeting becoming inquorate before that agenda item was considered.

AGREED that the information provided was received and noted.

21/16 **UPDATE ON CURRENT ISSUES**

A report of the Director of Finance was presented to provide Members of the Teesside Pension Board (the Board) with an update on current issues affecting the Pension Fund locally or the Local Government Pension Scheme (LGPS) in general, as follows:

<u>LGPS Cost Management Process Concluded</u>

The outcome of the latest process based on data from the 2016 valuation revealed that the average overall cost of the scheme was 19% of pensionable pay, which was 0.5% of pensionable pay lower than the target cost for the LGPS of 19.5% of pensionable pay.

Consequently, the Scheme Advisory Board developed proposals to improve scheme benefits and reduce employee contributions to bring the cost of the scheme back up to the target level.

However, the proposals were not enacted and the cost management process was paused when the Government lost a high court case in December 2018 (the McCloud case) which had been brought by members of the Judges' pension scheme and the Firefighters' Pension Scheme, arguing that the protections put in place when changes were made to those schemes were age discriminatory, as they only protected older scheme members. The case had implications for all public service pension schemes, including the LGPS.

The Government sought to appeal the case but the Supreme Court denied the Government leave to appeal in a decision on 27 June 2019. The Government subsequently confirmed that it would make changes to the LGPS regulations to ensure it corrected the discrimination identified. The cost of making these changes, when factored in to the cost management process as on the employee benefit side of the equation, meant that no additional changes were required to LGPS benefits or contributions as a result of the 2016 cost management process.

The Scheme Advisory Board confirmed that they would not be recommending any changes to the benefit structure of the LGPS based on the outcome of their 2016 cost management process. This was good news for employers, who would have seen an increase in their costs if benefits had been improved, and for scheme administrators, as any improvements would have been backdated to April 2019 causing administrative complexity.

The Scheme Advisory Board also stated that it would separately look at potentially revising the third tier of ill health provision in the scheme and at contribution rates for the lowest paid members. These were two of the benefit changes that had been considered when it looked likely that the cost management process would lead to improvements for scheme members.

McCloud Outcome – The Revised Underpin

A ministerial statement was made on 13 May 2021 confirming how the LGPS regulations would be changed to address the discrimination identified through the McCloud Case.

The full statement was included at Appendix A to the submitted report and the key points were highlighted as follows:

- Underpin protection would apply to LGPS members who were active in the scheme on 31st March 2012 and subsequently had membership of the career average scheme without a continuous break in service of more than five years.
- The period of protection would apply from 1st April 2014 to 31st March 2022 but would cease earlier where a member left active membership or reached their final salary scheme normal retirement age (normally 65) before 31st March 2022.
- Where a member stayed in active membership beyond 31st March 2022, the comparison of their benefits would be based on their final salary when they left the LGPS, or when they reached their final salary scheme normal retirement age, if earlier.
- Underpin protection would apply to qualifying members who left active membership of the LGPS with an immediate or deferred entitlement to a pension.
- A ‘two stage process’ would apply for assessing the underpin so that, where there was a gap between a member’s last day of active membership and the date they took their pension, members could be assured they were getting the higher benefit.
- Scheme regulations giving effect to the above changes would be retrospective to 1st April 2014.

Once the regulations were introduced, everyone who was an active member of the LGPS on 1 April 2012 who had membership of the LGPS from 1 April 2014 onwards (without a continuous break of more than 5 years) would have their benefits calculated based on the better of the following two methods:

a) Based on the current rules, with final salary benefits and career average benefits calculated separately and added together and;

b) Based on their having remained earning final salary benefits beyond March 2014.

This outcome had been anticipated for some time but did cause significant administrative Issues, which were detailed at paragraph 5.4 of the submitted report.

HM Revenue and Customs recently announced a number of measures in connection with the McCloud remedy. This included an intention to introduce regulations to ensure that where an individual’s benefits were retrospectively increased, this did not lead to a tax charge for exceeding the annual allowance or the lifetime allowance. Further detailed regulations were expected within months. In the meantime, XPS Administration was working with its software provider to collect information from employers and consider how best to communicate with scheme members in relation to the revised underpin.

Employers in the Fund had already been advised to act with caution in respect of any payments made to individuals who were subject to the £95,000 cap. However, XPS had advised that they were not aware of anyone who had left employment from a Fund employer since 4 November 2020 who would have been subject to the (now revoked) £95,000 cap regulations.

It was confirmed that XPS would contact any members affected and that the revised underpin protection would be applied retrospectively to those already in receipt of their pension.

Climate Change Regulation Consultation Imminent

The Government was expected to consult on regulations that would require LGPS Funds to report on climate change risk, primarily in relation to their investments. Legislation had already been introduced to require private sector schemes to report on this, with larger schemes required to report sooner than smaller schemes. The expectation was that the requirement for the LGPS would be introduced at the same time for all LGPS Funds and was likely to take effect from the financial year starting 1 April 2022.

The requirements for LGPS Funds were likely to be very similar to those the Government had already set out for trustees of private sector pension schemes, and would be based in part on recommendations from the Task Force on Climate Related Disclosures (TCFD).

Further information would be provided to the Board when available. In the meantime, Appendix B, attached to the submitted report, contained information on assessing and reporting on climate change risk for trustees of private sector pension schemes (taken from the Government's website). This provided a useful indication of the issues LGPS schemes were likely to be asked to consider.

AGREED that the information provided was received and noted.

21/17 **RISK REGISTER REVIEW**

The Head of Pensions Governance and Investments presented a report to advise Members of the Teesside Pension Board (the Board) of an additional risk that had been added to the Pension Fund Risk Register and also to provide Members with an opportunity to review the Risk Register

The Pension Fund's Risk Register was an attempt to document the various investment, funding, governance, administration, demographic, economic and other risks there were that could prevent or make it harder for the Fund to achieve its long term objectives. The Pension Fund Committee was presented with a copy of the Risk Register at its March meeting each year as part of the Pension Fund's Business Plan and the Board reviewed this each year as part of its April meeting.

When the Fund's Funding Strategy Statement was updated in June this year, an additional risk was added in relation to climate change and the impact that could have on the Fund's assets and liabilities. This risk had now been formally included within the Fund's Risk Register, an updated copy of which was attached at Appendix A to the submitted report.

Climate change had the potential to have wide-ranging impacts on all aspects of human society, including economies, trade, the value of companies and all classes of financial assets. As such, it was sensible to include it as a separate stand-alone risk instead of allowing it to be covered by existing risks like "Global Financial Instability" or "Investment Class Failure".

The full description of the climate change risk was as follows:

"The systemic risk posed by climate change and the policies implemented to tackle them will fundamentally change economic, political and social systems and the global financial system. They will impact every asset class, sector, industry and market in varying ways and at different times, creating both risks and opportunities to investors."

The Fund's policy in relation to how it took climate change into account in relation to its investments was set out in its Investment Strategy Statement and Responsible Investment Policy. In relation to the funding implications, the administering authority kept the effect of climate change on future returns and demographic experience, for example longevity, under review and would commission modelling or advice from the Fund's Actuary on the potential effect on funding as required.

Likely sources and risk triggers were: Global climate change, the financial impact of both the change, and the policies implemented to tackle the change.

Potential impacts and consequences of this risk were: Significant changes to valuations of assets and asset classes. Potential for some assets owned by companies to become effectively worthless 'stranded assets', significantly impacting company valuations. Opportunities would also arise, for example in respect of sectors seen as positively contributing to the transition to a low carbon economy.

The Risk Register would continue to be presented to the Committee and Board at least on an annual basis. In relation to climate change risk, the Fund will continue to work with its advisers and investment managers (including Border to Coast) in order to better understand its exposure to this risk, how this could be mitigated and how to take advantage of any opportunities that might arise as global markets increasingly took account of this risk.

AGREED that the information provided was received and noted.

21/18 **UPDATE ON WORK PLAN ITEMS**

The Head of Pensions Governance and Investment presented a report to provide Members of the Teesside Pension Board (the Board) with information on items scheduled in the work plan for consideration at the current meeting.

At its meeting on 19 July 2021 the Board agreed an updated work plan which set out areas for the Board to discuss or consider at subsequent meetings. These were typically areas that the Pensions Regulator and/or the Scheme Advisory Board had identified as important for Local Pension Boards to consider.

The Pension Regulator's Code of Practice 14 "Governance and administration of public service pension schemes" explained the legal requirement certain individuals had in relation to reporting breaches of the law in connection with public service pension schemes.

The Board's terms of reference included the following about conflicts of interest:

"30. All members of the Board must declare to the Administering Authority on appointment and at any such time as their circumstances change, any potential conflict of interest arising as a result of their position on the Board.

31. A conflict of interest is defined as a financial or other interest which is likely to prejudice a person's exercise of functions as a member of the Board. It does not include a financial or other interest arising merely by virtue of that person being a member of the Scheme.

32. On appointment to the Board and following any subsequent declaration of potential conflict by a Board member, the Board Secretary, with the assistance of the Monitoring Officer if required, shall ensure that any potential conflict is effectively managed in line with both the requirements of the Board's conflicts policy and the requirements of the Code".

In practice, conflicts of interest were unlikely to occur but nonetheless it was important to be aware of the possibility of conflict and, if in doubt, to declare and discuss any potential conflict in advance of a meeting.

The Pension Fund Committee agreed at its March meeting earlier this year to agree to a training programme following the participation in the National Knowledge Assessment. The details were set out in Appendix B to the submitted report. Some areas of the plan had been covered, including Environmental Social and Governance issues and how they interacted with investment objectives. This topic had been addressed through a presentation to the Pension Fund Committee from colleagues at Border to Coast, and also through Border to Coast's annual conference which had Responsible Investment issues as its theme. The issue of McCloud and its potential impact had also been covered through 'current issues' agenda items. Other areas, such as the role of pension administration had not yet been addressed and this would be picked up through working with colleagues in XPS Administration.

AGREED that the information provided was received and noted.

21/19 **XPS ADMINISTRATION REPORT**

A report was presented to provide an overview of administration services provided to the Teesside Pension Fund by XPS Administration.

The following items were highlighted:

• Headlines
• Membership Movement.
• Member Self-Service.
• Complaints.
• Common Data.
• Conditional Data.

- Customer Service.
- Service Development.
- Performance.
- Employer Liaison
- Annual Benefit Statements.
- Pension Saving Statements.
- Performance Charts.

The statutory Scheme Return had been submitted to the Pensions Regulator on behalf of the Pension Fund prior to the deadline of 10 November 2021.

With regard to Membership Movement, consistent with the last quarter's report, there had been an increase in the number of active, deferred and pensioner members.

Members' Self Service was still quite low in terms of uptake, with 11.9% of the active membership registered for the online services. Initiatives to increase the take up were ongoing and a short 30 second animation had been produced which would be sent to employers to forward to scheme members. Whilst the intention was always to increase online usage, it would not be mandated and other forms of communication would remain open to all members. Leaflets and posters promoting membership of the Fund had recently been produced that contained QR codes. The QR code could be scanned with a mobile phone which then linked the person directly to the website.

Responding to a query regarding Additional Voluntary Contributions (AVCs) it was clarified that the Prudential was the Fund's AVC provider. Further information was available on the Teesside Pension Fund website and the Council's weekly bulletin board.

There were no complaints during the last quarter but there were two going through the Internal Dispute Resolution Process.

KPIs for the quarter were all at 100%.

The Annual Benefits Statements and the Pension Savings Statements projects had been carried out. Twenty three and a half thousand active members were due to receive an annual statement and just over 6% did not receive them on time. The Employer Liaison Team was working hard to get the information required to send those statements out as quickly as possible. Approximately 100 Pensions Savings Statements were issued. It was confirmed that all Members received a paper copy of the Statements as well as them being available online.

AGREED that the information provided was received and noted.

21/20 **ANY OTHER URGENT ITEMS WHICH IN THE OPINION OF THE CHAIR, MAY BE CONSIDERED**

None.

TEESSIDE PENSION FUND COMMITTEE

A meeting of the Teesside Pension Fund Committee was held on Friday 8 October 2021.

PRESENT: Councillors D Coupe, (Chair), E Polano (Vice-Chair), A Bell, T Furness, G Nightingale, (Redcar and Cleveland Council), J Rostron and S Walker

ALSO IN ATTENDANCE: W Bourne, P Moon, Independent Advisers
A Owen, A Peacock, G Rutter, CBRE
P Mudd, XPS Administration
P Campbell, A Stone, A Faulkner, T Sankey, Border to Coast Pension Partnership
N Beasley, A Ingram, Veritau

OFFICERS: S Lightwing, N Orton, C Breheny, W Brown and S Smithyman

APOLOGIES FOR ABSENCE: were submitted on behalf of Councillors J Beall, (Stockton On Tees Borough Council), R Creevy, (Hartlepool Borough Council), J Hobson, M Storey
T Watson

21/15 **WELCOME**

The Chair welcomed all present to the meeting.

21/16 **ADJOURNMENT**

The meeting was held virtually and due to there being some technical difficulties, the Chair moved that the meeting was adjourned to allow all Members time to join the meeting.

ORDERED that the meeting was adjourned for a short period of time.

21/17 **DECLARATIONS OF INTEREST**

Name of Member	Type of Interest	Item/Nature of Interest
Councillor Nightingale	Non pecuniary	Member of Teesside Pension Fund
Councillor Rostron	Non pecuniary	Member of Teesside Pension Fund

21/18 **MINUTES - TEESSIDE PENSION FUND COMMITTEE - 23 JUNE 2021**

The minutes of the meeting of the Teesside Pension Fund Committee held on 23 June 2021 were taken as read and approved as a correct record.

21/19 **INVESTMENT ACTIVITY REPORT**

A report of the Director of Finance was presented to inform Members of the Teesside Pension Fund Committee how the Investment Advisors' recommendations were being implemented.

A detailed report on the transactions undertaken to demonstrate the implementation of the Investment Advice recommendations and the Fund's valuation was included, as well as a report on the treasury management of the Fund's cash balances and the latest Forward Investment Programme.

The Fund continued to favour growth assets over protection assets and currently had no investments in Bonds. Whilst it was considered that Bond yields would rise in the long run, at present yields did not meet the actuarial requirements for the Fund and should continue to be avoided at these levels unless held as a short term alternative to cash.

At the June 2018 Committee it was agreed that a maximum level of 20% of the Fund would be held in cash. Cash levels at the end of June 2021 were 8.31%. The Fund would continue to use cash to move away from its overweight position in equities and invest further in Alternatives.

Investment in direct property would continue on an opportunistic basis where the property had good covenant, yield and lease terms. During the quarter, a Development Funding Agreement was completed in respect of a £30 million property in Yeovil.

£47.3 million was invested in Alternatives during the last quarter. The Fund was considerably underweight its customised benchmark and, providing suitable investment opportunities were available, would look to increase its allocation to this asset class up to the customised benchmark level.

Appendix A to the submitted report detailed transactions for the period 1 April 2021 to 30 June 2021. There were net sales of £76.6 million in the period, this compared to net purchases of £10.1 million in the previous reporting period.

As at 30 December 2021, the Fund had £389.8 million invested with approved counterparties. This was a decrease of £49 million over the last quarter. Appendix B to the submitted report showed the maturity profile of cash invested as well as the average rate of interest obtained on the investments for each time period.

The total value of all investments as at 30 June 2021, including cash, was £4,705 million, compared with the last reported valuation as at 30 March 2021, of £4,553 million.

A summary analysis of the valuation, attached at Appendix C to the submitted report, showed the Fund's percentage weightings in the various asset classes as at 30 June 2021 compared with the Fund's customised benchmark.

The Forward Investment Programme provided commentary on activity in the current quarter as well as looking ahead to the next three to five years. Details of the long term target Strategic Asset Allocation and the targets for 31 March 2022 were shown at paragraph 8.2 of the submitted report.

At the end of June 2021 the Fund's equity weighting was 75.68%. A schedule was in place to reduce investment in equities over the period 1 April 2021– 31 March 2022 by £725m, and this figure would be reviewed throughout the year. In the quarter March 2021 – June 2021 the Fund sold £125m. Further transactions would be reported at future meetings.

The transfer of £1.3bn from the SSGA Passively Managed Funds to the Border to Coast Actively Managed Overseas Developed Fund completed in May 2021, in line with the Committee's instructions.

A summary of equity returns for the quarter 1 April – 30 June 2021 was contained at paragraph 8.2 of the submitted report.

To date the Fund had agreed 3 Local Investments:

- GB Bank – Initial agreement of a £20m investment, this has been called in full. A further investment was agreed at the June 2021 Committee: this was dependent on the bank meeting agreed criteria.
- Ethical Housing Company - £5m investment of which £361k had been called.
- Waste Knot - £10m investment agreed at the June 2021 Committee, nothing called to date.

As at 30 August 2021 total commitments to private equity, infrastructure and other Alternatives were approaching £1,007m and a breakdown of that figure was included at paragraph 8.7 of the submitted report.

ORDERED that the report was received and noted.

21/20 **EXTERNAL MANAGERS' REPORTS**

A report of the Director of Finance was presented to provide Members with quarterly investment reports in respect of funds invested externally with Border to Coast Pensions Partnership Limited (Border to Coast) and with State Street Global Advisers (State Street).

As at 30 June 2021, the Fund had investments in the Border to Coast UK Listed Equity Fund, the Border to Coast Overseas Developed Markets Equity Fund and the Border to Coast Emerging Markets Equity Funds. For all three sub funds the return target was an annual amount, expected to be delivered over rolling three year periods, before calculation of the management fee.

The Fund also had investments in the Border to Coast Private Equity sub-fund and the Border to Coast Infrastructure sub-fund. Total commitments of £50 million were made to each of these sub-funds for 2020/2021, in addition to £100 million commitments to each sub-fund in 2019/2020. Up to 30 June 2021, around 15% of this total had been invested and these investments were not reflected within the Border to Coast report attached at Appendix A to the submitted report.

The Border to Coast report showed the market value of the portfolio as at 30 June 2021 and the investment performance over the preceding quarter, year, and since the Fund's investments began. Border to Coast had also provided additional information within an appendix to that report in relation to the Overseas Developed Markets Equity Fund, giving a breakdown of key drivers of and detractors from performance in relation to each of its four regional elements. Market background information and an update of some news items related to Border to Coast were also included. Border to Coast's UK Listed Equity and Overseas Developed Markets Equity performance had dipped slightly over the last quarter and last year, but both still remained broadly in line with target since inception. The performance of the Emerging Markets Equity Fund was below benchmark in the initial quarter, however the Fund's investments only began in the second half of the quarter and it was too early to draw any meaningful conclusions from such a short investment period.

State Street had a passive global equity portfolio invested across four different region tracking indices appropriate to each region. The State Street report (attached at Appendix B to the submitted report) showed the market value of the State Street passive equity portfolio and the proportions invested in each region as at 30 June 2021.

Performance figures were also shown in the report over a number of time periods and from inception – the date the Fund started investing passively with State Street in that region: for Japan and Asia Pacific ex Japan the inception date is 1 June 2001, as the Fund had been investing a small proportion of its assets in these regions passively since then. For North America and Europe ex UK the inception date was in September 2018, therefore performance figures only covered around two and three quarter years as this represented a comparatively new investment for the Fund. The nature of passive investment – where an index was closely tracked in an automated or semi-automated way – meant deviation from the index should always be low.

State Street continued to include additional information with their report this quarter, giving details of how the portfolio compared to the benchmark in terms of environmental, social and governance factors including separate sections on climate and stewardship issues. Since the State Street investments were passive and closely tracked the appropriate regional equity indices, the portfolio's rating in those terms closely matched the benchmark indices ratings.

As previously reported to the Committee, State Street advised investors in a number of its passively-invested funds, including the four State Street equity funds the Fund invests in, that it had decided to exclude UN Global Compact violators and controversial weapons companies from those funds and the indices they tracked. For the four State Street funds the Fund was invested in, the combined effect of applying this change to benchmarks excluded around 3.6% by value of the companies/securities across the regions. The latest report showed performance of the State Street funds against the revised indices and as expected for a passive fund, performance closely matched the performance of the respective indices.

Border to Coast had been working with its reporting providers to develop reporting which covered the Environmental Social and Governance (ESG) issues and impact of the investments it managed, together with an assessment of the carbon exposure of these investments. This was easier with some asset classes than others, and Border to Coast had initially focussed on reporting on listed equities as this was the asset class where most information was available and this type of reporting was more advanced.

Appendix C to the submitted report contained the latest available ESG and carbon exposure in relation to the three Border to Coast listed equity sub-funds the Fund invested in. The reports included information on the highest and lowest ESG-rated companies within those Border to Coast sub-funds, together with an analysis of the carbon exposure of the sub-funds on a number of metrics. The sub-funds' ESG position and carbon exposure was also compared to benchmarks representing the 'average' rating across the investment universe of that particular benchmark.

A detailed explanation of the reports on the equity sub-funds was provided at the meeting by a representative of Border to Coast.

ORDERED that the report was received and noted.

21/21 **BORDER TO COAST UPDATE INCLUDING REAL ESTATE PROPOSAL**

Border to Coast's representatives provided an update which focussed on a detailed presentation in respect of the Partnership's real estate capabilities and included the following elements:

- Update on UK proposition.
- Update on Global proposition.
- Business Case for Teesside.
- High-Level Timeline.
- Conclusion.

A copy of the presentation slides were included at item 7 of the agenda pack for the meeting.

It was highlighted that phase one of BCP's ambition to create an institutional quality, low-cost Real Estate capability for the Partner Funds and launch UK and Global Funds was complete. Viability for both UK and Global propositions had been tested and independently validated. Other soft benefits that were not quantifiable included:

- Greater market access with dominant, durable assets.
- Strategic alignment with BCP and the Teesside Pension Fund (TPF) through the consultation process.
- Institutional investment management team to run it and help TPF invest the property allocation as part of the wider strategic asset allocation.
- The business case supported the pooling of all assets.
- Resilience over the long term.
- If the assets were transferred from Middlesbrough Council's balance sheet to BCP this would take an element of risk away from the Council.

It was emphasised that this was a long term funding solution and savings would only be realised once money passed into the main fund. The earliest date identified for savings was 2033. The bid offer price spread was very similar to other funds at plus 6% minus 1%.

In relation to costs for potentially re-organising the portfolio, it was stated that all four funds' current portfolios were similarly aligned, with similar types of assets that were low risk and focussed on income. Typically, all the assets were fit for purpose and would deliver the kind of returns expected. However, it was also acknowledged that some of the properties would be too small for a £3.5 billion fund and there would need to be some rotation over time. Experience suggested that selling assets as two or three-property portfolios would provide a premium return which would cover the cost of reinvestment.

It was clarified that the 7 basis points that would be paid for an External Manager to run the portfolio for a fairly short amount of time was the average cost over 15 years. The assumption made was that they would be paid 18 basis points, which was what the TPF was currently paying for management of £259 million assets. Eighteen basis points on potentially £3.5 billion of assets would be a much higher revenue. It was also highlighted that BCP was a non-profit organisation and therefore did not aim to generate the same revenues, salaries or bonuses as the private sector.

The main difference highlighted by the BCP proposition and the current TPF arrangement with CBRE, was resilience. The oversight provided by TPF managing CBRE would be internalised at BCP, and that long term resilient management of the Fund would make it more efficient. The other benefit would be the range of the underlying assets that TPF would be able to access.

ORDERED that the report was received and noted.

21/22 **INVESTMENT ADVISORS' REPORTS**

The Independent Investment Advisors had provided reports on current capital market conditions to inform decision-making on short-term and longer-term asset allocation, which were attached as Appendices A and B to the submitted report. Further commentary was provided at the meeting.

Peter Moon’s portfolio recommendations remain unchanged. Equities along with the rest of the quoted markets were less attractive and it was increasingly difficult to find Alternatives that provided a better return than cash and were low risk. It would be a slow move away from Equities and into the Alternatives markets. The current rise in inflation was masked by the bounce-back effect from the Covid pandemic and was expected to rise further.

William Bourne commented that he believed inflation was more supply-led than demand-led at the moment and that it would subside rather than being sustained. A concern was expressed that central banks could raise interest rates too quickly, or perhaps reduce their balance sheets and withdraw monetary stimulus too quickly. There was some merit in holding cash as it had a value when things were changing as it was liquid and immediate advantage could be taken of any opportunities.

ORDERED that the reports were received and noted.

21/23 **CBRE PROPERTY REPORT**

A report was submitted that provided an overview of the current property market and informed Members of the individual property transactions relating to the Fund.

Investment activity had picked up since the summer and property was a popular area of investment at the current time. The focus of most of the market continued within the industrial sector where there was huge demand. The US viewed the UK’s industrial market as still quite cheap and good value and that was driving yields. In the regions typical yields were sub 4% and in the London sub 3%.

The Fund remained underweight in property and CBRE continued to seek new good value assets. Any new assets needed to be accretive to the portfolio.

Out-of-town continued to attract investment – typically retail parks where there was value. Yields were coming in and values were going up. Most of the Fund’s retail warehousing assets were coming up in value which was reflective of the current market.

Overseas demand for offices in London was driving that sector although the rest of the UK office market was more subdued in terms of available stock and interest. It was anticipated this would improve over the next three to six months.

The report as submitted was taken as read. As at 30 June 2021, the portfolio comprised 28 mixed-use properties located throughout the UK, with a combined value of £280.63m. There had been a 2.75% increase over the last quarter and the valuation was now approximately £288 million.

An update on asset management was provided as follows:

- A new 15 year lease to PureGym at Unit 1, Cirencester Retail Park had been completed. The company had fitted out the unit and was now trading.
- The lease for Peacock stores at Unit 2, Cirencester had been surrendered and a new lease agreed with Hobbycraft.

- A new 10 year lease on Unit B at Acre Road, Reading had been completed with Active PCB, an existing occupier of Unit C on the estate.
- A 5 year lease with Halfords had been agreed at Congleton.
- B and M at Congleton had indicated that they would be renewing their lease in a year's time and negotiations had started. B and M was one of the larger retailers on that site.
- Rent review had commenced on the Unipart Unit in the Midlands and there was likely to be a sizeable increase in rent.

In relation to the arrears, the information provided was now out of date, since the meeting of the Teesside Pension Fund Committee had been held at a later date than originally scheduled. All rent demands had been sent out on 29 September 2021. The two companies that owed the highest amounts of rent were on payment plans and those plans were up to date.

There were some tenants who had not paid rent since March 2020 and due to the current Covid restrictions on eviction it was very difficult to have any impact. However, the restrictions were due to be lifted in April 2022 and CBRE would continue to press for payment.

On a positive note, the rent collection for this portfolio was ahead of all the benchmarks and also other Funds.

ORDERED that the information provided was received and noted.

21/24 **INTERNAL AUDIT REPORTS**

Middlesbrough Council's Internal Auditors, Veritau, carried out two planned audits of the Pension Fund's activities during the 2020/21 financial year, one covering investments and one covering administration. The reports and recommendations in respect of those audits were attached at appendices A and B to the submitted report.

The Investments Audit looked at the transition of assets from the Pension Fund to Border to Coast Pensions Partnership to determine whether this was carried out in a planned, controlled, manner and whether plans were adequately monitored and appropriately reviewed. Although the audit did identify some issues relating to how up-to-date some policies were, and whether risk reviews were being appropriately documented, the overall conclusion was that a sound system of governance, risk management and control existed and that this provided substantial assurance.

One priority 3 agreed action was identified and it was agreed that every time the Teesside Pension Fund risk register was presented to the Committee, Pentana will be updated to reflect the fact that a review of the risk register had taken place. Pentana was the software the Council and the Pension Fund used for risk management.

The scope and objectives of the Pension Fund Administration audit were: to provide assurance to management that procedures and controls within the system would ensure that:

- Pensions Administration was operated in accordance with relevant legislation and agreed processes, and that support and guidance was provided to employers to ensure the quality of returns.
- Correct and timely payments were received from employers, which were regularly reconciled to Business World and to the Teesside Pension Fund bank account.
- For those members who retired early, where there was a strain on the fund, payments from employers were monitored to ensure the deficit was paid in full within agreed timescales.
- Processes were in place for monitoring and recording the receipt of income from member transfers in from previous employment.

The overall conclusion of the audit was that a sound system of governance, risk management and control existed, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited. Veritau's overall opinion of the controls within the system at the time of the audit was that they provided Substantial Assurance.

Three priority 3 agreed actions were identified as follows:

- Several strategy and policy documents relating to the administration of the Pension Fund had passed their scheduled review date without being reviewed. Revised documents would be prepared and presented to the December 2021 Pension Fund Committee.
- The Pension Fund should consider introducing a charging policy to cover circumstances where employers consistently fail to provide required information in respect of pension administration.
- A formal process should be put in place to ensure late payment of invoices in respect of employer pension scheme costs was monitored and escalated as appropriate.

Target dates to complete the actions identified were set out in the appendices and progress would be monitored and reported back to subsequent Committee meetings.

ORDERED that the report was received and noted.

21/25 **QUORUM**

The Chair noted that at this point in proceedings, the meeting was inquorate. In accordance with Procedure Rule 16 of Middlesbrough Council's Constitution, the Chair abandoned the meeting. The remaining business would be considered at the next ordinary meeting of the Committee.

21/26 **RISK REGISTER**

Due to the meeting being inquorate at this point, this item was **DEFERRED.**

21/27 **XPS PENSIONS ADMINISTRATION REPORT**

Due to the meeting being inquorate at this point, this item was **DEFERRED.**

21/28 **ANY OTHER URGENT ITEMS WHICH IN THE OPINION OF THE CHAIR, CAN BE CONSIDERED**

Due to the meeting being inquorate at this point, this item was **DEFERRED.**

This page is intentionally left blank

TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 7

TEESSIDE PENSION BOARD REPORT

21 FEBRUARY 2022

DIRECTOR OF FINANCE – IAN WRIGHT

Update on Current Issues

1. PURPOSE OF THE REPORT

1.1 To provide Members of the Teesside Pension Board (the Board) with an update on current issues affecting the Pension Fund locally or the Local Government Pension Scheme (LGPS) in general.

2. RECOMMENDATIONS

2.1 That Members note this report.

3. FINANCIAL IMPLICATIONS

3.1 There are no specific financial implications in respect of the information contained in this report.

4. LGPS AND 'LEVELLING UP'

4.1 As Members may be aware, the Government published its "Levelling up the United Kingdom" White Paper on 2 February 2022. The full 332 page document along with a 17 page Executive Summary can be found at the following web page:

https://www.gov.uk/government/publications/levelling-up-the-united-kingdom

4.2 The scope of the White Paper is broad: its stated objective is to take radical steps to improve UK prosperity by "tackling the regional and local inequalities that unfairly hold back communities and to encourage private sector investment right across the UK". The White Paper covers a lot of ground, including twelve "ambitious medium term" levelling up "missions" grouped under one of four headings. For example (from page 6 of the Executive Summary) under the heading "*Boost productivity, pay, jobs and living standards by growing the private sector, especially in those places where they are lagging*" there are three "missions" including "By 2030, pay, employment and productivity will have risen in every area of the UK, with each containing a globally competitive city, and the gap between the top performing and other areas closing."

4.3 Within the section on boosting productivity etc. the White Paper includes the following statement about the role the Local Government Pension Scheme will be expected to play:

"Levelling up requires mobilising previously underutilised sources of capital. That is why we're using the tax system to incentivise private sector investment, through Freeports, Enterprise Zones and the Super-deduction. It is also why the Prime Minister and Chancellor have called on the UK's institutional investors to seize the moment for an "Investment Big Bang" to boost Britain's long-term growth. The UK Government will go further and work with **Local Government Pension Funds to publish plans for increasing local investment, including setting an ambition of up to 5% of assets invested in projects which support local areas.**"

4.4 A number of similar references to Local Government Pension Scheme (LGPS) Funds being used to support 'local investment' are included elsewhere in the White Paper, including the following:

"There are large pools of underutilised capital across the UK that could, in principle, be used to support investment. For example, Local Government Pension Funds have assets with a combined market value of £326bn as of March 2020. Only a few funds have so far invested with a local, place-based lens. As discussed further in Chapter 3, there is huge scope to mobilise more financing from UK institutional investors in local projects. Regulatory steps are now being taken to do so."

(Full report: page 68 – page 100 of the PDF)

"Unlocking institutional investment

The case for action

There is huge potential for institutional investment to support levelling up, across infrastructure, housing, regeneration and SME finance. Institutional investors currently hold UK pension assets of over £3.5tn. Within that, the Local Government Pension Scheme (LGPS) has total investments of over £330bn, making it the largest pension scheme in the UK. Only a tiny fraction of these funds are currently allocated to local projects. If all LGPS funds were to allocate 5% to local investing, this would unlock £16bn in new investment.

The policy programme

The UK Government has committed itself to removing obstacles and costs to making long-term, illiquid investments in the UK. LGPS funds are investing in a wide range of existing UK and global infrastructure, largely through the eight LGPS asset pools. A dedicated infrastructure platform (GLIL) has been established jointly by the Northern and Local Pensions Partnership Investments and LGPS asset pools, and has around £2.5bn committed, with investments including Anglian Water, Forth Ports (including Tilbury) and Clyde Windfarm.

Infrastructure investment by the LGPS has grown from under £1bn in 2016 to £21bn in 2021. To build on this established capacity and expertise, and ensure that all LGPS funds play their full part, the UK Government is **asking LGPS funds, working with the LGPS asset pools, to publish plans for increasing local investment**, including setting an ambition of up to 5% of assets invested in projects which support local areas.

The new UK Infrastructure Bank, based in Leeds, has a mandate to catalyse investment to support regional and local economic growth, and will help increase the capacity and capability of local authorities to deliver infrastructure in their areas. It will also co-invest, offer guarantees through the existing UK Guarantees Scheme, and provide a range of debt, equity and hybrid products. It is committed to expanding institutional investment in UK infrastructure, including exploring opportunities with the LGPS."

(Full report: pages 162 and 163 – pages 194 and 195 of the PDF)

4.5 The detail of the White Paper's aims in respect of LGPS investment in local areas is expected to be included in a forthcoming consultation document expected later in the year. There are some significant issues that need clarifying, including:

- How will "projects which support local areas" be defined? The reference to involving the asset pooling companies in this local investment approach suggests that 'local' may actually just mean 'within the UK' rather than within the confined geographical area covered by a particular LGPS Fund. This could mean, for example, a 'local' or 'impact' investment fund set up by Border to Coast could contain a mixture of assets located across its Partner Fund's localities – from Cumbria to Surrey.
- What assets will be included as 'local' (or perhaps 'UK') investments for the purposes of measuring against the 5% target? Infrastructure and private equity investments are likely to have a meaningful impact on a local area so will probably be included. What about public equities? – if an LGPS Fund or LGPS Pool owns public equity in a company that is engaged in carrying out activity that 'levels up' a local UK community, will this count?
- What approach will be taken to LGPS Funds' existing investments when determining whether the 5% local investments target has been met? It seems likely that the government is looking for an *extra* 5% of Funds to be invested locally, so existing local investments would not count in the assessment – this seems a little unfair to Funds that have already made efforts in this area.
- Most importantly, what level of compulsion will there be for Funds to invest 'locally'? LGPS Funds have a fiduciary duty to invest their funds appropriately for the benefit of their beneficiaries. Up until now, this duty has been the most important one Funds have to consider when making asset allocation decisions. If the government is seen to be explicitly directing how LGPS Funds invest, this will be controversial and will presumably require legislation. The wording of the White Paper indicates the government may not be looking to be completely directive in this area: for example the White Paper refers to setting "an ambition" (not a target) of "up to 5% of assets invested in projects which support local areas".

4.6 Since 2016 the Pension Fund has put in place a protocol to enable local investment opportunities to be considered and, where suitable, approved by the Pension Fund Committee. The Fund defines “local” within the context of its own geographical area, so local investments in this context are those within the Teesside area (the areas covered by Hartlepool, Middlesbrough, Redcar & Cleveland and Stockton-on Tees Councils).

4.7 The Fund’s investment approach allows up to 5% of its assets to be invested in local projects. One of the important criteria for assessing any potential local investment is to ensure it has the right risk and return characteristics to meet the Fund’s financial objectives. Any local investment in itself needs to generate an acceptable economic return for the Fund. The Fund cannot factor into its calculations secondary benefits, such as social or any other non-economic benefits that do not provide direct investment return. Having an appropriate governance structure around the investment is also very important, as is the need for the Fund to acquire and act on appropriate specialist advice as required when deciding whether to progress with a local investment.

4.7 Over the last six years the Fund has made a total of £41m in commitments to the following three ongoing local investments with different risk / return profiles – GB Bank, The Ethical Housing Company and WasteKnot. This commitment represents around 0.8% of the Fund’s assets (based on the Fund’s 31 December 2021 valuation). This is some way short of our 5% potential local investment allocation, and this reflects in part the difficulty of sourcing appropriate local investments for the Fund within the Teesside area.

4.8 A consultation document is expected later in the year which should provide more clarity on the government’s “ambition” for LGPS Funds to invest 5% of their assets in projects that support “local areas”, and on whether this will be implemented through statutory guidance or legislation.

5. GOVERNMENT ACTUARY’S DEPARTMENT SECTION 13 REPORT – MAIN FUNDINGS

5.1 On 16 December 2021 the Government Actuary’s Department (GAD) published its Section 13 Report on the actuarial valuations carried out across the LGPS as at 31 March 2019.

5.2 The Report is named after Section 13 of the Public Service Pensions Act 2013 which requires the government to commission a report after each triennial valuation to assess whether the following four aims have been achieved: compliance, consistency, solvency and long term cost efficiency. The Report is broadly positive about the LGPS and acknowledges that since the 31 March 2016 valuation market value of the scheme’s assets increased from £217 billion to £291 billion and its aggregate funding position “on prudent local bases” has increased from 85% to 98%. GAD does add a note of caution about potential funding issues in the future: ”the size of funds has grown significantly over the three years to 31 March 2019. However, the ability of tax backed employers to increase contributions if this was to be required (as measured by their core spending power) has not kept pace. This could be a risk if, for example, there was to be a severe shock to return seeking asset classes.”

5.3 As regards the four aims, this is a summary of the report's findings:

5.3.1 Compliance

Fund valuations were compliant with relevant regulations, although more clarity on the assumptions used to determine employer contributions in the Rates and Adjustments certificate for some Funds would be helpful.

5.3.2 Consistency

There was greater consistency and better presentation of information in Fund's valuation reports than in the 31 March 2016 reports. Some areas of inconsistency remain which GAD believes should be addressed, leading to the Report's first recommendation:

"**Recommendation 1:**

The Scheme Advisory Board should consider the impact of inconsistency on the funds, participating employers and other stakeholders. It should specifically consider whether a consistent approach needs to be adopted for conversions to academies, and for assessing the impact of emerging issues including McCloud."

5.3.3 Solvency

GAD describes this in relation to setting an employer contribution rate. This rate is appropriate if the rate of employer contributions is set to target a funding level for the whole fund of 100% over an appropriate time period and using appropriate actuarial assumptions and either:

- employers collectively have the financial capacity to increase employer contributions, should future circumstances require, in order to continue to target a funding level of 100%

or

- there is an appropriate plan in place should there be an expectation of a future reduction in the number of fund employers, or a material reduction in the capacity of fund employers to increase contributions as might be needed

As Funding levels have improved between the 2016 and 2019 valuations, many LGPS Funds have reduced employer contribution rates. GAD believes this has not been the right approach: "In GAD's view, the prevailing economic conditions have deteriorated between 2016 and 2019. Many funds have reduced their contribution rates as a result of the improvement of their funding position. In our opinion, for some funds, the deterioration in economic conditions may have warranted a strengthening of the valuation basis, resulting in a requirement to maintain or increase contributions."

GAD highlights the growth in pension fund assets has not been matched by a growth in the size of the scheme's employers, leading to a growing mismatch which could cause problems in the event of a future asset shock. The report makes the following statement, whilst acknowledging that administering authorities and their advisors are likely to already be aware of it:

"**General risk comment**

Local authorities have finite resources and in recent years the size of pension funds has increased considerably more than local authority budgets. Given that pension funding levels change it is not unlikely that a period of increased pension contributions may be required at some point in the future.

If additional spending is required for pension contributions this may lead to a strain on local authority budgets.

We would expect that administering authorities are aware of this risk in relation to solvency and would monitor it over time. Administering authorities may wish to discuss the potential volatility of future contributions with employers in relation to overall affordability."

5.3.4 Long term cost efficiency

GAD makes an assessment as to whether each LGPS Fund has set employer contributions at the right level to ensure long term cost efficiency, meaning contributions are set at a rate sufficient to cover the cost of current benefit accrual with an appropriate adjustment to that rate for any surplus or deficit in the Fund. GAD have flagged four Funds as raising concerns following their long term cost efficiency assessment. GAD also make the following recommendations in relation to the presentation of deficit recovery plans and how that changes over time, together with a final recommendation around councils that have (in some Funds) made asset 'gifts' to their Funds to ensure these approaches are sufficiently assessed to ensure inter-generational fairness:

"**Recommendation 2**:

We recommend the Scheme Advisory Board consider how all funds ensure that the deficit recovery plan can be demonstrated to be a continuation of the previous plan, after allowing for actual fund experience.

Recommendation 3:

We recommend fund actuaries provide additional information about total contributions, discount rates and reconciling deficit recovery plans in the dashboard.

Recommendation 4:

We recommend the Scheme Advisory Board review asset transfer arrangements from local authorities to ensure that appropriate governance is in place around any such transfers to achieve long term cost efficiency."

6. GOVERNMENT ACTUARY'S DEPARTMENT SECTION 13 REPORT – FUND COMPARISONS

6.1 In producing the Report GAD compares each LGPS Fund's 31 March 2019 valuation on a single standard basis which is typically less prudent that the Fund's own basis but allows better comparison between Funds.

The full report and accompanying appendices can be found at the following web page:

https://www.gov.uk/government/publications/local-government-pension-scheme-review-of-the-actuarial-valuations-of-funds-as-at-31-march-2019

An extract from the Report's appendix including several relevant graphs is enclosed as Appendix A.

6.2 The main points to note from the comparison graphs are as follows (these comparisons all relate to the results of the last actuarial valuations of the LGPS Funds in England and Wales, as at 31 March 2019):

- The Fund had the second highest funding level in the LGPS on a 'local valuation' basis but was only the twentieth highest on a Scheme Advisory Board standard basis.
- The Fund has the sixth smallest percentage difference between the funding level it reported in its valuation report and the standard basis funding level.
- The Fund had the 22nd highest pre-retirement discount rate and the 10th highest assumed asset outperformance within its discount rate. This is an assessment by GAD of the degree of investment return the Fund is assuming compared with 'risk-free' (government bonds) investment taking inflation into account.

6.3 These points indicate that the Fund may have probability of funding success that could be lower than average, and may also be anticipating a higher return from its assets than the average LGPS Fund. However this needs to be considered in the context of the Fund's asset mix which, at the last valuation, was significantly more heavily weighted towards equities than the average LGPS Fund.

6.4 By its nature, GAD's Report is primarily backward looking, although the recommendations will be considered and taken into account, where relevant, by the Fund's actuary as the 31 March 2022 valuation is undertaken.

7. TRIENNIAL ACTUARIAL VALUATION AS AT 31 MARCH 2022

7.1 2022 is a valuation year for the LGPS. Every three years the Fund's assets and liabilities are valued as at the 31 March by the Fund actuary, with the resulting report (expected to be published in final form in March 2023) showing the Fund's funding level and setting employer contribution rates for the next three years from 1 April 2023 onwards.

7.2 The Fund, in common with the rest of the LGPS, is a long term investor, whose pension liabilities are largely backed by secure employers with very strong covenants. This means the actuary is able to take a long term view when setting the financial and demographic assumptions for the valuation. However shorter term volatility in asset values has to be recognised as part of the valuation process, and the starting point for the valuation will be the actual market value of the Fund's assets on the valuation effective date (31 March 2022).

7.3 The Fund has recently appointed Hymans Robertson as its actuary after a tightly contested procurement process. Hymans Robertson were appointed from 1 January 2022 and have been working with Pension Fund officers and with XPS to ensure there will be smooth exchange of data required for the valuation, and to finalise a valuation timetable. The new Fund actuary is expected to be providing further information on the pending valuation to the 16 March 2022 Pension Fund Committee, including a short training session on valuations, which Board Members will also be able to attend.

8. DEPARTMENT FOR WORK AND PENSIONS (DWP) CONSULTATION ON THE DRAFT PENSIONS DASHBOARDS REGULATIONS 2022

8.1 On 31 January 2022 the DWP published a consultation document on draft regulations designed to implement pensions dashboards. The consultation documents can be found at the following web page:

https://www.gov.uk/government/consultations/pensions-dashboards-consultation-on-the-draft-pensions-dashboards-regulations-2022

8.2 Pensions dashboards will be an internet-based service which will allow individuals to access information about their pensions, ideally from all sources (private sector, public sector and state pension) all in one place. The intention is that "Pensions dashboards will put individuals in control of planning for their retirement by bringing together their pensions information from multiple sources, including information on their State Pension, which can then be accessed at a time of their choosing."

8.3 The consultation and the draft regulations set out what steps pension schemes and dashboards will be required to take, and proposes introducing the obligation to connect with and supply data to the dashboards systems. This is expected to happen in a staged way starting from April 2023 - public service pension schemes (including the LGPS) "should be compelled to connect no earlier than October 2023".

8.4 The consultation sets out details of the type and format of data pension schemes and dashboard providers will be required to use to validate and process requests from scheme members, along with the penalties possible for those organisations for non-compliance.

8.5 The type of information the LGPS will initially be expected to provide on a pensions dashboard is similar to that already provided through annual benefit statements. However the introduction of pensions dashboards may increase interaction with scheme members, as well as putting even greater emphasis on the importance of data quality and timely processing.

8.6 Consultation responses are required by 13 March 2022. The Local Government Association (LGA) has said it will prepare a response to the consultation and will share this with LGPS Funds prior to the response deadline. The Head of Pensions Governance and Investments will consider whether a separate response is required from the Fund and, if so, will submit this after consultation with the Chair and Vice Chair of the Pension Fund Committee.

9. NEXT STEPS

9.1 Further updates will be provided periodically.

CONTACT OFFICER: Nick Orton – Head of Pensions Governance and Investments

TEL NO.: 01642 729040

This page is intentionally left blank

Funding Levels

B.3 Chart B1 shows how the ranking of local funding levels varies when results are restated onto the SAB standardised basis. We might expect the rankings of funding levels when calculated on the local bases to correspond roughly to the rankings of funding levels when calculated on the SAB standard basis. We would therefore expect the lines in Chart B1 joining each fund in the column on the left with itself in the column on the right to be roughly horizontal. However, we see that there is no clear correlation between how funds rank on local bases and how they rank on the SAB standard basis. To choose a typical example, Cheshire is ranked mid-table on the local basis but is towards the top quartile of the table on the SAB standard basis, indicating that their local fund basis is, relatively, more prudent than the other funds. To note we would expect the local funding basis to be prudent. A prudent basis is one where there is a greater than 50% likelihood that the available assets will cover the benefits in respect of accrued service when they fall due if assets are valued equal to liabilities.

Chart B1: Standardising Local Valuation Results

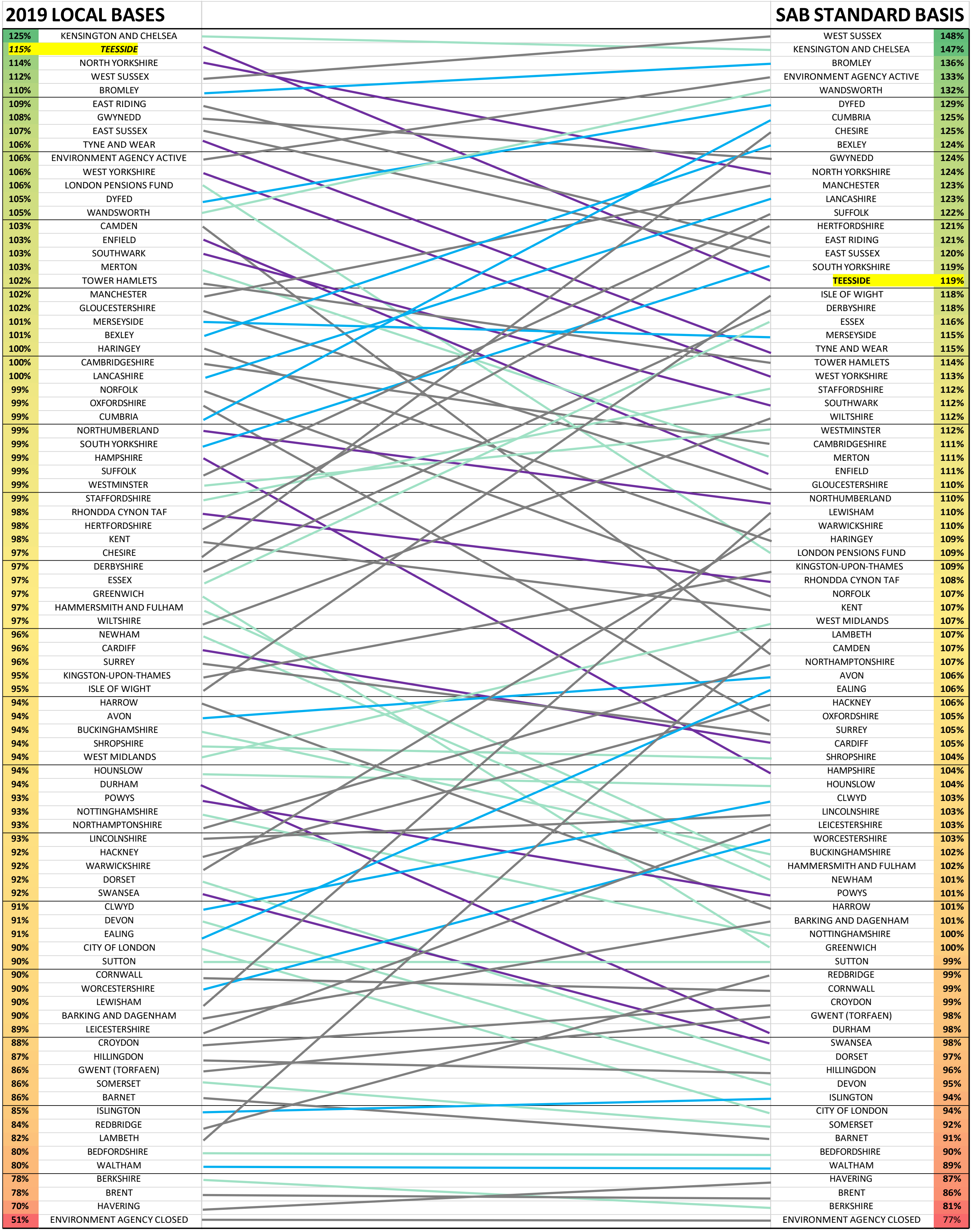
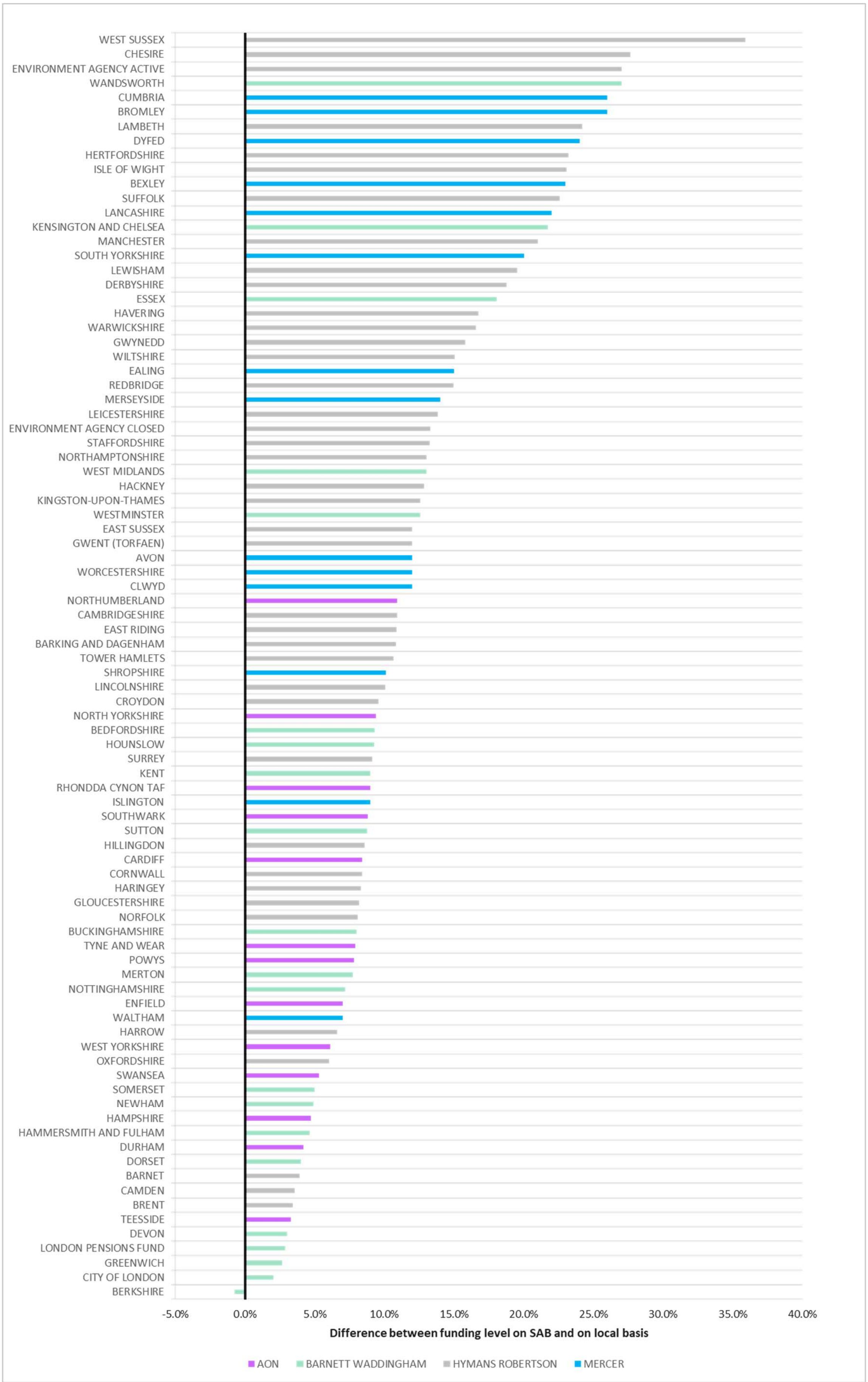


Chart B2: Difference Between Funding Level on SAB Standardised Basis and Funding Level on Local Bases



Discount Rates

B.4 Each firm of actuarial advisors applies their own method for calculating discount rates as shown in the table below.

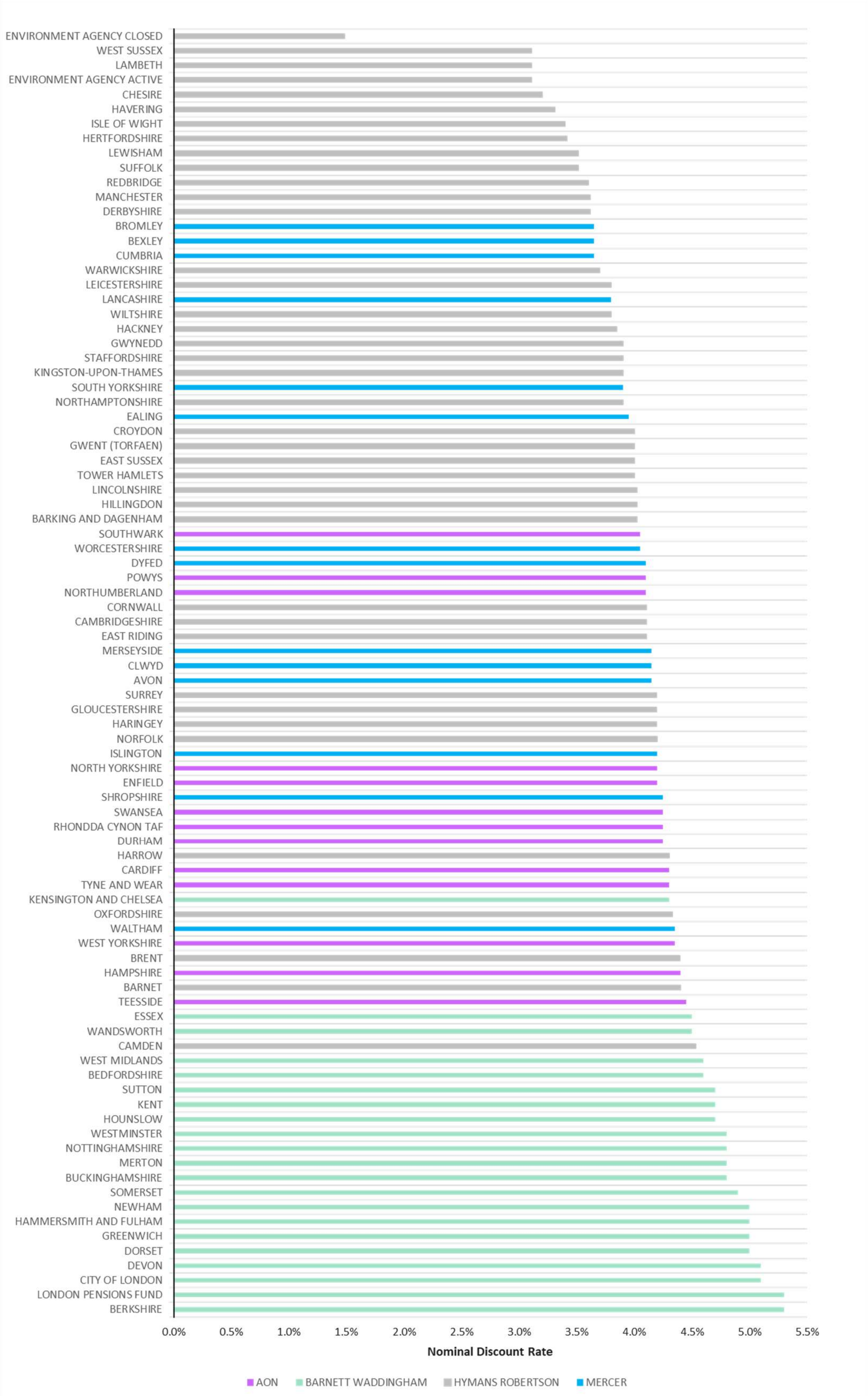
B.5 Chart B3 shows the pre-retirement discount rate used to assess past service liability applied in the actuarial valuations for each fund. Note that some funds (advised by Mercers') used different discount rates to assess past service liabilities and future service contribution rates, we consider only the former here.

B.6 The discount rates set by each fund are likely to be linked to the mix of assets held by the fund, and we would therefore expect to see differences in discount rate from fund to fund.

Table B2: Discount Rate Methodology

Fund	Discount rate methodology
London Borough of Enfield Pension Fund (Aon)	Stochastic modelling
London Borough of Sutton Pension Fund (Barnett Waddingham)	Weighted average expected return on long term asset classes
Derbyshire Pension Fund (Hymans Robertson)	Stochastic modelling
Lancashire County Pension Fund (Mercer)	Stochastic modelling

Chart B3: Pre – retirement Discount Rates



B.7 We assess implied asset outperformance as discount rate less risk free rate less RPI, where the risk free rate is taken to be the real 20 year Bank of England spot rate as at 31 March 2019 (-2.14%). Chart B4 shows the assumed asset out performance (“AOA”) over and above the risk free rate, where AOA is calculated as the fund’s nominal discount rate (“DR”) net of:

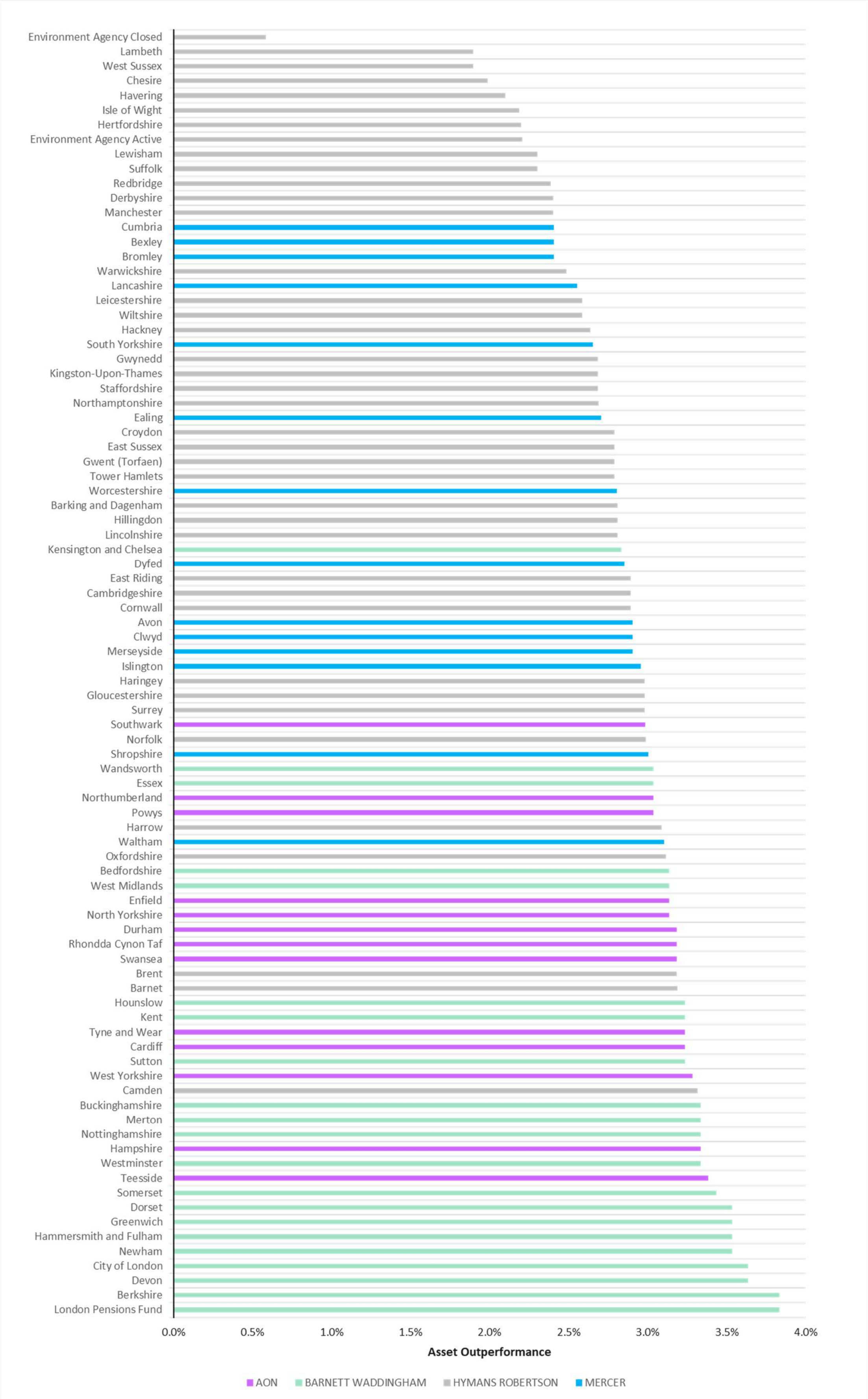
> The RFR – the real 20 year Bank of England spot rate as at 31 March 2019

> Assumed CPI – as assumed by the fund in their 2019 actuarial valuation

> The excess of assumed RPI inflation over assumed CPI inflation (“RPI– CPI”) – as assumed by the fund in their 2019 actuarial valuation i.e. AOA = DR − RFR − RPI. (Chart B4 shows the implied rate of asset outperformance for each fund.)

B.8 The implied asset outperformance shows less variation than in 2016. This may suggest some improvement in consistency in the assumption that in previous years. However, there is still a notable trend for funds advised by Aon and Barnett Waddingham to have higher levels of asset outperformance, whilst those advised by Hymans Robertson show lower levels of asset outperformance.

Chart B4: Assumed Asset Outperformance within Discount Rate



Demographic assumptions

B.9 Commutation assumptions (the extent to which members on average exchange pension in favour of a tax free cash benefit) are set as the percentage of the maximum commutable amount that a member is assumed to take on retirement. Chart B5 shows the assumed percentages for both pre 2008 and post 2008 pensions, which may be set separately.

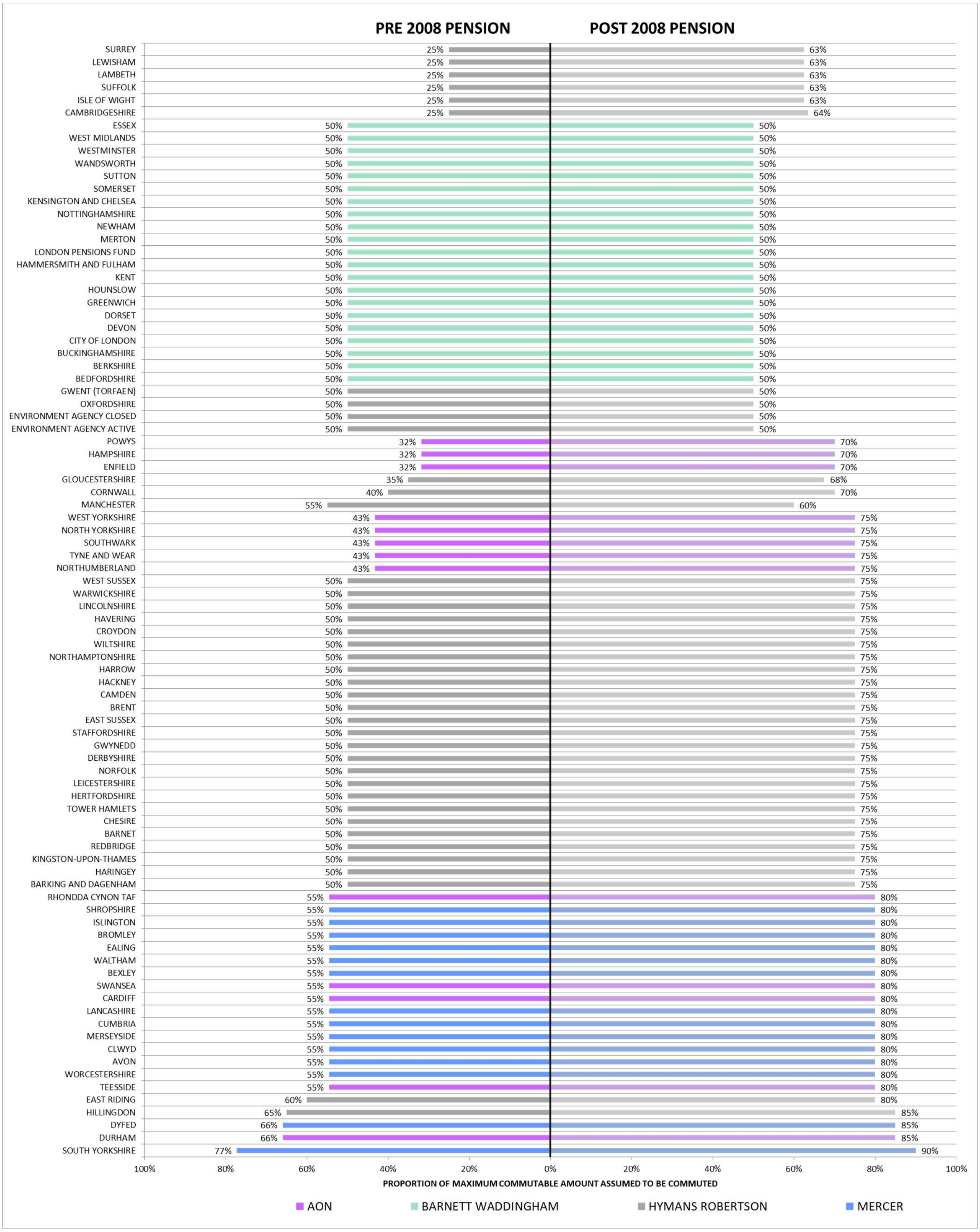
B.10 Other things being equal, it is more prudent to assume a lower rate of commutation, because the cost of providing a pension benefit is higher than the commutation factor. In addition, cash was provided as of right in the LGPS prior to 2008 whereas for benefits accrued after that date, cash was available only by commutation of pension.

B.11 The chart shows that the funds advised by Barnett Waddingham assume that members commute 50% of the maximum allowable cash amount. The majority of funds advised by Mercer assume that members take 80% of the maximum allowable cash amount. There is more variation in the commutation assumptions made by funds advised by Aon and Hymans Robertson. However, there is a noticeable cluster of funds assuming members commute 50% of the maximum allowable for pre 2008 pensions and 75% for post 2008 for Hymans Robertson clients.

B.12 If it is the case that firms of actuarial advisors find that there is insufficient data to make assumptions on a fund by fund basis, then it would be reasonable for them to make the assumption based on scheme wide data. However, each advisor only has access to the data from the funds that it advises, and therefore can only base their assumptions on the data from those funds. Another firm of actuarial advisors has access to the data for a different collection of funds and therefore might draw a different conclusion as to what the scheme wide average commutation rate is.

B.13 We encourage further discussions on how assumptions are derived based on local circumstances in valuation reports.

Chart B5: Commutation Assumptions for Pre and Post 2008 Pensions



This page is intentionally left blank

TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 8

TEESSIDE PENSION BOARD REPORT

21 FEBRUARY 2022

DIRECTOR OF FINANCE – IAN WRIGHT

Update on Work Plan Items

1. PURPOSE OF THE REPORT

1.1 To present Members of the Teesside Pension Board (the Board) with information on items scheduled in the work plan for consideration at the current meeting.

2. RECOMMENDATION

2.1 That Board Members note this report.

3. FINANCIAL IMPLICATIONS

3.1 There are no specific financial implications arising from this report.

4. BACKGROUND

4.1 At its meeting on 19 July 2021 the Board agreed an updated work plan for the coming months and years which set out areas for the Board to discuss or consider at subsequent meetings (see Appendix A). These were typically areas that the Pensions Regulator and/or the Scheme Advisory Board had identified as important for Local Pension Boards to consider.

5. REPORTING BREACHES

5.1 Under the Pensions Act 2004 certain categories of people involved with a pension scheme have a duty to make a report to the Pensions Regulator where they have reasonable cause to believe that:

a) a legal duty relating to the administration of the scheme has not been or is not being complied with; and
b) the failure to comply is likely to be of material significance to the Pensions Regulator.

5.2 This duty applies to the following people:

- a trustee or manager of an occupational or personal pension scheme
- a member of the pension board of a public service pension scheme

- a person who is otherwise involved in the administration of an occupational or personal pension scheme
- the employer in relation to an occupational pension scheme
- a professional adviser in relation to such a scheme
- a person who is otherwise involved in advising the trustees or managers of an occupational or personal pension scheme in relation to the scheme.

5.3 The Fund has a policy on reporting breaches, which was reviewed and approved by the 15 December 2021 Pension Fund Committee and is enclosed at Appendix B. This includes information on how to report a suspected breach of regulations and how a reported breach is evaluated to assess how it should be dealt with, and whether it should be reported to the Pensions Regulator.

5.4 In the context of the Local Government Pension Scheme (LGPS) the definition of a 'breach of the law' is fairly wide, and can cover a failure to do anything required under the LGPS regulations, overriding pensions or tax regulations and (potentially) the provision of incorrect information. This makes the issue of 'material significance' to the Regulator an important consideration. The Fund's procedure includes a traffic light system to help categorise breaches. One key consideration is to ensure all potential breaches are considered and investigated.

5.5 The procedure, and the requirement to report breaches has been in place since 2015. The current Breaches Log is attached as Appendix C. This contains one (new) addition relating to the provision of benefit statements to deferred members.

5.6 Deferred members are members of the pension scheme who have left active employment and so no longer contribution to the scheme, but have not yet drawn their pension benefits, normally because they are not old enough yet. Depending on the age of the individual, it can be many years between their leaving the scheme and drawing their pension, and it is not unusual for the individual to move house and not inform the pension scheme during that time. This results in mail being returned from that address and that individual being categorised as a 'gone-away'. This in turn makes it impossible to provide that individual with an annual benefit statement (which, according to the LGPS regulations, needs to be provided to all active and deferred members by 31 August each year).

5.7 The entry in the Breaches Log outlines the position, and explains that a decision has been taken to record but nor report this breach, as it has a straightforward explanation, does not result in a loss to the individual and steps are being taken to look to improve the situation. These steps involve XPS working with the Head of Pensions Governance and Investments to consider cost-effective ways to trace the 'gone-aways' with a view to substantially reducing their number for the 2022 annual benefit statements.

5.8 The Breaches Log will be brought to future Pension Board (and Pension Fund Committee) meetings. A useful summary of dealing with breaches of the law in the

LGPS produced by Hymans Robertson in 2019 (but still relevant) is enclosed at Appendix D.

6. PENSION FUND PROCUREMENTS

6.1 Over the last year the Pension Fund has carried out one procurement exercise. This was in relation to the Pension Fund actuary. The previous actuarial contract (which was awarded to AON) had been for six years from 2013, however this was subsequently extended for two additional years. The first extension was to ensure there was continuity of actuary as the last triennial valuation was completed, and the second to allow the Fund to make use of the newly developed framework for procuring actuarial services.

6.2 Although there were no issues or concerns with the quality of service provided by AON it is appropriate to undertake tendering exercises to ensure continuing value for money is obtained for the Pension Fund.

6.3 Norfolk County Council has for several years provided the procurement, legal and project management support to the National Local Government Pension Scheme (LGPS) Procurement Frameworks, which were set up to allow LGPS Funds to collaborate effectively in procuring a wide range of services, thereby improving efficiency and value for money. The Actuarial, Benefits and Governance Consultancy Framework was refreshed in 2021 with the assistance of a number of founder LGPS Funds, including the Teesside Pension Fund.

6.4 The four firms who currently act as fund actuaries in the LGPS are all on the Framework, these are AON, Barnett Waddingham, Hymans Robertson and Mercer.

6.5 The Head of Pensions Governance and Investments, working with colleagues from within his team and in the Council's Procurement Team, developed a specification, a set of questions and a scoring system for the actuary procurement, based around the Framework documentation. An 80/20 quality/cost split was applied to the evaluation, in order to reflect the importance of obtaining the best quality actuarial advice and support for the Fund and its employers.

6.6 Three of the four firms on the Framework provided submissions. The quality evaluation was carried out independently by two members of the Pensions team and coordinated and scored during a meeting led by one of the Council's procurement specialists. The cost evaluation was assessed in line with the methodology devised by the Head of Pensions Governance and Investments based on typical actuarial activity expected during the contract period.

6.7 The quality of submissions was very good, and all three of the firms that applied demonstrated that they would have been able to deliver the contract effectively – as evidenced by the fact all three submissions scored over 80% of the total possible marks. However Hymans Robertson's submission had a combination of very high quality with lower price which allowed it to beat the other two applicants.

6.8 Hymans Robertson included an outline transition plan within their submission, explaining how they would work to ensure an effective transfer from one actuarial firm to another. As part of this process, the Head of Pensions Governance and Investments has regular meetings with the two actuaries who will be the senior contacts for the Pension Fund at Hymans Robertson, Douglas Green and Steven Law – both experienced LGPS fund actuaries. They and their team have also liaised directly with AON to ensure relevant information has been transferred as seamlessly as possible.

6.9 Work has commenced for the upcoming triennial valuation of the Fund, as at 31 March 2022. As part of this process Hymans Robertson is working with XPS Administration, as well as with the Pensions team and colleagues elsewhere in Finance.

6.10 Future pension fund procurement exercises due later this year include a procurement in relation to the Global Custodian as well as a more complex procurement exercise in relation to the Pension Administration provider.

AUTHOR: Nick Orton (Head of Pensions Governance and Investments)

TEL NO: 01642 729024

Teesside Pension Board Work Plan		
Date of Board meeting and any standard items scheduled	**Suggested areas of focus (from the Pensions Regulator's list)**	**Suggested activities (from the Scheme Advisory Board guidance)**
July 2021 Draft Report and Accounts		
November 2021 Annual Review of Board Training	Pension board conflict of interest	Review the arrangements for the training of Board members and those elected members and officers with delegated responsibilities for the management and administration of the Scheme
February 2022	Reporting breaches Maintaining contributions Reporting duties	Review procurements carried out by Fund
April 2022 Annual Board Report	Internal controls and managing risks	Review the complete and proper exercise of employer and administering authority discretions.
July 2022 Draft Report and Accounts	Record keeping Resolving internal disputes	Review performance and outcome statistics Review handling of any cases referred to Pensions Ombudsman
November 2022 Annual Review of Board Training	Regulator Code of Practice Gap Analysis	Review the outcome of actuarial reporting and valuations.
February 2023		Review the outcome of actuarial reporting and valuations.
April 2023 Annual Board Report	Communicating to members Publishing scheme information	Review standard employer and scheme member communications
July 2023 Draft Report and Accounts		

Appendix B

Teesside Pension Fund

Procedure for Reporting Breaches of the Law

Reporting Breaches Procedure

Introduction

This document sets out the procedures to be followed by certain persons involved with the Teesside Pension Fund (“the Fund”), the Local Government Pension Scheme managed and administered by Middlesbrough Council, in relation to reporting breaches of the law to the Pensions Regulator.

Middlesbrough Council, as Administering Authority, has delegated responsibility for the implementation of these procedures to the Head of Pensions Governance and Investments.

Breaches can occur in relation to a wide variety of the tasks normally associated with the administrative function of a scheme such as keeping records, internal controls, calculating benefits and making investment or investment-related decisions.

This Procedure document applies, in the main, to:

- all members of the Pension Fund Committee and the Local Pension Board
- all senior officers involved in the management of the Fund including members of the Chief Finance Officer, Monitoring Officer, Loans & Investments Section and Pension Administration team.
- any professional advisers and third party suppliers including auditors, actuaries, independent advisers, third party administrators, legal advisers and fund managers
- officers of employers participating in the Fund who are responsible for pension matters.

The next section clarifies the full extent of the legal requirements and to whom they apply.

Requirements

Pensions Act 2004

Section 70 of the Pensions Act 2004 (the Act) imposes a requirement on the following persons:

- a trustee or manager of an occupational or personal pension scheme
- a member of the pension board of a public service pension scheme
- a person who is otherwise involved in the administration of an occupational or personal pension scheme
- the employer in relation to an occupational pension scheme
- a professional adviser in relation to such a scheme
- a person who is otherwise involved in advising the trustees or managers of an occupational or personal pension scheme in relation to the scheme,

to report a matter to The Pensions Regulator as soon as is reasonably practicable where that person has reasonable cause to believe that:

(a) a legal duty relating to the administration of the scheme has not been or is not being complied with, and
(b) the failure to comply is likely to be of material significance to The Pensions Regulator.

The Act states that a person can be subject to a civil penalty if he or she fails to comply with this requirement without a reasonable excuse.

The duty to report breaches under the Act overrides any other duties the individuals listed above may have. However the duty to report does not override 'legal privilege'. This means that, generally, communications between a professional legal adviser and their client, or a person representing their client, in connection with legal advice being given to the client, do not have to be disclosed.

The Pensions Regulator's Code of Practice

Practical guidance in relation to this legal requirement is provided in The Pensions Regulator's Code of Practice including in the following areas:

- implementing adequate procedures
- judging whether a breach must be reported
- submitting a report to The Pensions Regulator
- whistleblowing protection and confidentiality.

Application to the Teesside Pension Fund

Middlesbrough Council has developed this procedure which reflects the guidance contained in The Pensions Regulator's Code of Practice in relation to the Fund and this document sets out how the Council will strive to achieve best practice through use of a formal reporting breaches procedure.

Training on reporting breaches and related statutory duties, and the use of this procedure is provided to Pension Fund Committee members, Pension Board members and key officers involved with the management of the Fund on a regular basis. Further training can be provided on request to the Head of Pensions Governance and Investments.

The Teesside Pension Fund Reporting Breaches Procedure

The following procedure details how individuals responsible for reporting and whistleblowing can identify, assess and report (or record if not reported) a breach of law relating to the Fund.

It aims to ensure individuals responsible are able to meet their legal obligations and avoid placing any reliance on others to report. The procedure will also assist in providing an early warning of possible malpractice and reduce risk.

1. Clarification of the law

Individuals may need to refer to regulations and guidance when considering whether or not to report a possible breach. Some of the key provisions are shown below:

- Section 70(1) and 70(2) of the Pensions Act 2004:
  www.legislation.gov.uk/ukpga/2004/35/contents
- Employment Rights Act 1996:
  www.legislation.gov.uk/ukpga/1996/18/contents
- Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (Disclosure Regulations):
  www.legislation.gov.uk/uksi/2013/2734/contents/made
- Public Service Pension Schemes Act 2013:
  www.legislation.gov.uk/ukpga/2013/25/contents
- Local Government Pension Scheme Regulations (various):
  http://www.lgpsregs.org/timelineregs/Default.html (pre 2014 schemes)
  http://www.lgpsregs.org/index.php/regs-legislation (2014 scheme)
- The Pensions Regulator's Code of Practice:

http://www.thepensionsregulator.gov.uk/codes/code-governance-administration-public-service-pension-schemes.aspx
In particular, individuals should refer to the section on 'Reporting breaches of the law', and for information about reporting late payments of employee or employer contributions, the section of the Code on 'Maintaining contributions'.

Further guidance and assistance can be provided by the Head of Pensions Governance and Investments, as long as requesting this assistance will not result in alerting those responsible for any serious offence (where the breach is in relation to such an offence).

2. Clarification when a breach is suspected

Individuals need to have reasonable cause to believe that a breach has occurred, not just a suspicion. Where a breach is suspected the individual should carry out further checks to confirm the breach has occurred.

Where the individual does not know the facts or events, it will usually be appropriate to check with the Head of Pensions Governance and Investments at Middlesbrough Council, a member of the Pension Fund Committee or Pension Board or others who are able to explain what has happened. However there are some instances where it would not be appropriate to make further checks, for example, if the individual has become aware of theft, suspected fraud or another serious offence and they are also aware that by making further checks there is a risk of either alerting those involved or hampering the actions of the police or a regulatory authority. In these cases The Pensions Regulator should be contacted without delay.

3. Determining whether the breach is likely to be of material significance

To decide whether a breach is likely to be of material significance an individual should consider the following, both separately and collectively:

- cause of the breach (what made it happen)
- effect of the breach (the consequence(s) of the breach)
- reaction to the breach
- wider implications of the breach.

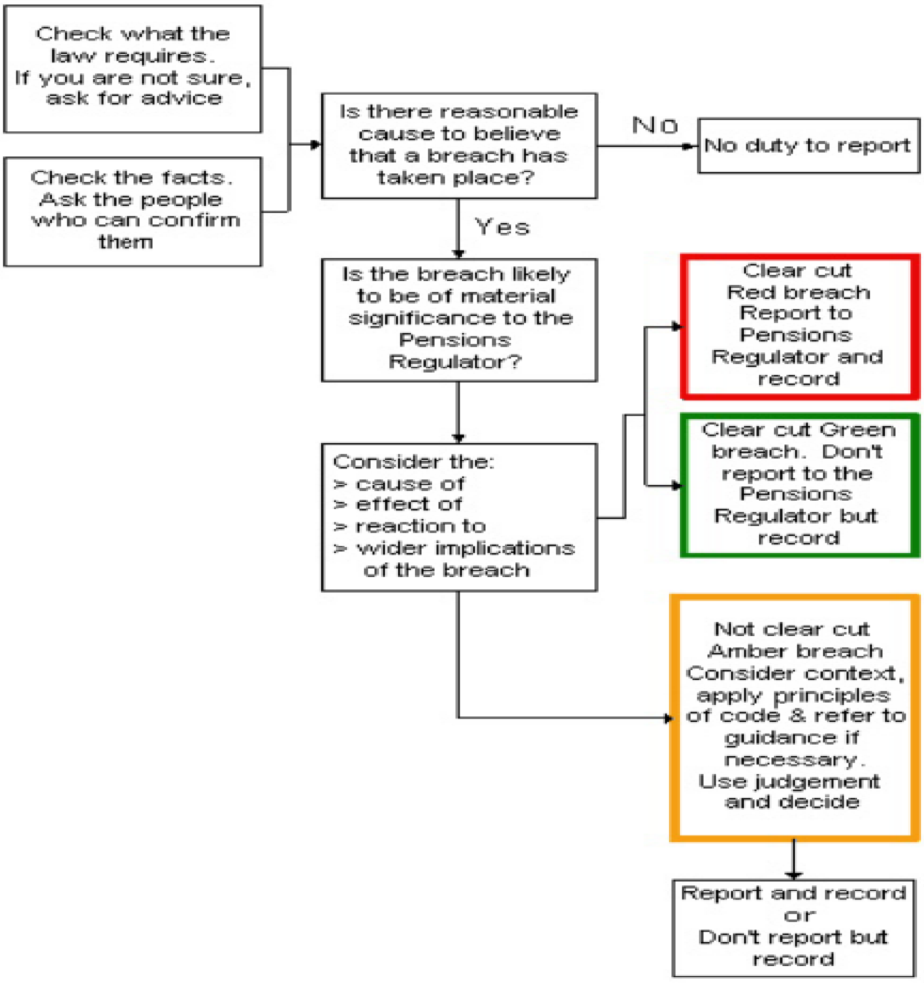
Individuals may also request the most recent breaches report from the Head of Pensions Governance and Investments, as there may be details on other breaches which may provide a useful precedent on the appropriate action to take.

Further details on the above four considerations are provided in Appendix A to this procedure.

The individual should use the traffic light framework described in Appendix B to help assess the material significance of each breach and to formally support and document their decision.

A decision tree is provided below to show the process for deciding whether or not a breach has taken place and whether it is materially significant and therefore needs to be reported.

Decision-tree: deciding whether to report



4. Referral to a level of seniority for a decision to be made on whether to report

Middlesbrough Council has designated an officer (the Head of Pensions Governance and Investments) to ensure this procedure is appropriately followed. They are considered to have appropriate experience to help investigate whether there is reasonable cause to believe a breach has occurred, to check the law and facts of the case, to maintain records of all breaches and to assist in any reporting to The Pensions Regulator, where appropriate.

If breaches relate to late or incorrect payment of contributions or pension benefits, information the matter should be highlighted to the Head of Pensions Governance and Investments at the earliest opportunity to ensure the matter is resolved as a matter of urgency.

Individuals must bear in mind, however, that the involvement of the Head of Pensions Governance and Investments is to help clarify the potential reporter's thought process and to ensure this procedure is followed. The potential reporter remains responsible for the final decision as to whether a matter should be reported to The Pensions Regulator.

The matter should not be referred to the Head of Pensions Governance and Investments if doing so would alert any person responsible for a possible serious offence to the investigation (as highlighted in section 2). If that is the case, the individual should report the matter to The Pensions Regulator setting out the reasons for reporting, including any uncertainty – a telephone call to the Regulator before the submission may be appropriate, particularly in the case of a more serious breach.

5. Dealing with complex cases

The Head of Pensions Governance and Investments may be able to provide guidance on particularly complex cases. Guidance may also be obtained by reference to previous cases, information on which will be retained by Middlesbrough Council, or via discussions with those responsible for maintaining the records. Information may also be available from national resources such as the Scheme Advisory Board or the LGPC Secretariat (part of the Local Government Association (LGA)) - http://www.local.gov.uk/our-support/workforce-and-hr-support/local-government-pensions).

If timescales allow, legal advice or other professional advice can be sought and the case can be discussed at the next Committee or Board meeting.

6. Timescales for reporting

The Pensions Act and The Pensions Regulator's Code require that, if an individual decides to report a breach, the report must be made in writing as soon as reasonably practicable. Individuals should not wait for others to report and nor is it necessary for a reporter to gather all the evidence which The Pensions Regulator may require before taking action. A delay in reporting may exacerbate or increase the risk of the breach. The time taken to reach the judgements on "reasonable cause to believe" and on "material significance" should be consistent with the speed implied by 'as soon as reasonably practicable'. In particular, the time taken should reflect the seriousness of the suspected breach.

7. Early identification of very serious breaches

In cases of immediate risk to the scheme, for instance, where there is any indication of dishonesty, The Pensions Regulator does not expect reporters to seek an explanation or to assess the effectiveness of proposed remedies. They should only make such immediate checks as are necessary.

The more serious the potential breach and its consequences, the more urgently reporters should make these necessary checks. In cases of potential dishonesty the reporter should avoid, where possible, checks which might alert those implicated. In serious cases, reporters should use the quickest means possible to alert The Pensions Regulator to the breach.

8. Recording all breaches even if they are not reported

The record of past breaches may be relevant in deciding whether to report a breach (for example it may reveal a systemic issue). Middlesbrough Council will maintain a record of all breaches identified by individuals and reporters should therefore provide copies of reports submitted to The Pensions Regulator to the Head of Pensions Governance and Investments. Records of unreported breaches should also be provided to the Head of Pensions Governance and Investments as soon as reasonably practicable and certainly no later than within 20 working days of the decision made not to report. These will be recorded alongside all reported breaches. The record of all breaches (reported or otherwise) will be included in the quarterly Monitoring Report at each Pension Fund Committee meeting, and this will also be shared with the Pension Board.

Reporting a breach

Reports must be submitted in writing via The Pensions Regulator's online system at www.tpr.gov.uk/exchange, or by post, email or fax, and should be marked urgent if appropriate. If necessary a written report can be preceded by a telephone call.

Reporters should ensure they receive an acknowledgement for any report they send to The Pensions Regulator. The Pensions Regulator will acknowledge receipt of all reports within five working days and may contact reporters to request further information. Reporters will not usually be informed of any actions taken by The Pensions Regulator due to restrictions on the disclosure of information.

As a minimum, individuals reporting should provide:

- full scheme name (Teesside Pension Fund)
- description of breach(es)
- any relevant dates
- name, position and contact details
- role in connection to the scheme
- employer name or name of scheme manager (the latter is Middlesbrough Council).

If possible, reporters should also indicate:

- the reason why the breach is thought to be of material significance to The Pensions Regulator
- scheme address (provided at the end of this procedures document)
- scheme manager contact details (provided at the end of this procedures document)
- pension scheme registry number (PSR – 10171072)
- whether the breach has been reported before.

The reporter should provide further information or reports of further breaches if this may help The Pensions Regulator in the exercise of its functions. The Pensions Regulator may make contact to request further information.

Confidentiality

If requested, The Pensions Regulator will do its best to protect a reporter's identity and will not disclose information except where it is lawfully required to do so.

If an individual's employer decides not to report and the individual employed by them disagrees with this and decides to report a breach themselves, they may have protection under the Employment Rights Act 1996 if they make an individual report in good faith.

Reporting to Pension Fund Committee

A report will be presented to the Pension Fund Committee on a quarterly basis setting out:

- all breaches, including those reported to The Pensions Regulator and those not reported, with the associated dates.
- in relation to each breach, details of what action was taken and the result of any action (where not confidential)
- any future actions for the prevention of the breach in question being repeated

- new breaches which have arisen in the last year/since the previous meeting.

This information will also be provided upon request by any other individual or organisation (excluding sensitive/confidential cases or ongoing cases where discussion may influence the proceedings).

An example of the information to be included in the quarterly reports is provided in Appendix C to this procedure.

Review

This Reporting Breaches was approved at the Teesside Pension Fund & Investment Panel (later renamed as the Teesside Pension Fund Committee) meeting on 28th June 2017. It will be kept under review and updated as considered appropriate by the Head of Pensions Governance and Investments. It may be changed as a result of legal or regulatory changes, evolving best practice and ongoing review of the effectiveness of the procedure.

Further Information

If you require further information about reporting breaches or this procedure, please contact:

Nick Orton, Head of Pensions Governance and Investments

Middlesbrough Council
PO Box 506, Civic Centre
Middlesbrough, TS1 9GA

Email: nick_orton@middlesbrough.gov.uk
Telephone: 01642 729040

Further information on the Teesside Pension Fund can be found as shown below:

Teesside Pension Fund website: www.teespen.org.uk.

Appendix A – Determining whether a breach is likely to be of material significance

To decide whether a breach is likely to be of material significance individuals should consider the following elements, both separately and collectively:

- cause of the breach (what made it happen)
- effect of the breach (the consequence(s) of the breach)
- reaction to the breach
- wider implications of the breach

The cause of the breach

Examples of causes which are likely to be of concern to The Pensions Regulator are provided below:

- Acting, or failing to act, in deliberate contravention of the law.
- Dishonesty.
- Incomplete or inaccurate advice.
- Poor administration, i.e. failure to implement adequate administration procedures.
- Poor governance.
- Slow or inappropriate decision-making practices.

When deciding whether a cause is likely to be of material significance individuals should also consider:

- whether the breach has been caused by an isolated incident such as a power outage, fire, flood or a genuine one-off mistake
- whether there have been any other breaches (reported to The Pensions Regulator or not) which when taken together may become materially significant

The effect of the breach

Examples of the possible effects (with possible causes) of breaches which are considered likely to be of material significance to The Pensions Regulator in the context of the LGPS are given below:

- Committee/Board members not having enough knowledge and understanding, resulting in pension boards not fulfilling their roles, the scheme not being properly governed and administered and/or scheme managers breaching other legal requirements
- Conflicts of interest of Committee or Board members, resulting in them being prejudiced in the way in which they carry out their role and/or the ineffective governance and administration of the scheme and/or scheme managers breaching legal requirements
- Poor internal controls, leading to schemes not being run in accordance with their scheme regulations and other legal requirements, risks not being properly identified and managed and/or the right money not being paid to or by the scheme at the right time

- Inaccurate or incomplete information about benefits and scheme information provided to members, resulting in members not being able to effectively plan or make decisions about their retirement

- Poor member records held, resulting in member benefits being calculated incorrectly and/or not being paid to the right person at the right time
- Misappropriation of assets, resulting in scheme assets not being safeguarded
- Other breaches which result in the scheme being poorly governed, managed or administered

The reaction to the breach

A breach is likely to be of concern and material significance to The Pensions Regulator where a breach has been identified and those involved:

- do not take prompt and effective action to remedy the breach and identify and tackle its cause in order to minimise risk of recurrence
- are not pursuing corrective action to a proper conclusion, or
- fail to notify affected scheme members where it would have been appropriate to do so.

The wider implications of the breach

Reporters should also consider the wider implications when deciding whether a breach must be reported. The breach is likely to be of material significance to The Pensions Regulator where the fact that a breach has occurred makes it more likely that further breaches will occur within the Fund or, if due to maladministration by a third party, further breaches will occur in other pension schemes.

Appendix B - Traffic light framework for deciding whether or not to report

Middlesbrough Council recommends those responsible for reporting to use the traffic light framework when deciding whether to report to The Pensions Regulator. This is illustrated below:

Red

Where the cause, effect, reaction and wider implications of a breach, when considered together, are likely to be of material significance.

These must be reported to The Pensions Regulator.

Example: Several members' benefits have been calculated incorrectly. The errors have not been recognised and no action has been taken to identify and tackle the cause or to correct the errors.

Amber

Where the cause, effect, reaction and wider implications of a breach, when considered together, may be of material significance. They might consist of several failures of administration that, although not significant in themselves, have a cumulative significance because steps have not been taken to put things right. You will need to exercise your own judgement to determine whether the breach is likely to be of material significance and should be reported.

Example: Several members' benefits have been calculated incorrectly. The errors have been corrected, with no financial detriment to the members. However the breach was caused by a system error which may have wider implications for other public service schemes using the same system.

Green

Where the cause, effect, reaction and wider implications of a breach, when considered together, are not likely to be of material significance.

These should be recorded but do not need to be reported.

Example: A member's benefits have been calculated incorrectly. This was an isolated incident, which has been promptly identified and corrected, with no financial detriment to the member. Procedures have been put in place to mitigate against this happening again.

All breaches should be recorded even if the decision is not to report.

When using the traffic light framework individuals should consider the content of the red, amber and green sections for each of the cause, effect, reaction and wider implications of the breach, before you consider the four together. Some useful examples of this is framework is provided by The Pensions Regulator at the following link

http:// www.thepensionsregulator.gov.uk/codes/code-related-report-breaches.aspx

Appendix C – Example Record of Breaches

Date	Category (e.g. administration, contributions, funding, investment, criminal activity)	Description and cause of breach	Possible effect of breach and wider implications	Reaction of relevant parties to breach	Reported / Not reported (with justification if not reported and dates)	Outcome of report and/or investigations	Outstanding actions

*New breaches since the previous meeting should be highlighted

Teesside Pension Fund Breaches Log

Date	Category (e.g. administration, contributions, funding, investment, criminal activity)	Description and cause of breach	Possible effect of breach and wider implications	Reaction of relevant parties to breach	Reported / Not reported (with justification if not reported and dates)	Outcome of report and/or investigations	Outstanding actions
February 2022	Administration	Analysis of annual benefit statement production shows no issue with the production of statements for active members. However of 23,170 deferred members, only 20,280 or around 87.5% were sent a statement by 31 August 2022. Most of these had no valid home address on the system. The remainder were over normal pension age.	Those deferred members who have lost contact with the Fund will not get updates on the value of their benefits	N/A	**Not Reported** No individuals have lost out financially as a consequence of the breach, there is already a system in place to find beneficiaries as they reach normal pension age and work is ongoing to reduce the number of deferreds who don't receive statements in future.	Systems are in place to trace deferred members as they reach payment age. Options exist for tracing addresses of 'gone-aways'. Whether/how frequently this is done will be subject to further analysis.	Further analysis is underway to determine the most cost-effective way to search for these 'gone-aways', and the intention is to search for correct addresses for them in as cost-effective a way as possible prior to this year's annual benefit statements being sent out (in August 2022)

This page is intentionally left blank

HYMANS ROBERTSON

Sixty second summary

Breaches of the law

It's been 4 years since changes to the public service pension governance arrangements were introduced. Much has been achieved in that time in putting all the structures in place. One area where we still see uncertainty, and where understanding could be improved is "breaches of the law".

What is a breach of the law?

A breach of the law is *"an act of breaking or failing to observe a law, agreement, or code of conduct."*. In the context of the LGPS, this could encompass a failure to do anything required under the Regulations, Framework or overriding legislation, as well as potentially extending to the provision of incorrect information in general correspondence or telephone conversations, no matter how large or small.

That's quite a wide-ranging definition. So it's perhaps unsurprising that questions remain even now, in this whole area. Questions like – *When* do you need to report a breach? *What* is material significance? *Who* is responsible for reporting breaches? Do I need to record *every* breach?

Let's take a look.

When do you need to report a breach?

First, you need to check out the facts to establish whether a breach has actually occurred or that a legal duty has not been complied with (you must have what's known as "reasonable cause" to believe a breach has occurred). It's not enough to act on a suspicion alone. Wherever possible, you should work together with other "*reporters*" (more on that later) to reach a conclusion. **But be careful to avoid "tipping off" where theft or fraud is suspected. In these cases you may require to whistleblow and independently go straight to the Pensions Regulator.**

What is "Material Significance"?

In our experience of speaking with funds about breaches, we know that deciding whether a breach is materially significant or not can be difficult to judge. Checking against the following list might help*:

Materially significant	Not materially significant
Dishonesty Poor governance or administration	Isolated incidents stemming from major rules changes, implementation of a new administration system or an unusual set of circumstances (i.e. not repeated errors)
Slow or inappropriate decision making Incomplete or inaccurate advice Contravention of the law or framework requirement	Where prompt action is taken to investigate and resolve an issue and scheme members have been informed

*The Pensions Regulator's guidance on what constitutes "Material Significance" with regards to breaches is well worth a look if you remain uncertain.

You also need to consider the cause and effect of any breach, along with the reaction and any wider implications. The Pensions Regulator's public service toolkit provides handy examples of reporting categories: **red** (must report), **amber** (exercise judgement as less clear cut) and **green** (don't report, but do record), to help you reach your decision.

Who is responsible for reporting breaches?

The following are "reporters", although not all of them are within the control of the scheme manager.

- **Elected members** – Pension Committee and full Council;
- **Officers** – including the pension and finance teams;
- **Local Pension Board** – in its role of supporting the scheme manager;
- **Scheme Employers** – in relation to own actions/responsibilities and those of the scheme manager;
- **Professional advisers/third party providers** – e.g. the Fund actuary, legal advisers, auditor, etc.

It's important to appreciate that you cannot abdicate responsibility to report a breach by relying on any of the other parties to do so. Where you choose not to submit an additional report, with regards to a reportable breach, it's advisable to request a copy of the other party's acknowledgement receipt from the Pensions Regulator and attach to your own breaches log as evidence of reporting. You should also seek confirmation from the Pensions Regulator that they do not require the submission of a separate report.

Here at Hymans Robertson, we have our own responsibility to consider breaches where they come to light, separately recording and reporting them as required. We are keen to work with you to discuss the material significance of any potential breaches and, where required, we are keen to agree to the submission of a joint report to the Pensions Regulator. However, if necessary we will lodge our own separate report to the Regulator if we feel this is appropriate.

Do I need to record every breach?

We suspect this is an area where many funds need to apply a little more rigor. While it might be concluded that a single breach is considered to be immaterial, in certain circumstances a series of immaterial breaches can cumulatively amount to a material breach. This is particularly relevant where the series of breaches indicates more systemic issues which would only be identified by considering all recorded breaches in the round, even if the previous breaches have not been reported.

It is vital, therefore, to ensure that all breaches are recorded, no matter how small. If you haven't already done so you should consider implementing a formal breaches log. This should include a description of the breach, the reasons for it, the action taken to remedy it, as well as confirmation as to whether it was reported or not.

Top tips for best practice

Failure to report a breach could land you with a Civil Penalty (up to £5,000 per individual or £50,000 in any other case). So we'll leave you with some top tips to ensure you can keep on top of this:

- **Checks** - if you suspect a breach, carry out the necessary checks to ascertain if there is r**easonable cause** to show that a breach has occurred;
- **Material significance** – undertake a RAG (**red**, **amber** or **green**) assessment to determine if reportable;
- **Collaborate** – wherever possible, work with others to submit a joint report to the Pensions Regulator;
- **Suspected fraud?** – don't tip off, but report directly to the Regulator;
- **Breaches log** – record all breaches whether reported or not with rationale for decision and review regularly to see if any trends emerge;
- **Learning from experience** – key to managing breaches is identifying how things could be improved: especially if matters have escalated to being reported. The Regulator will be keen to see what is being done to avoid reoccurrence in the future; and
- **The Pensions Regulator's Code** - you should always refer to the Pensions Regulator's guidance on assessing and reporting breaches (Code 14: Governance and Administration of Public Service Pension Schemes).

TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 9

TEESSIDE PENSION BOARD REPORT

21 FEBRUARY 2022

DIRECTOR OF FINANCE – IAN WRIGHT

TEESSIDE PENSION BOARD – ADMINISTRATION REPORT

1. PURPOSE OF THE REPORT

1.1 To provide an overview of administration services provided to the Teesside Pension Fund by XPS Administration, Middlesbrough.

2. RECOMMENDATIONS

2.1 That Board Members note the contents of the paper.

3. FINANCIAL IMPLICATIONS

3.1 There are no financial implications for the Fund.

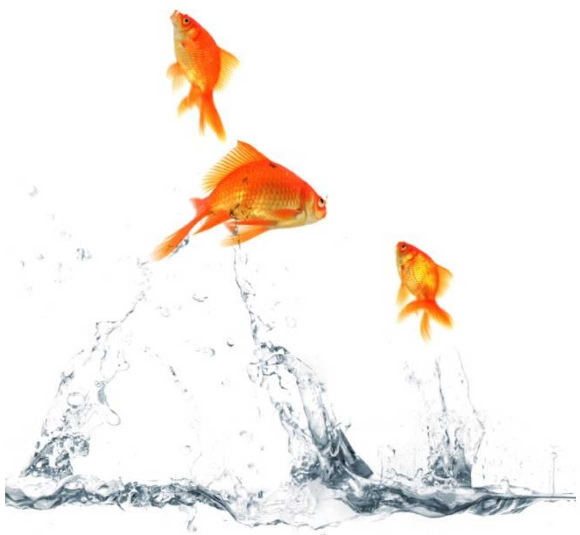
4. BACKGROUND

4.1 To enable the Pension Board to gain an understanding of the work undertaken by the Administration Unit and whether they are meeting the requirements of the contract. The report is contained within Appendix A.

CONTACT OFFICER: Graeme Hall (Operations Manager)

TEL. NO.: (01642) 030643

This page is intentionally left blank



Teesside Pension Fund

Service Delivery Report

2021/22

Teesside Pensions Fund

Headlines

High Court judgement on exit credits

On 27 May 2021, the High Court handed down judgement in the case of EMS & Amey v Secretary of State for MHCLG. The case relates to the non-payment of a £6.5 million exit credit. The Court found in favour of MHCLG and upheld the retrospective effect of the LGPS (Amendment) Regulations 2020.

The judgement also clarified that excluding the possibility of paying an exit credit because a pass-through arrangement is in place is an incorrect application of the regulations. Please check the wording in funding strategy documents to ensure it complies with this.

The full judgement can be found online on bailii.org

Response to consultation on new codes of practice

On 4 June 2021, the Board's secretariat, in consultation with the Investment, Governance and Engagement committee, responded to TPR's consultation on a new code of practice on behalf of the Scheme Advisory Board (SAB).

The response can be accessed on the responses to consultations page of SAB's website.

LGPS mortality data

On 15 June 2021, the SAB in England and Wales updated its LGPS mortality data to the end of March 2021. On the same day, the SAB published updated records from Aon and Barnett Waddingham which sets out analysis of the mortality data of a single LGPS fund during the pandemic.

The data and the reports can be seen on the SAB COVID-19 Mortality page.

Treasury launches consultation on cost control mechanism

On 24 June 2021, HM Treasury launched a consultation on proposed changes to the cost control mechanism alongside a written ministerial statement. It sets out the Treasury's response to GAD's findings in a recent review of the mechanism and proposes several changes. The consultation closed on 19 August 2021, but it can be seen on the non-scheme consultations page of the www.lgpsregs.org.

Treasury launches consultation on the SCAPE discount rate methodology

On 24 June 2021, HM Treasury launched a consultation on the methodology the Government uses to set the SCAPE discount rate alongside a written ministerial statement.

The consultation seeks views on the objectives for the SCAPE discount rate and the most appropriate methodology for setting it.

The consultation closed on 19 August 2021, but it can be seen on the non-scheme consultations page of the www.lgpsregs.org.

Actuarial guidance

LGA have published a revised log of outstanding queries relating to actuarial guidance. The old log, which includes resolved queries that have been resolved, will be available for a limited period. Both logs can be found on the Actuarial guidance page of www.lgpsregs.org.

MHCLG consultation on special severance payments

The MHCLG has published draft statutory guidance and a covering letter covering special severance payments for local authorities in England. It can be found on the Scheme consultations page of www.lgpsregs.org as well as the LGA's initial comments on the proposals.

MHCLG publishes data on local authority exit payments

On 20 July 2021, MHCLG published 'Local Authority Exit Payments (First Estimates)', covering payments made by English authorities in 2019/20 and 2020/21. It can be found on the gov.uk website.

Consultation response, policy paper and draft legislation on increasing NMPA published

On 20 July 2021, HM Treasury published their response to the consultation on implementing the increase to the normal minimum pension age from 55 to 57 (NMPA). On the same day, HMRC published a policy paper and draft legislation which will be part of the next Finance Bill and will amend the Finance Act 2004. For more information on this see bulletin 209 and 206 which can be found on LGPSregs.org.

Stronger nudge to pensions guidance consultation

On 9 July 2021, DWP launched a consultation on draft regulations that will require occupational pension schemes to nudge members into seeking independent advice when they come to request access to or a transfer for the purposes of accessing their pension benefits. It appears the draft regulations will apply to LGPS members with AVCs.

Scheme return

TPR is sending out scheme return notices to manager of public service pension schemes in September. They are encouraging scheme managers to double check their details by logging into the Exchange before submitting their return. Failing to submit the return by the deadline could result in a fine.

The Governance and Administration survey will not be issued within normal time limits this year, which is around November but may be sent in Spring 2022. This is largely due to the Covid pandemic and resourcing impact on tPR and its 3rd party marketing partner.

Membership Movement

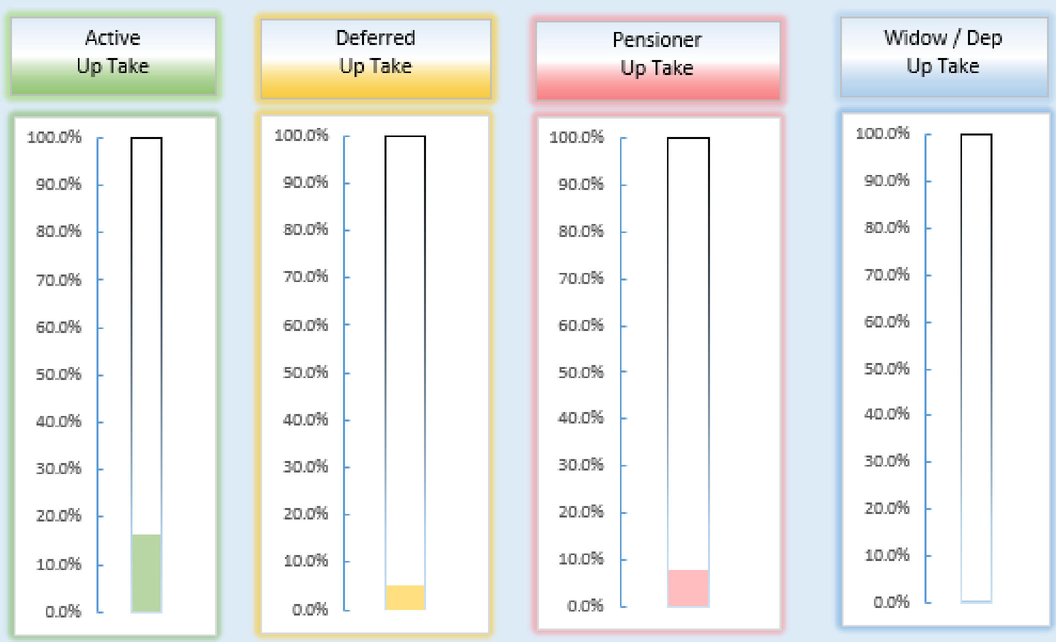
	Actives		Deferred		Pensioner		Widow/Dependent	
Q3 2021/22	24,729	▲	26,165	▲	22,710	▲	3,240	▲
Q2 2021/22	24,403	▲	26,002	▲	22,348	▲	3,232	▲
Q1 2021/22	24,403	▲	26,002	▲	22,348	▲	3,232	▲
Q4 2020/21	23,332	▲	25,703	▼	22,100	▲	3,191	▲
Q3 2020/21	23,199	▲	25,713	▼	21,971	▲	3,182	▲

Member Self Service

Below is an overview on the activity and registration of the Member Self Service System:

Member Self Service
User Statistics For:
Teesside Pension Fund

Quarter 3	REGISTERED	ACCOUNT DISABLED	ACTIVATION LINK SENT	NOT REGISTERED	TOTAL	Percentage Uptake
Actives	3,327	56	515	20,853	**20,853**	**16.2%**
Deferred	1,145	17	214	21,862	**21,862**	**5.3%**
Pensioner	1,597	51	153	20,995	**20,995**	**7.8%**
Widow/Dep	22	0	3	3,228	**3,228**	**0.7%**
Total	**6,091**	**124**	**885**	**66,938**	**66,938**	**9.3%**



Additional Work

Guaranteed Minimum Pension reconciliation exercise

Work continues on this project, with expectation being Stage 0 will be complete by end of Q4 2021/22. We will then move on to Rectification Stage 1 which will highlight those cases that need recalculating.

Complaints

Type of complaint	Date received	Date responded

Internal Dispute Resolution Process

For the period from 1st April to 31st December 2021 there are two known IDRP cases:

- Relates to Scheme Employer quoting redundancy as reason for leaving then stating this was in error once costs were requested – member had been overpaid benefits.
- Member had not received inflationary increases. This has been remedied with arrears plus interest paid.

Pensions Ombudsman

For the period from 1st April to 31st December 2021 there one known cases passed for consideration to the Pensions Ombudsman. This relates to early intervention for the IDRP case above.

We are expecting a ruling shortly on an ongoing case which relates to the backdating of ill health benefits.

High Court Ruling

Nil to return

Common Data

Data Item	Teesside Pension Fund		
	Max Population	Total Fails	% OK
NINo	78,089	165	99.79%
Surname	78,089	0	100.00%
Forename / Inits	78,089	0	100.00%
Sex	78,089	0	100.00%
Title	78,089	115	99.85%
DoB Present	78,089	0	100.00%
Dob Consistent	78,089	0	100.00%
DJS	78,089	0	100.00%
Status	78,089	0	100.00%
Last Status Event	78,089	674	99.14%
Status Date	78,089	1,667	97.87%
No Address	78,089	365	99.53%
No Postcode	78,089	552	99.29%
Address (All)	78,089	4,902	93.72%
Postcode (All)	78,089	4,934	93.68%
Common Data Score	**78,089**	**3,164**	**95.95%**
Members with Multiple Fails	**78,089**	**358**	**99.54%**

Conditional Data

XPS Administration, Middlesbrough are working on a method to report Conditional Data. Discussions are ongoing with Aquila Heywood on a cost for this reporting function along with investigation on whether this can be achieved internally. This follows the issuance by SAB of 22 data fields that should be reported on, this work will be complete by the 31st March 2022.

An overview of the Conditional (Scheme Specific) Data for the Teesside Pension Fund:

Scheme	Member Total	Errors from tests carried out	%age accuracy based on tests carried out
TPF (inc GMP)	68,296	9,151	86.60
TPF (exc GMP)	68,296	1,197	98.25

These scores come from the following tests. Only those tests shown in yellow have been reported on; the other reports will be developed and added to results in future reports.

Report	Report Description	Test 1	Test 2	Test 3	Member Totals	Errors	%
1.1.1	Divorce Details						
1.1.2	Transfers in	Date the transfer in was received is present on record	Ensure the transfer value on record isn't blank	N/A	45,183	65	99.86
1.1.3	Additional Voluntary Contribution (AVC) Details and other additional benefits						
1.1.4	Total Original Deferred Benefit						
1.1.5	Tranches of Original Deferred Benefit						
1.1.6	Total Gross Pension						
1.1.7	Tranches of Pension						
1.1.8	Total Gross Dependant Pension						
1.1.9	Tranches of Dependant Pension						
1.2.1	Date of Leaving	Date of Leaving Blank	Date joined blank or <01/01/1900	Date joined later than Date of Leaving	4,164	43	98.97
1.2.2	Date Joined scheme	Check all Key Dates are present and later than 01/01/1900	N/A	N/A	68,296	11	99.98
1.2.3	Employer Details	Employer Code present	N/A	N/A			

1.2.4	Salary	Pay not within 12 months	N/A	N/A	46,338	1,078	97.67
1.3.1	CARE Data	CARE Missing on relevant records	N/A	N/A			
1.3.2	CARE Revaluation						
1.4.1	Benefit Crystallisation Event (BCE) 2 and 6						
1.4.2	Lifetime allowance						
1.4.3	Annual allowance						
1.5.1	Date Contracted Out	Date Contracted Out missing					
1.5.1	NI contributions and earnings history						
1.5.2	Pre-88 GMP				24,400	7,954	67.40
1.5.3	Post-88 GMP						

Customer Service

Since December 2016, XPS Administration, Middlesbrough have included a customer satisfaction survey with the retirement options documentation.

A summary of the main points are as follows:

Issued	Returned	%
16,162	3,066	18.97

Question	Previous Response*	Current Response*
1. It was easy to see what benefits were available to me	4.26	4.27
2. The information provided was clear and easy to understand	4.19	4.19
3. Overall, the Pensions Unit provides a good service	4.29	4.29
4. The retirement process is straight forward	4.03	4.04
5. My query was answered promptly	4.45	4.45
6. The response I received was easy to understand	4.43	4.44
7. Do you feel you know enough about your employers retirement process	76.46%	76.68%
8. Please provide any reasons for your scores (from 18/05/17)		
9. What one thing could improve our service		
10. Did you know about the www.teespen.org.uk website? (from 18/05/17)	47.27%	47.75%
11. Did you use the website to research the retirement process? (from 18/05/17)	27.24%	27.59%
12. Have you heard of Member Self Service (MSS)? (from 18/05/17)	23.75%	23.80%

*scoring is out 5, with 5 being strongly agree and 1 being strongly disagree

Service Development

Following the agreement of the Pensions Committee to fund enhancements to the Pensions Administration Services at their meeting of 7th March 2018, XPS Administration, Middlesbrough has looked to recruit into the roles required to provide this enhanced service.

Additional funds were only drawn down when roles were filled to undertake the additional services. This has so far led to:

Initial Planning

To help with the creation of the teams that will assist with the additional services two new posts were created to covering Governance & Communications plus Systems & Payroll. These were filled by Paul Mudd and Neale Watson respectively on 11th July 2018. Their roles were then to look at how XPS could then provide the agreed services to the Fund.

Employer Liaison

On 1st May 2019, the Employer Liaison team leader was appointed. Quickly followed by an assistant on 24th June 2019.

Since appointment, they have undertaken numerous tasks including Employer training, late contribution monitoring, and data cleansing. They have recently started Employer Health checks, which are now undertaken virtually due to the Covid restrictions.

The team are also working with the actuary to provide relevant and timely information.

Next steps will be to work with the Fund to determine how to undertake employer covenant and introducing the monthly contribution process across all employers.

Communications

The new website was launched to Scheme Members and Employers on the 5th May 2021 and feedback received from both cohorts has been very positive. We are conducting a full feedback review of the site and will share this with the Board.

Underpinning the website is a raft of analytical data which serves to tell us limited information about the audience. This allows us to target news and important items to pages we now know people are viewing and searching for.

We can learn a lot from this data, and we will of course be trying to increase footfall to the site by strategically linking the site with participating employers.

As well as these above analytics, we are testing the website regularly to prove its structural and technical integrity. This ensures that people see exactly what we want them to see, regardless of what browser or device they use. We can test these levels and do so several times per week to ensure the web coding is robust and modern. It all helps with the overall Member and Employer experience and allows web indexation to be that much better. This promotes the website in something like a google search.

Next Steps

XPS are 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 is expected that this will occur during the 2022/23 financial year. This will help ensure starters, leavers and variations are provided in a timely manner and current data is held to speed up the calculation process.

The next steps will include the procurement of the additional software and the recruitment of at least one further member of staff to assist with the processing of the data.

Performance

Following discussions with both the Pension Board and Committee, XPS Administration are investigating a way to report the time between a member being entitled to a benefit and it being finalized (e.g. time between date of leaving and deferred benefit statement being issued or pension being brought into payment).

XPS Administration are therefore investigating whether sufficient reporting tools already exist within the pension administration system or whether bespoke reports are required to be developed (either internally or via the administration software providers).

The Pension Committee will be kept updated on the progress to provide this information.

Employer Liaison

Employers & Members

Employer Health Checks have continued as well as some face-to-face employer training which has been extremely well received and a lovely easing back into a normal way of life. I have also established a relationship with all Local Authorities Financial Wellbeing officers in which we are making ourselves available to work with them on their events and promotions alongside our usual employer and member sessions.

Date	Late Payments	Expected Payments	% Late	<10 Days Late	>10 Days Late
Apr-20	4	151	3.00%	0	4
May-20	3	151	2.00%	0	3
Jun-20	2	151	1.00%	1	1
Jul-20	6	150	4.00%	6	0
Aug-20	9	150	6.00%	0	9
Sep-20	8	149	5.00%	3	5
Oct-20	3	149	2.00%	3	0
Nov-20	3	149	2.00%	3	0
Dec-20	2	149	1.00%	0	2
Jan-21	2	149	1.00%	2	0
Feb-21	4	149	3.00%	0	4
Mar-21	3	149	2.00%	1	2
Apr-21	8	148	5.00%	7	1
May-21	0	148	0.00%	0	0
Jun-21	3	149	2.00%	3	0
Jul-21	1	149	1.00%	1	0
Aug-21	4	149	3.00%	3	1
Sep-21	4	149	3.00%	1	3
Oct-21	3	144	2.00%	0	3
Nov-21	2	144	1.00%	0	2
Dec-21	4	144	3.00%	1	3

Annual Benefit Statements

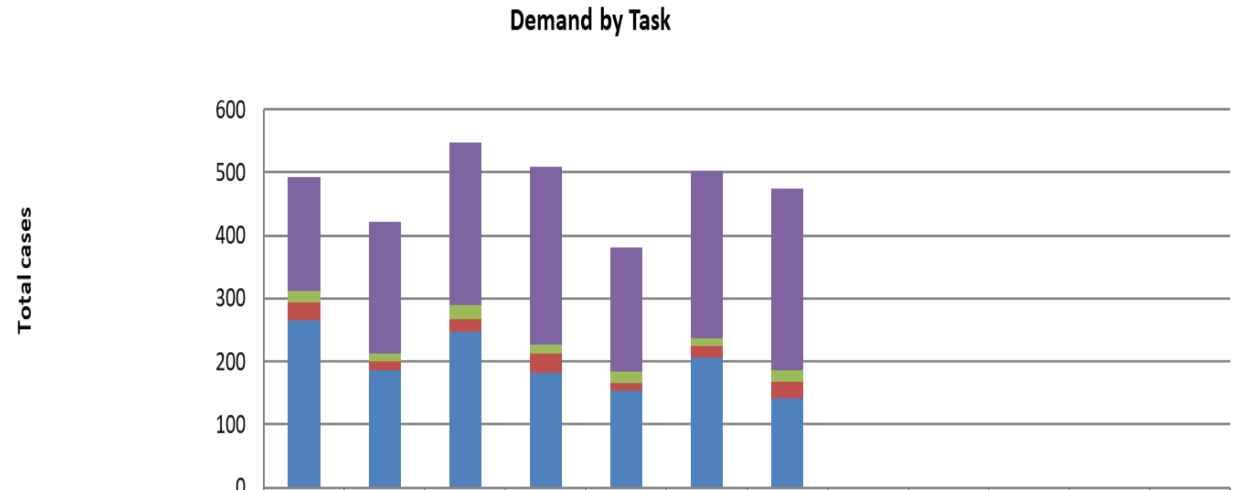
Within the last report, XPS provided details on the production and issuance of Annual Benefit Statements to Active members. For completion the data on the issuance of statements for deferred members is below:

LG ABS Stats - Deferred - 31/03/2021

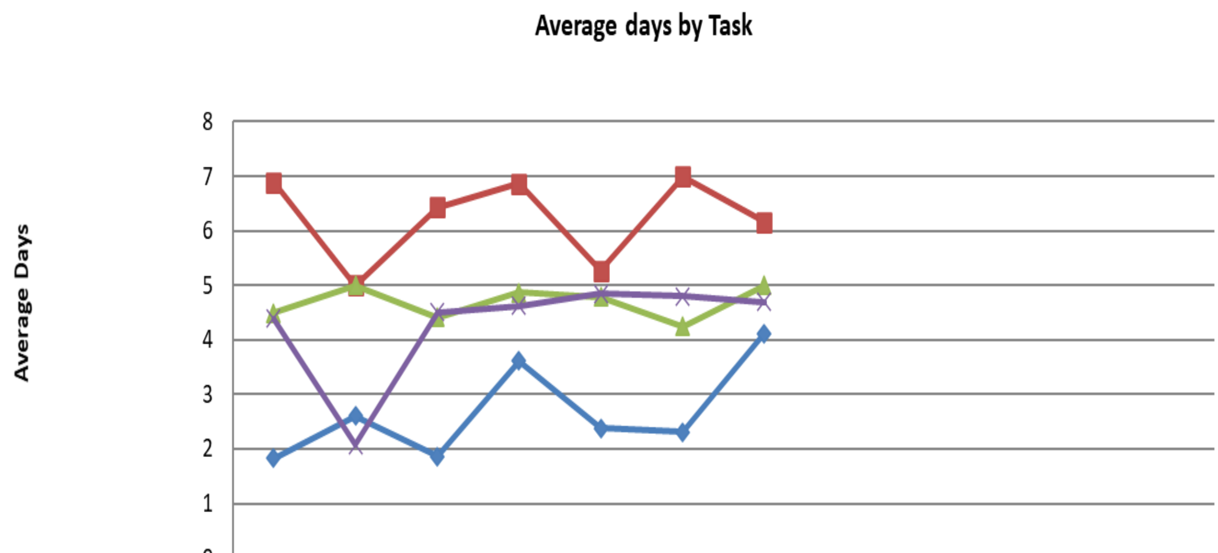
Total Members Read	23,170	Total Deferred records read by Programme
Less members not due ABS	-2,890	Members read but not actually due ABS
Total Members Due ABS	20,280	Actual members due ABS
Total Members Processed	**20,272**	Total Members with ABS produced
Members failed production	8	Members due ABS who didn't get produced
% ABS Fail	0.04%	% of Members with ABS Not Produced
% ABS Success	**99.96%**	% of Members with ABS Produced

Performance Charts

Overall Demand



	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Estimates & Deferreds	181	208	259	283	197	265	288					
Refunds	18	12	22	15	19	12	19					
Transfer Values	28	16	21	31	11	18	25					
Processing new entrants	266	185	246	181	154	207	142					



	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Processing new entrants	2	3	2	4	2	2	4					
Transfer Values	7	5	6	7	5	7	6					
Refunds	5	5	4	5	5	4	5					
Estimates	4	2	5	5	5	5	5					

The following charts show performance against individual service level requirements.

April 2021

KEY PERFORMANCE REQUIREMENTS (KPR)	MONITORING PERIOD (Annually, Quarterly, Monthly, Half Yearly)	KPR Days	MINIMUM PERFORMANCE LEVEL (MPL)	ACTUAL PERFORMANCE LEVEL (APL)	Average Case Time (days)	Number of Cases	Over target	TOTAL (cases)	Within Target
All new entrant processed within twenty working days of receipt of application.	Monthly	20	98.50%	100.00%	1.83	266	0	266	266
Transfer Values - To complete the process within one month of the date of receipt of the request for payment.	Monthly	20	98.50%	100%	7	28	0	28	28
Refund of contributions - correct refund to be paid within five working days of the employee becoming eligible and the correct documentation being supplied.	Monthly	5	98.75%	100%	5	18	0	18	18
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	4	181	0	181	181
Pension costs to be recharged monthly to all employers.	Monthly		98.75%	100%	N/A	N/A	N/A		
Annual benefit statements shall be issued on a rolling basis ensuring that a scheme member shall receive a statement once a year.	Annual	April	98.75%	100%	N/A	N/A	N/A		
Payment of lump sum retiring allowance - Payment to be made within 6 working days of payment due date and date of receiving all the necessary information.	Monthly		98.75%	100%	N/A	N/A	N/A		
Pay eligible pensioners a monthly pension on the dates specified by the Council.	Monthly		100%	100%	N/A	N/A	N/A		
All calculations and payments are correct.	Monthly		98.75%	100%	N/A	N/A	N/A		

May 2021

KEY PERFORMANCE REQUIREMENTS (KPR)	MONITORING PERIOD (Annually, Quarterly, Monthly, Half Yearly)	KPR Days	MINIMUM PERFORMANCE LEVEL (MPL)	ACTUAL PERFORMANCE LEVEL (APL)	Average Case Time (days)	Number of Cases	Over target	TOTAL (cases)	Within Target
All new entrant processed within twenty working days of receipt of application.	Monthly	20	98.50%	100.00%	2.61	185	0	185	185
Transfer Values - To complete the process within one month of the date of receipt of the request for payment.	Monthly	20	98.50%	100%	5	16	0	16	16
Refund of contributions - correct refund to be paid within five working days of the employee becoming eligible and the correct documentation being supplied.	Monthly	5	98.75%	100%	5	12	0	12	12
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	12	208	0	208	208
Pension costs to be recharged monthly to all employers.	Monthly		98.75%	100%	N/A	N/A	N/A		
Annual benefit statements shall be issued on a rolling basis ensuring that a scheme member shall receive a statement once a year.	Annual	April	98.75%	100%	N/A	N/A	N/A		
Payment of lump sum retiring allowance - Payment to be made within 6 working days of payment due date and date of receiving all the necessary information.	Monthly		98.75%	100%	N/A	N/A	N/A		
Pay eligible pensioners a monthly pension on the dates specified by the Council.	Monthly		100%	100%	N/A	N/A	N/A		
All calculations and payments are correct.	Monthly		98.75%	100%	N/A	N/A	N/A		

June 2021

KEY PERFORMANCE REQUIREMENTS (KPR)	MONITORING PERIOD (Annually, Quarterly, Monthly, Half Yearly)	KPR Days	MINIMUM PERFORMANCE LEVEL (MPL)	ACTUAL PERFORMANCE LEVEL (APL)	Average Case Time (days)	Number of Cases	Over target	TOTAL (cases)	Within Target
All new entrant processed within twenty working days of receipt of application.	Monthly	20	98.50%	100.00%	1.87	246	0	246	246
Transfer Values - To complete the process within one month of the date of receipt of the request for payment.	Monthly	20	98.50%	100%	6	21	0	21	21
Refund of contributions - correct refund to be paid within five working days of the employee becoming eligible and the correct documentation being supplied.	Monthly	5	98.75%	100%	4	22	0	22	22
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	5	259	0	259	259
Pension costs to be recharged monthly to all employers.	Monthly		98.75%	100%	N/A	N/A	N/A		
Annual benefit statements shall be issued on a rolling basis ensuring that a scheme member shall receive a statement once a year.	Annual	April	98.75%	100%	N/A	N/A	N/A		
Payment of lump sum retiring allowance - Payment to be made within 6 working days of payment due date and date of receiving all the necessary information.	Monthly		98.75%	100%	N/A	N/A	N/A		
Pay eligible pensioners a monthly pension on the dates specified by the Council.	Monthly		100%	100%	N/A	N/A	N/A		
All calculations and payments are correct.	Monthly		98.75%	100%	N/A	N/A	N/A		

July 2021

KEY PERFORMANCE REQUIREMENTS (KPR)	MONITORING PERIOD (Annually, Quarterly, Monthly, Half Yearly)	KPR Days	MINIMUM PERFORMANCE LEVEL (MPL)	ACTUAL PERFORMANCE LEVEL (APL)	Average Case Time (days	Number of Cases	Over targ
All new entrant processed within twenty working days of receipt of application.	Monthly	20	98.50%	99.45%	3.62	181	1
Transfer Values - To complete the process within one month of the date of receipt of the request for payment.	Monthly	20	98.50%	100%	7	31	0
Refund of contributions - correct refund to be paid within five working days of the employee becoming eligible and the correct documentation being supplied.	Monthly	5	98.75%	100%	5	15	0
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	5	283	0
Estimate of benefits - Statement of benefit entitlements to be issued within ten working days of receipt of request, and the correct information being supplied.	Monthly	10	98.25%			182	0
Deferred Benefits - issue statement within ten working days of receipt of all relevant information.	Monthly	10	98.50%			101	0
Pension costs to be recharged monthly to all employers.	Monthly		98.75%	100%	N/A	N/A	N/A
Annual benefit statements shall be issued on a rolling basis ensuring that a scheme member shall receive a statement once a year.	Annual	April	98.75%	100%	N/A	N/A	N/A
Payment of lump sum retiring allowance - Payment to be made within 6 working days of payment due date and date of receiving all the necessary information.	Monthly		98.75%	100%	N/A	N/A	N/A
Pay eligible pensioners a monthly pension on the dates specified by the Council.	Monthly		100%	100%	N/A	N/A	N/A
All calculations and payments are correct.	Monthly		98.75%	100%	N/A	N/A	N/A

August 2021

KEY PERFORMANCE REQUIREMENTS (KPR)	MONITORING PERIOD (Annually, Quarterly, Monthly, Half Yearly)	KPR Days	MINIMUM PERFORMANCE LEVEL (MPL)	ACTUAL PERFORMANCE LEVEL (API	Average Case Time (days	Number of Cases	Over targ
All new entrant processed within twenty working days of receipt of application.	Monthly	20	98.50%	100.00%	2.38	154	0
Transfer Values - To complete the process within one month of the date of receipt of the request for payment.	Monthly	20	98.50%	100%	5	11	0
Refund of contributions - correct refund to be paid within five working days of the employee becoming eligible and the correct documentation being supplied.	Monthly	5	98.75%	100%	5	19	0
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	99.0%	5	197	2
Estimate of benefits - Statement of benefit entitlements to be issued within ten working days of receipt of request, and the correct information being supplied.	Monthly	10	98.25%			125	1
Deferred Benefits - issue statement within ten working days of receipt of all relevant information.	Monthly	10	98.50%			72	1
Pension costs to be recharged monthly to all employers.	Monthly		98.75%	100%	N/A	N/A	N/A
Annual benefit statements shall be issued on a rolling basis ensuring that a scheme member shall receive a statement once a year.	Annual	April	98.75%	94%	N/A	23561	1479
Payment of lump sum retiring allowance - Payment to be made within 6 working days of payment due date and date of receiving all the necessary information.	Monthly		98.75%	100%	N/A	N/A	N/A
Pay eligible pensioners a monthly pension on the dates specified by the Council.	Monthly		100%	100%	N/A	N/A	N/A
All calculations and payments are correct.	Monthly		98.75%	100%	N/A	N/A	N/A

September 2021

KEY PERFORMANCE REQUIREMENTS (KPR)	MONITORING PERIOD (Annually, Quarterly, Monthly, Half Yearly)	KPR Days	MINIMUM PERFORMANCE LEVEL (MPL)	ACTUAL PERFORMANCE LEVEL (APL)	Average Case Time (days)	Number of Cases	Over target
All new entrant processed within twenty working days of receipt of application.	Monthly	20	98.50%	100.00%	2.31	207	0
Transfer Values - To complete the process within one month of the date of receipt of the request for payment.	Monthly	20	98.50%	100%	7	18	0
Refund of contributions - correct refund to be paid within five working days of the employee becoming eligible and the correct documentation being supplied.	Monthly	5	98.75%	100%	4	12	0
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	5	265	0
Pension costs to be recharged monthly to all employers.	Monthly		98.75%	100%	N/A	N/A	N/A
Annual benefit statements shall be issued on a rolling basis ensuring that a scheme member shall receive a statement once a year.	Annual	April	98.75%	100%	N/A	N/A	N/A
Payment of lump sum retiring allowance - Payment to be made within 6 working days of payment due date and date of receiving all the necessary information.	Monthly		98.75%	100%	N/A	N/A	N/A
Pay eligible pensioners a monthly pension on the dates specified by the Council.	Monthly		100%	100%	N/A	N/A	N/A
All calculations and payments are correct.	Monthly		98.75%	100%	N/A	N/A	N/A

October 2021

KEY PERFORMANCE REQUIREMENTS (KPR)	MONITORING PERIOD (Annually, Quarterly, Monthly, Half Yearly)	KPR Days	MINIMUM PERFORMANCE LEVEL (MPL)	ACTUAL PERFORMANCE LEVEL (APL)	Average Case Time (days)	Number of Cases	Over target
All new entrant processed within twenty working days of receipt of application.	Monthly	20	98.50%	100.00%	4.12	142	0
Transfer Values - To complete the process within one month of the date of receipt of the request for payment.	Monthly	20	98.50%	100%	6	25	0
Refund of contributions - correct refund to be paid within five working days of the employee becoming eligible and the correct documentation being supplied.	Monthly	5	98.75%	100%	5	19	0
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	5	288	0
Pension costs to be recharged monthly to all employers.	Monthly		98.75%	100%	N/A	N/A	N/A
Annual benefit statements shall be issued on a rolling basis ensuring that a scheme member shall receive a statement once a year.	Annual	April	98.75%	0%	N/A	N/A	N/A
Payment of lump sum retiring allowance - Payment to be made within 6 working days of payment due date and date of receiving all the necessary information.	Monthly		98.75%	100%	N/A	N/A	N/A
Pay eligible pensioners a monthly pension on the dates specified by the Council.	Monthly		100%	100%	N/A	N/A	N/A
All calculations and payments are correct.	Monthly		98.75%	100%	N/A	N/A	N/A

November 2021

KEY PERFORMANCE REQUIREMENTS (KPR)	MONITORING PERIOD (Annually, Quarterly, Monthly, Half Yearly)	KPR Days	MINIMUM PERFORMANCE LEVEL (MPL)	ACTUAL PERFORMANCE LEVEL (APL)	Average Case Time (days)	Number of Cases	Over target	TOTAL (cases)	Within Target
All new entrant processed within twenty working days of receipt of application.	Monthly	20	98.50%	100.00%	1.45	317	0	317	317
Transfer Values - To complete the process within one month of the date of receipt of the request for payment.	Monthly	20	98.50%	100%	6	19	0	19	19
Refund of contributions - correct refund to be paid within five working days of the employee becoming eligible and the correct documentation being supplied.	Monthly	5	98.75%	100%	5	28	0	28	28
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	4	241	0	241	241
Pension costs to be recharged monthly to all employers.	Monthly		98.75%	100%	N/A	N/A	N/A		
Annual benefit statements shall be issued on a rolling basis ensuring that a scheme member shall receive a statement once a year.	Annual	April	98.75%	0%	N/A	N/A	N/A		
Payment of lump sum retiring allowance - Payment to be made within 6 working days of payment due date and date of receiving all the necessary information.	Monthly		98.75%	100%	N/A	N/A	N/A		
Pay eligible pensioners a monthly pension on the dates specified by the Council.	Monthly		100%	100%	N/A	N/A	N/A		
All calculations and payments are correct.	Monthly		98.75%	100%	N/A	N/A	N/A		

December 2021

KEY PERFORMANCE REQUIREMENTS (KPR)	MONITORING PERIOD (Annually, Quarterly, Monthly, Half Yearly)	KPR Day	MINIMUM PERFORMANCE LEVEL (MPL)	ACTUAL PERFORMANCE LEVEL (A	Average Case Time (day	Number of Cases	Over targ	TOTAL (case	Within Targ
All new entrant processed within twenty working days of receipt of application.	Monthly	20	98.50%	99.66%	1.31	294	1	294	293
Transfer Values - To complete the process within one month of the date of receipt of the request for payment.	Monthly	20	98.50%	100%	7	18	0	18	18
Refund of contributions - correct refund to be paid within five working days of the employee becoming eligible and the correct documentation being supplied.	Monthly	5	98.75%	100%	5	24	0	24	24
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	99.6%	5	282	1	282	281
Pension costs to be recharged monthly to all employers.	Monthly		98.75%	100%	N/A	N/A	N/A		
Annual benefit statements shall be issued on a rolling basis ensuring that a scheme member shall receive a statement once a year.	Annual	April	98.75%	0%	N/A	N/A	N/A		
Payment of lump sum retiring allowance - Payment to be made within 6 working days of payment due date and date of receiving all the necessary information.	Monthly		98.75%	100%	N/A	N/A	N/A		
Pay eligible pensioners a monthly pension on the dates specified by the Council.	Monthly		100%	100%	N/A	N/A	N/A		
All calculations and payments are correct.	Monthly		98.75%	100%	N/A	N/A	N/A		

January 2022

KEY PERFORMANCE REQUIREMENTS (KPR)	MONITORING PERIOD (Annually, Quarterly, Monthly, Half Yearly)	KPR Days	MINIMUM PERFORMANCE LEVEL (MPL)	ACTUAL PERFORMANCE LEVEL (APL)	Average Case Time (days)	Number of Cases	Over target	TOTAL (cases)	Within Target
All new entrant processed within twenty working days of receipt of application.	Monthly	20	98.50%	100.00%	2.49	216	0	216	216
Transfer Values - To complete the process within one month of the date of receipt of the request for payment.	Monthly	20	98.50%	100%	6	14	0	14	14
Refund of contributions - correct refund to be paid within five working days of the employee becoming eligible and the correct documentation being supplied.	Monthly	5	98.75%	100%	5	13	0	13	13
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	4	178	0	178	178
Pension costs to be recharged monthly to all employers.	Monthly		98.75%	100%	N/A	N/A	N/A		
Annual benefit statements shall be issued on a rolling basis ensuring that a scheme member shall receive a statement once a year.	Annual	April	98.75%	0%	N/A	N/A	N/A		
Payment of lump sum retiring allowance - Payment to be made within 6 working days of payment due date and date of receiving all the necessary information.	Monthly		98.75%	100%	N/A	N/A	N/A		
Pay eligible pensioners a monthly pension on the dates specified by the Council.	Monthly		100%	100%	N/A	N/A	N/A		
All calculations and payments are correct.	Monthly		98.75%	100%	N/A	N/A	N/A		