

TEESSIDE PENSION BOARD

Date: Monday 11th April, 2022
Time: 2.00 pm
Venue: Mandela Room

AGENDA

1. Welcome and Evacuation Procedure
2. Apologies for Absence
3. Declarations of Interest
To receive any declarations of interest.
4. Minutes - Teesside Pension Board - 21 February 2022 3 - 10
5. Minutes - Teesside Pension Fund Committee -15 December 2021 11 - 18
6. Teesside Pension Fund Committee -16 March 2022
Verbal Report
7. Proposed Change to Pension Board Terms of Reference 19 - 34
8. Pension Fund Business Plan 35 - 82
9. Teesside Pension Board Annual Report 2021/22 83 - 90
10. Update on Current Issues

Verbal Report.

- | | | |
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| 11. | Update on Workplan Issues | 91 - 102 |
| 12. | XPS Administration Report | 103 - 132 |
| 13. | Any other urgent items which in the opinion of the Chair, may be considered | |

Charlotte Benjamin
Director of Legal and Governance Services

Town Hall
Middlesbrough
Friday 1 April 2022

MEMBERSHIP

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

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 BOARD

A meeting of the Teesside Pension Board was held on Monday 21 February 2022.

PRESENT: Councillor Cooper (Chair)
J Bell
P Thompson

ALSO IN ATTENDANCE: P Mudd, XPS

OFFICERS: W Brown, S Lightwing, N Orton, I Wright

APOLOGIES FOR ABSENCE: were submitted on behalf of Councillor W Ayre and J Cook

21/21 **APOLOGIES FOR ABSENCE**

21/22 **DECLARATIONS OF INTEREST**

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

21/23 **APPOINTMENT OF DEPUTY CHAIR**

The Head of Pensions Governance and Investments presented a report which set out the Board's Terms of Reference in relation to the roles of Chair and Deputy Chair.

In accordance with the Terms of Reference, the Chair was asked to appoint a Deputy Chair from the Board's three employee representatives.

ORDERED that Paul Thompson was appointed Deputy Chair of the Teesside Pension Board for a period of two years from the date of this meeting.

21/24 **MINUTES - TEESSIDE PENSION BOARD - 15 NOVEMBER 2021**

The minutes of the meeting of the Teesside Pension Board held on 15 December 2021 were taken as read and approved as a correct record.

21/25 **MINUTES - TEESSIDE PENSION FUND COMMITTEE - 8 OCTOBER 2021**

A copy of the minutes of the Teesside Pension Fund Committee meeting held on 8 October 2021 was submitted for information.

NOTED

21/26 **TEESSIDE PENSION FUND COMMITTEE - 15 DECEMBER 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 15 December 2021. Items considered by the Committee included:

- Investment Activity Report
- External Managers' Reports
- Border to Coast Update
- Investment Advisors' Reports
- CBRE Property Report
- Risk Register Review
- Border to Coast Responsible Investments and Voting Policies

- Governance Policies Review
- XPS Pensions Administration Report

In terms of Investment Activity, the Fund continued to favour growth over protection. Cash levels were approximately 11% which was high given inflation was currently 5-6%, although the maximum agreed limit was 20%. Cash was being held as a protection asset on the advice of the Fund's Independent Advisers. The value of the Fund had increased to £4.87 billion and had actually gone above £5 billion for the first time during December, although it had now fallen back.

A Board member highlighted that the Fund was not currently meeting its asset allocation strategy. The Head of Pensions Governance and Investments explained that the Committee had discussed this issue and made a commitment to reduce from its position of 72% listed equities to 65% by the end of March 2022. The Fund was on target to meet that figure. The Independent Advisers challenged the Fund regularly on this point and the Asset Allocation Strategy would be reviewed again as part of the actuarial valuation. Fund Managers were constantly seeking opportunities to invest in suitable asset classes.

The Border to Coast update included discussion about China. BCP emphasised that going forward, China was expected to be a growth story and its own region, rather than being included with emerging markets. It was highlighted that the Fund would only invest where proper due diligence had been completed in terms of Environmental, Social and Governance issues.

CBRE had acted as advisor on a real estate loan to a retail park. Over a 4 year period the Fund would receive a 3.7% return. The loan was secured on the property itself.

Climate Change had been added as a new risk to the Risk Register. This addition was welcomed by Board Members.

Following a suggestion by the External Auditor, the Committee had reviewed and updated some of its policies including Communication, Compliance, and the Pension Admin Strategy. A Charging Policy had been added to the Admin Strategy which could be used as a tool to encourage Employers to provide accurate information when requested. It was stressed however that the Fund preferred to work in partnership with Employers rather than fine them.

Finally the outcome of the procurement process for a new actuary was reported and Hymans Robertson had been appointed.

AGREED that the information provided was received and noted.

21/27

UPDATE ON CURRENT ISSUES

The Head of Pensions Governance and Investments presented a report 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.

The following issues were highlighted:

- LGPS and 'Levelling Up'
- Government Actuary's Department Section 13 Report – Main Findings
- Government Actuary's Department Section 13 Report – Fund Comparisons
- Triennial Actuarial Valuation as at 31 March 2022
- Department for Work and Pensions (DWP) Consultation on the Draft Pensions Dashboard Regulations 2022

LGPS and Levelling Up

The Government published its "Levelling up the United Kingdom" White Paper on 2 February 2022. The scope of the White Paper was broad: its stated objective was 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 included information about the role the Local Government Pension Scheme will be expected to play with a number of references to Local Government Pension Scheme (LGPS) Funds being used to support local investment.

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

The detail of the White Paper's aims in respect of LGPS investment in local areas was expected to be included in a forthcoming consultation document expected later in the year. There were however some significant issues that needed clarifying which were outlined in the submitted report.

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

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

Over the last six years the Fund had 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 represented around 0.8% of the Fund's assets (based on the Fund's 31 December 2021 valuation). This was some way short of the 5% potential local investment allocation, and reflected in part the difficulty of sourcing appropriate local investments for the Fund within the Teesside area.

A consultation document was 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 would be implemented through statutory guidance or legislation.

Government Actuary's Department Section 13 Report – Main Findings

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. The Report was named after Section 13 of the Public Service Pensions Act 2013 which required the government to commission a report after each triennial valuation to assess whether the following four aims had been achieved: compliance, consistency, solvency and long term cost efficiency.

The Report is broadly positive about the LGPS and acknowledged 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 had increased from 85% to 98%.

GAD added 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."

As regards the four aims, a summary of the report's findings was included in the submitted report.

Government Actuary's Department Section 13 Report – Fund Comparisons

In producing the Report, GAD compared each LGPS Fund's 31 March 2019 valuation on a single standard basis which was typically less prudent than the Fund's own basis but allowed better comparison between Funds.

An extract from the Report's appendix including several relevant graphs was attached at Appendix A to the submitted report.

The main points to note from the comparison graphs were as follows:

- 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 had 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 was 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.

These points indicated 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 needed 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.

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

Triennial Actuarial Valuation as at 31 March 2022

2022 was a valuation year for the LGPS. Every three years the Fund's assets and liabilities were 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.

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

The Fund had recently appointed Hymans Robertson as its actuary from 1 January 2022 and had been working with Pension Fund officers and with XPS to ensure there would be a smooth exchange of data required for the valuation, and to finalise a valuation timetable. The new Fund actuary was 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 would be able to attend.

Department for Work and Pensions (DWP) Consultation on the Draft Pensions Dashboards Regulations 2022

On 31 January 2022 the DWP published a consultation document on draft regulations designed to implement pensions dashboards. Pensions dashboards would be an internet-based service which allowed individuals to access information about their pensions, ideally from all sources (private sector, public sector and state pension) all in one place. The intention was that pensions dashboards would 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 could be accessed at a time of their choosing.

The consultation and the draft regulations set out what steps pension schemes and dashboards would be required to take, and proposed introducing the obligation to connect with, and supply data to, the dashboards systems. This was expected to happen in a staged way starting from April 2023. Public service pension schemes (including the LGPS) would be compelled to connect no earlier than October 2023.

The consultation set out details of the type and format of data pension schemes and dashboard that providers would be required to use to validate and process requests from scheme members, along with the potential penalties for those organisations who did not comply.

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

Consultation responses were 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 would 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.

AGREED that the:

1. information provided was received and noted.
2. Head of Pensions Governance and Investments would submit a response to the Draft Pensions Dashboards Regulations 2022 consultation, if required, in consultation with the Chair and Vice Chair of the Pension Fund Committee.

21/28

UPDATE ON WORK PLAN ITEMS

A report of the Director of Finance was presented to provide Board Members with information on items scheduled in the work plan for consideration at the current meeting. A copy of the work plan was attached at Appendix A to the submitted report.

Reporting Breaches

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

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

This duty applied 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 was 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 was otherwise involved in advising the trustees or managers of an occupational or personal pension scheme in relation to the scheme.

The Fund had a policy on reporting breaches, which was reviewed and approved by the Pension Fund Committee at a meeting held on 15 December 2021 and was enclosed at Appendix B to the submitted report. The policy included information on how to report a suspected breach of regulations and how a reported breach was evaluated to assess how it should be dealt with, and whether it should be reported to the Pensions Regulator. The procedure, and the requirement to report breaches had been in place since 2015.

The current Breaches Log was attached as Appendix C to the submitted report. This contained one recent addition relating to the provision of benefit statements to deferred members. A significant number of deferred members had not received their annual benefits statements. The entry in the Breaches Log outlined the position, and explained that a decision had been taken to record but not to report this breach, as it had a straightforward explanation, did not result in a loss to the individual, and steps were being taken to address the issue.

Initial discussions had taken place with XPS regarding actions that could be taken to trace people who had gone away. However, there was a cost and typically people made themselves known when they were ready to claim their pension. It was a common problem across pension schemes. If the issue continued next year, the Fund would need to reconsider whether or not to report it as a breach.

The Breaches Log would be brought to future Pension Board and Committee meetings. A useful summary of dealing with breaches of the law in the LGPS produced by Hymans Robertson in 2019 was enclosed at Appendix D to the submitted report for information.

Pension Fund Procurements

Over the last year the Pension Fund had carried out one procurement exercise. This was in relation to the Pension Fund actuary. The previous actuarial contract, awarded to AON, had been for six years from 2013, and 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. Although there were no issues or concerns with the quality of service provided by AON it was appropriate to undertake tendering exercises to ensure continued value for money was obtained for the Pension Fund.

For several years, Norfolk County Council had 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.

The four firms who currently acted as fund actuaries in the LGPS were all on the Framework, namely: AON, Barnett Waddingham, Hymans Robertson and Mercer.

The Head of Pensions Governance and Investments, working with colleagues from within his team and 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.

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.

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 – evidenced by the fact all three submissions scored over 80% of the total possible marks. Hymans Robertson's submission had a combination of very high quality with lower price which allowed it to beat the other two applicants.

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 had regular meetings with the two experienced LGPS actuaries, who were the senior contacts for the Pension Fund at Hymans Robertson. Hymans Robertson had also liaised directly with AON to ensure relevant information had been transferred as seamlessly as possible.

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

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

AGREED that the information provided was received and noted.

21/29

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:

- Membership Movement.
- Member Self-Service.
- Additional Work – Guaranteed Minimum Pension reconciliation exercise.
- Complaints.
- Common Data.
- Conditional Data.
- Customer Service.
- Service Development.
- Performance.
- Employer Liaison.
- Annual Benefit Statements.
- Performance Charts.

There had been increases across each cohort on Membership which was good news in terms of size and cash flow.

Efforts continued to promote membership self-service and a video clip had been produced which would be referenced in all correspondence to pension fund members. Board members suggested member self-service could also be promoted at exit interviews and training days or information sessions for employees.

There were currently two complaints at the Internal Dispute Resolution Process stage and one with the Pensions Ombudsman.

In relation to Customer Service, the scores remained static and showed a good level of service experienced by scheme members.

The lead person on Employer Liaison had moved to other employment and XPS was currently recruiting to fill this position.

Details of the Annual Benefit Statements issued for deferred members was included in the report.

AGREED that the information provided was received and noted.

21/30

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

None.

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TEESSIDE PENSION FUND COMMITTEE

A meeting of the Teesside Pension Fund Committee was held on Wednesday 15 December 2021.

PRESENT: Councillors D Coupe (Chair), J Beall, (Stockton On Tees Borough Council), R Creevy, (Hartlepool Borough Council), T Furness, J Hobson, J Rostron, M Storey and S Walker
J Flaws (Other Employers Representative), B Foulger (GMB Representative) and T Watson (UNISON Representative)

ALSO IN ATTENDANCE: W Bourne (Independent Adviser), P Moon (Independent Adviser), P Mudd (XPS Administration)
A Owen (CBRE), A Peacock (CBRE)
A Stone (Border to Coast Pension Partnership)

OFFICERS: S Bonner, W Brown, S Lightwing, J McNally, N Orton, S Smithyman and I Wright

APOLOGIES FOR ABSENCE: were submitted on behalf of Councillors A Bell, E Polano, G Nightingale and G Wilson

21/29 **WELCOME**

The Chair welcomed all present to the meeting.

21/30 **DECLARATIONS OF INTEREST**

Name of Member	Type of Interest	Item/Nature of Interest
Councillor J Beall	Non pecuniary	Member of Teesside Pension Fund
Councillor R Creevy	Non pecuniary	Member of Teesside Pension Fund
B Foulger	Non pecuniary	Member of Teesside Pension Fund
Councillor Rostron	Non pecuniary	Member of Teesside Pension Fund
Councillor M Storey	Non pecuniary	Member of Teesside Pension Fund

21/31 **MINUTES - TEESSIDE PENSION FUND COMMITTEE - 8 OCTOBER 2021**

The minutes of the meeting of the Teesside Pension Fund Committee held on 8 October 2021 were taken as read and approved as a correct record.

21/32 **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. The Fund had no investments in Bonds currently.

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 March 2021 were 11.03%. 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. No property transactions were undertaken in this quarter.

During the quarter, £63.9 million was invested in Alternatives. 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 July 2021 to 30 September 2021. There were net sales of £100.8 million in the period, this compared to net sales of £76.6 million in the previous reporting period.

As at 31 December 2020, the Fund had £534.7 million invested with approved counterparties. This was a decrease of £144.9 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 September 2021, including cash, was £4,871 million, compared with the last reported valuation as at 30 June 2021, of £4,705 million.

It was noted that the cash currently held amounted to 11% of the Fund total.

A summary analysis of the valuation showed the Fund's percentage weightings in the various asset classes as at 30 September 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 current commitments in equities, bonds and cash, property, local investments and alternatives were included in paragraph 8 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, 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.

ORDERED that the report was received and noted.

21/33

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 September 2020 the Fund had investments in the Border to Coast UK Listed Equity Fund and the Border to Coast Overseas Developed Markets Equity Fund. For both 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. These investments were not reflected within the Border to Coast report attached at Appendix A to the submitted report.

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 September 2021.

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. As the State Street investments were passive and closely tracked the appropriate regional equity indices, the portfolio's rating in these terms closely matched the benchmark indices ratings.

The latest report showed the performance of the State Street funds against revised indices – excluding controversies (UN Global Compact violators) and excluding companies that manufactured controversial weapons. As expected for a passive fund, performance closely matched the performance of the respective indices.

The Head of Pensions Governance and Investments commented that he had no concerns in relation to current the Fund's investments.

ORDERED that the report was received and noted.

21/34

BORDER TO COAST UPDATE

A report was presented which provided an update on the following:

- Progress at Border to Coast.
- Existing Investments:
 - UK Listed Equity Fund.
 - Overseas Developed Markets Equity Fund.
 - Emerging Markets Equity Fund.
 - Alternatives.
- Responsible Investment Policies.

In relation to emerging markets, it was suggested that China would be a huge growth story and become its own region in terms of separate investment.

In relation to the cautious approach to the developed market funds, it was queried why the UK Fund was under performing but the Overseas Fund was out performing. At a high level the UK Fund was one Fund run by a couple of Fund Managers. This particular approach had been taken partly in light of Brexit. The Overseas Fund was four individual regional sleeves run by different Managers that were run with a slightly more aggressive approach and not all low risk. BCP Funds had a similar approach for internal management which was quality driven and focused on companies that had robust balance sheets.

ORDERED that the information provided was received and noted.

21/35

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. It was highlighted that economic growth was slowing down quickly with the US and Europe below trend growth, China almost zero growth in the last quarter and Japan falling by 3% in the last twelve months. Inflation was up 7% in the US and 5% in the UK. The Fund still had quite a high weighting in Equities and continuing to diversify was the most appropriate action for the Fund, although it was acknowledged this would take time.

There were not a lot of opportunities at the current time to invest the Fund's cash and one Adviser commented that he hoped the investments in infrastructure, private equity markets and alternatives, would be drawn down at a faster rate than they had been to date.

ORDERED that the information provided was received and noted.

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.

Since the last Committee meeting, buyers were still keen to acquire property in logistics, retail and offices. Logistics were at an all-time high in terms of what people were prepared to pay and yields were down about three and a quarter percent, which was unheard of. Offices remained in a state of dormancy because of the covid-19 pandemic and people being asked to work from home again.

The retail market had fractured into different parts with supermarkets are going very strongly in terms of demand because of their characteristics: good covenants, long leases, and often with inflation linked kickers along the way. Investors liked that income stream so they were trading very well. Retail warehousing had also come back into favour and values had come in by about 150 bases points over the last six months. This had overcorrected in the downturn and had bounced back.

The High St remained out of favour with the exception of the very best properties, for example in market towns. Unfortunately the lot sizes were very small and could not be justified in terms of investing for the Fund. Overall, investors were only buying the best assets and because they were relatively hard to come by, prices were rising.

The Advisor commented that the prime logistics market was unsustainable in terms of the deals being made now because investors would be relying on high rental growth in the future. It was very uncertain and rents would need to double to justify the yields. Tenants would start to have the ability to hold back rents which would impact the overall return.

There were no purchases or sales during the latest quarter due to the current economic climate. However, CBRE continued to seek opportunities.

CBRE had acted as Adviser on a real estate loan for the Fund. Although this would not sit in the portfolio it provided an opportunity to diversify and spend some cash. The loan was £20 million on a four year term to the existing owner of a high quality, fully-let retail park and replaced an existing debt facility.

Steady progress was being made on asset management and the tenant at Harrow Green had now indicated their willingness to renew their lease, subject to some alterations included the installation of a security fence around the premises.

At the time the report was written, the collectable arrears were just under £1.9 million. That figure had reduced by 30% as at today to £1.349 million as of today. This was the lowest it had been for the last three or four reports to Committee.

A summary of the top eight tenants with the greatest arrears was included in the submitted report and several of those had now paid in full.

ORDERED that the information provided was received and noted.

RISK REGISTER REVIEW

The Head of Pensions Governance and Investments presented a report to advise the Committee 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.

ORDERED that the information provided was received and noted.

21/38

BORDER TO COAST RESPONSIBLE INVESTMENTS AND VOTING POLICIES

A report of the Director of Finance was presented to advise the Committee of recent changes made by Border to Coast Pensions Partnership Limited to its Responsible Investment Policy and Corporate Governance and Voting Guidelines.

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (as amended) required the Fund to have a policies on:

- Environmental, social and governance (ESG) considerations. The policy was required to take into account the selection, non-selection, retention and realisation of assets.
- The exercise of rights, including voting rights attached to investments.

To allow a practical and consistent approach to pooled investments, Border to Coast developed a Responsible Investment Policy and a Corporate Governance and Voting Guidelines document for all its Partner Funds to approve, that applied across all the investments it held on their behalf. These documents were subject to annual review.

A copy of a stand-alone Climate Change Policy was attached at Appendix A to the submitted report, as previously agreed. One significant aspect of the Climate Change Policy was that it included specific exclusions eg companies that Border to Coast would not invest in.

Copies of the Responsible Investment Policy and Corporate Governance and Voting Guidelines were attached at Appendices B and C to the submitted report.

Amendments to the Responsible Investment Policy included: wording on diversity and diversity of thought and on climate change since there was now a separate policy, the inclusion of Real Estate as an asset class, and information about four new engagement themes.

A request was made that Border to Coast give due consideration to the exclusion of companies producing tobacco in future annual reviews of their Responsible Investment Policy.

ORDERED that the revised Border to Coast Responsible Investment Policy and Corporate Governance and Voting Guidelines were approved.

21/39

GOVERNANCE POLICIES REVIEW

A report of the Director of Finance was presented to provide Members with updated versions of a number of governance policies for comment and/or noting as appropriate. Some policy updates would be circulated to Pension Fund Employers for further comment.

Most of the Pension Fund's governance policies were required to be formally updated every three years. This review was overdue for some policies, mainly as an overarching review of Local Government Pension Scheme (LGPS) governance had been expected for over a year now, as a follow-on from work carried out on behalf of the Scheme Advisory Board. Since there was still no certainty of when the expected revised regulations or guidance on LGPS governance would appear, and as internal audit had recommended the Fund should update the existing governance documents, the following documents had been reviewed and updated based on the existing regulations and guidance:

- Governance Policy and Compliance Statement
- Training Policy
- Conflict of Interest Policy
- Risk Management Policy
- Procedures for Reporting Breaches of Law
- Communication Policy
- Pension Administration Strategy and Charging Policy
- Fund Officers' Scheme of Delegation

Copies of the documents were attached at Appendices A to H of the submitted report. Most of the changes made were minor and cosmetic, with the exception of the Pensions Administration Strategy which had been substantially rewritten to make it a shorter, more usable document. Significantly, the Pensions Administration Strategy now also included a Charging Policy, setting out a range of possible charges that employers could incur if they failed to comply with requirements in the Pensions Administration Strategy and Charging Policy. The Charging Policy had been introduced following an internal audit recommendation. The intention was only to levy these charges as a last resort - the Fund and its administrator would always seek to work with employers to help them fulfil data exchange and other requirements.

The Head of Pensions Governance and Investments confirmed that the Pensions Administration Strategy and Charging Policy would be sent to employers for consultation and brought back to the Committee for approval, should substantive changes be made following that consultation. The other governance policies would take immediate effect, subject to any comments from the Committee.

ORDERED as follows that:

1. The following policies were approved and adopted: Governance Policy and Compliance Statement, Training Policy, Conflict of Interest Policy, Risk Management Policy, Procedures for Reporting Breaches of Law, Communication Policy, Fund Officers' Scheme of Delegation.
2. The Pension Administration Strategy and Charging Policy was approved and adopted, subject to there being no substantive changes following consultation on the policy with employers.

21/40 **XPS PENSIONS 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:
 - Potential increase to normal minimum retirement age from 55 to 57.
 - Pensions Guidance Consultation.
 - Scheme Return.
- Membership Movement.
- Member Self-Service.
- Complaints.
- Common Data.
- Conditional Data.
- Customer Service.
- Service Development
- Performance.
- Employer Liaison.

In relation to the Annual Benefits Statements, it was noted that the statutory deadline was not met for issue of 1536 statements and this was a breach of regulations. The Head of Pensions Governance and Investments confirmed that he was awaiting a formal update from XPS and would ensure that the policy for reporting breaches would be followed once all the relevant information was made available.

It was highlighted that the numbers for quarter two on the Membership Movement Chart were the same as for quarter one, which seemed unlikely. It was confirmed that this would be checked.

ORDERED that the information provided was received and noted.

21/41 **ANY OTHER URGENT ITEMS WHICH IN THE OPINION OF THE CHAIR, CAN BE CONSIDERED**

None.

21/42 **EXCLUSION OF PRESS AND PUBLIC**

ORDERED that the press and public be excluded from the meeting for the following items on the grounds that, if present, there would be disclosure to them of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 and that the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

21/43 **BORDER TO COAST ESG REPORTS**

A report was presented to provide Members of the Committee with Border to Coast's Environmental Social and Governance (ESG) reports for the quarter ending 30 September 2021 in relation to the three listed equity sub-funds the Pension Fund invested in.

ORDERED that the information provided was received and noted.

21/44 **PROCUREMENT OUTCOME**

A report was presented to advise Members of the outcome of a procurement process to appoint the Pension Fund Actuary.

ORDERED that the information provided was received and noted.

TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 7

TEESSIDE PENSION BOARD REPORT

11 APRIL 2022

DIRECTOR OF FINANCE – IAN WRIGHT

Proposed Changes to Teesside Pension Board's Terms of Reference

1. PURPOSE OF THE REPORT

- 1.1 The purpose of the report is to ask member of the Teesside Pension Board ('the Board') to agree to a proposed change to the Board's Terms of Reference to allow greater flexibility in appointing Board members in 'difficult to recruit' situations.

2. RECOMMENDATION

- 2.1 That the Board approves the proposed change to the Board's Terms of Reference set out in paragraph 5 below and asks Middlesbrough Council ('the Council') to effect this change at its annual meeting scheduled for 25 May 2022.

3. FINANCIAL IMPLICATIONS

- 3.1 There are no financial implications resulting from this report.

4. APPOINTMENT OF BOARD MEMBERS

- 4.1 At present, the Board's Terms of Reference sets out that the Board should have six members, three drawn from the scheme employers and three from scheme members, and that these should be selected as follows:

Scheme employer representatives

- Two employer representatives shall be appointed from the separate Councils of Hartlepool, Middlesbrough, Redcar and Cleveland, and Stockton-on-Tees.
- One employer representative shall be chosen from all of the other scheme employers of the Teesside Pension Fund.

Scheme member representatives

- Two scheme member representatives shall be appointed from the recognised trade unions representing employees who are scheme members of the Fund.
- One scheme member representative shall be appointed from the pensioner members of the Fund.

4.2 Recent attempts to fill Board vacancies have had mixed results. A pensioner representative was successfully appointed following a selection process after four applicants responded to an article placed in the newsletter sent to the Fund's pensioners. However despite emails to all relevant employers, followed by a further more targeted email to all the larger employers in that group, no volunteer has come forward to take up the "other scheme employers" place on the Board and a vacancy remains.

5. PROPOSED CHANGE TO THE BOARD'S TERMS OF REFERENCE

5.1 In order to avoid a situation where a Board vacancy exists for a long time, the proposed solution is to ask the Council at its annual meeting on 25 May 2022 to agree to amend the Board's Terms of Reference to provide additional flexibility in appointment situations where a vacancy has proved difficult to fill.

5.2 This would be achieved by adding the following sentence to paragraph 22 of the existing Terms of Reference:

"In circumstances where no suitable volunteers apply from a particular employer or membership group and a Board vacancy remains, the selection panel is able to appoint another suitable individual to that vacancy from outside that particular membership group, always ensuring that only scheme member representatives are appointed to a scheme member vacancy and only scheme employer representatives are appointed to a scheme employer vacancy."

5.3 The amended paragraph 22 is shown in context in a 'tracked changes' version of the Terms of Reference attached at Appendix A.

5.3 If the Board agrees, and the Council adopts this change, this would mean (for example) if there continued to be a vacancy from the 'other employers' group this could be filled by a representative from one of the four main employers in the Fund. Similarly, if a future recruitment failed to fill one of the scheme member places (pensioner or trade union representative), another suitable scheme member representative could be appointed by the selection panel.

5.4 The advantage of this approach is it avoids the possibility of the Board going for long periods with vacancies, which makes it harder to achieve quorum at meetings.

6 NEXT STEPS

- 6.1 If the Board agrees to the recommendation, the proposed change will be put to the Council's annual meeting on 25 May 2022 and, assuming it is agreed, further steps will be taken to identify potential candidates for the current Board vacancy (if it still remains).
- 6.2 In the meantime, the Head of Pensions Governance and Investments will continue to work with colleagues in XPS Administration to identify suitable individuals in the 'other employers' group who may wish to join the Board.

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

TEL NO.: 01642 729040

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TEESSIDE PENSION BOARD OF MIDDLESBROUGH COUNCIL TERMS OF REFERENCE

Introduction

1. This document sets out the terms of reference of the Teesside Pension Board, the Local Pension Board of Middlesbrough Council (the 'Administering Authority') a scheme manager as defined under Section 4 of the Public Service Pensions Act 2013. Middlesbrough Council is the scheme manager for Teesside Pension Fund. The Teesside Pension Board (hereafter referred to as 'the Board') is established in accordance with Section 5 of that Act and under regulation 106 of the Local Government Pension Scheme Regulations 2013 (as amended).
2. The Board is established by the Administering Authority and operates independently of the Committee. Relevant information about its creation and operation are contained in these Terms of Reference.
3. The Board is not a committee constituted under Section 101 of the Local Government Act 1972 and therefore no general duties, responsibilities or powers assigned to such committees or to any sub-committees or officers under the constitution, standing orders or scheme of delegation of the Administering Authority apply to the Board unless expressly included in this document.
4. Except where approval has been granted under regulation 106(2) of the Regulations the Board shall be constituted separately from any committee or sub-committee constituted under Section 101 of the Local Government Act 1972 with delegated authority to execute the function of the Administering Authority.

Interpretation

5. The following terms have the meanings as outlined below:

'the Act'	means The Public Service Pensions Act 2013.
'Administering Authority'	means Middlesbrough Borough Council as manager and administrator of the Teesside Pension Fund.
'the Board'	means the Teesside Local Pension Board, the terms of reference for which are set out in this document
'the Board Secretary'	refers to the Head of Pensions Governance and Investments who has been designated as the Secretary to the Board by the Administering Authority.
'Chief Finance Officer'	means, under Section 151 of the Local Government Act 1972 and as defined in Middlesbrough Council's

Constitution, an officer the Administering Authority is required to have who has a statutory responsibility to ensure the proper arrangement of the authority's financial affairs including the Fund.

- 'the Code'** means the Pension Regulator's Code of Practice No 14 governance and administration of public service pension schemes.
- 'the Committee'** means the Teesside Pension Fund Committee which has delegated decision making powers for the Fund in accordance with Section 101 of the Local Government Act 1972.
- 'the Fund'** means the Teesside Pension Fund managed and administered by the Administering Authority.
- 'the Guidance'** means the guidance on the creation and operation of local pension boards issued by the Shadow Scheme Advisory Board.
- 'Monitoring Officer'** means the officer of the Administering Authority as required under section 5 of the Local Government and Housing Act 1989 as amended by schedule 5 para 24 of the Local Government Act 2000.
- 'the Regulations'** means the Local Government Pension Scheme Regulations 2013 (as amended from time to time), the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended from time to time) and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (as amended from time to time) and all including any earlier regulations as defined in these regulations to the extent they remain applicable.
- 'Relevant legislation'** means relevant overriding legislation as well as the Pension Regulator's Codes of Practice, as they apply to the Administering Authority and the Board, notwithstanding that the Codes of Practice are not legislation.
- 'the Scheme'** means the Local Government Pension Scheme in England and Wales.
- 'Scheme Manager'** means Middlesbrough Borough Council as Administering

Authority of the Teesside Pension Fund.

Statement of purpose

6. The Board is responsible for assisting the Administering Authority:

(a) to secure compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme; and

(b) to ensure the effective and efficient governance and administration of the Scheme.

7. The Council considers this to mean that the Pension Board is providing oversight of these matters and, accordingly, the Pension Board is not a decision making body in relation to the management of the Pension Fund. The Board makes recommendations and provides assurance to assist in the management of the Fund.

Duties of the Board

8. The Board should at all times act in a reasonable manner in the conduct of its purpose. It will ensure that in performing their role it is:

- done effectively and efficiently and
- complies with relevant legislation and
- done by having due regard and in the spirit of the Code of Practice on the governance and administration of public service pension schemes issued by the Pensions Regulator and any other relevant statutory or non-statutory guidance.

9. In support of this duty Board members should be subject to and abide by the Code of Conduct for Board members. The Board will adopt Middlesbrough Borough Council's Members' Code of Conduct for this purpose.

Establishment

10. The Board is established on 1st April 2015, as approved by Middlesbrough Borough Council on 1st April 2015. These Terms of Reference were updated by Middlesbrough Borough Council on 26th May 2021.

Membership

11. The Board shall consist of six voting members, as follows:

(a) Three Employer Representatives; and

(b) Three Scheme Member Representatives.

12. There shall be an equal number of Scheme Member and Employer Representatives.

Employer representatives

13. Employer representatives shall be elected members of the scheme employers of the Fund as outlined below. No elected member of the Administering Authority who is responsible for the discharge of any function of the Pension Fund under the Regulations (i.e. a member of the Teesside Pension Fund Committee) may serve as a member of the Board.

14. Employer representatives should be able to demonstrate their capacity to attend and complete the necessary preparation for meetings and participate in training as required.

15. Substitutes shall not be appointed.

16. A total of three employer representatives shall be appointed to the Board from the following sources:

i. Two employer representatives shall be appointed from the separate Councils of Hartlepool, Middlesbrough, Redcar and Cleveland, and Stockton-on-Tees.

ii. One employer representative shall be chosen from all of the other scheme employers of the Teesside Pension Fund.

Scheme member representatives

17. Scheme member representatives shall either be scheme members or have capacity to represent scheme members of the Fund.

18. Scheme member representatives should be able to demonstrate their capacity to attend and complete the necessary preparation for meetings and participate in training as required.

19. Substitutes shall not be appointed.

20. A total of three scheme member representatives shall be appointed from the following sources:

(a) Two scheme member representatives shall be appointed from the recognised trade unions representing employees who are scheme members of the Fund.

(b) One scheme member representative shall be appointed from the pensioner members of the Fund.

21. The scheme member representatives shall represent *all* active, deferred, pensioner and dependant members irrespective of the trades unions affiliation, or lack of it.

Appointments

22. A selection panel consisting of the Chief Finance Officer, Monitoring Officer and Board Secretary shall form an appointment panel and will be responsible for all appointments to the Pension Board. In circumstances where no suitable volunteers apply from a particular employer or membership group and a Board vacancy remains, the selection panel is able to appoint another suitable individual to that vacancy from outside that particular membership group, always ensuring that only

scheme member representatives are appointed to a scheme member vacancy and only scheme employer representatives are appointed to a scheme employer vacancy.

23. Subject to meeting the arrangements in paragraphs 30 to 35 below a Chair and Deputy Chair shall be appointed for the Board as follows:

- (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.

Duties of chair

24. The Chair of the Board shall:

- (a) ensure the Board delivers its purpose as set out in these Terms of Reference.
- (b) ensure that meetings are productive and effective and that opportunity is provided for the views of all members to be expressed and considered.
- (c) seek to reach consensus and ensure that decisions are properly put to a vote when it cannot be reached.
- (d) agree the agenda for each Board meeting.
- (e) approve minutes for Board meetings having regard to comments from other Board members and other attendees.
- (f) write reports on the work of the Board.
- (g) liaise with the Board Secretary on the requirements of the Board, including advanced notice for officers or advisors to attend and arranging dates and times of Board meetings.
- (h) undertake other tasks that may be requested by the members of the Board, within the remit of these Terms of Reference.
- (i) annually review and report on the performance of the Board.

The decision of the Chair on all points of procedure and order shall be final.

Notification of appointments

25. When appointments to the Board have been made the Administering Authority shall publish the name of Board members on Middlesbrough Council's website and the process followed in the appointment.

Terms of Office

26. The term of office as a member of the Board is four years from the date of the first Board meeting after their appointment.

27. Extensions to terms of office up to a maximum of two years may be made by the Appointment Panel with the agreement of the Board.

28. A Board member may be appointed for further terms of office using the methods set out in paragraphs 13 to 22.

29. Board membership may be terminated prior to the end of the term of office due to:

(a) A member representative appointed on the basis of their membership of the scheme no longer being a scheme member in the Fund.

(b) A member representative no longer being a scheme member or a representative of the body on which their appointment relied.

(c) An employer representative no longer holding the office or employment or being a member of the body on which their appointment relied.

(d) A Board member no longer being able to demonstrate to the administering authority their capacity to attend and prepare for meetings or to participate in required training.

(e) The representative being withdrawn by the nominating body.

(f) A Board member has a potential conflict of interest which cannot be managed in accordance with the Board's conflict policy.

(g) A Board member who is an elected member becomes a member of the Committee.

(h) A Board member who is an officer of the Administering Authority becomes responsible for the discharge of any function of the Administering Authority under the Regulations.

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.

Knowledge and understanding (including Training)

33. The Board shall establish and maintain a Knowledge and Understanding Policy and Framework to address the knowledge and understanding requirements that apply to Board members under the Act which are:

- a) a member of the Board must be conversant with:
 - i. the legislation and associated guidance of the Local Government Pension Scheme (LGPS), and
 - ii. any document recording policy about the administration of the LGPS which is adopted by the Teesside Pension Fund.

- b) a member of the Board must have knowledge and understanding of –
 - i. The law relating to pensions, and
 - ii. Any other matters which are prescribed in regulations.

It is for individual Board members to be satisfied that they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of the Pension Board.

That policy and framework shall set out the degree of knowledge and understanding required as well as how knowledge and understanding is acquired, reviewed and updated.

34. Board members shall attend and participate in training arranged in order to meet and maintain the requirements set out in the Board's Knowledge and Understanding Policy and Framework.

35. Board members shall adhere to the Training and Knowledge Policy document agreed by the Board and amended as necessary.

Meetings

36. The Board shall as a minimum meet two times each year.

37. The Chair of the Board with the consent of the Board membership may call additional meetings.

Quorum

38. A meeting is only quorate when at least one board member representing each of the scheme member and employer side is present, one of whom must be the Chair or Vice Chair.

39. A meeting that becomes inquorate will be rearranged at a time and date that will ensure sufficient members to allow it to be quorate.

Decision making and voting

40. It is expected that the Board will act collectively to reach a consensus.

41. Should it be required that a matter should be put to a vote, each Board Member will have an individual voting right on any matter to be decided. A motion is passed at a meeting of the Board if a majority of voting members are in favour of the motion.

42. A voting member of the Board is not permitted to appoint another voting member as their proxy.

43. The Chair will have a second or casting vote in the case of equality of votes.

44. The results of any voting outcomes will be reported in the Board minutes via reference to the number split of the vote.

Board administration and recommendations to the Pension Committee

45. The Chair shall agree with the Board Secretary an agenda prior to each Board meeting.

46. The agenda and supporting papers will be issued at least five working days in advance of the meeting except in the case of matters of urgency.

47. Draft minutes of each meeting including all actions and agreements will be recorded and circulated to all Board Members within fifteen working days after the meeting and subject to formal agreement by the Board via email or at their next meeting. Any decisions made by the Board should be noted in the minutes.

48. The public minutes may with the agreement of the Board, be edited to exclude items on the grounds that they would either involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act and/or they represent data covered by the Data Protection Act 1998. Separate exempt minutes will be recorded in relation to such items.

49. The Board Secretary shall ensure that Board members meet and maintain the knowledge and understanding as determined in the Board's Knowledge and Understanding Policy and Framework and other guidance or legislation.

50. The Board Secretary shall arrange such advice as is required by the Board subject to such conditions as are listed in these Terms of Reference for the use of the budget set for the Board.

51. The Board Secretary shall ensure an attendance record is maintained along with advising the Administering Authority on allowances and expenses to be paid under these terms.

52. The Board Secretary shall liaise with the Administering Authority on the requirements of the Board, including advanced notice for officers to attend and arranging dates and times of Board meetings.

Public access to Board meetings and information

53. The Board meetings can be open to the general public (unless there is an exemption under relevant legislation which would preclude part (or all) of the meeting from being open to the general public).

54. The following will be entitled to attend Board meetings in an observer capacity:

- (a) Members of the Committee,
- (b) Any person requested to attend by the Board.

55. Any such attendees will be permitted to speak at the discretion of the Chair.

56. In accordance with the Act the Administering Authority shall publish on the Middlesbrough Borough Council website information about the Board to include:

- (a) The names of Board members and their contact details.
- (b) The representation of employers and scheme members on the Board.
- (c) These Terms of Reference.

57. The Administering Authority shall also publish on the Middlesbrough Borough Council website other information about the Board including:

- (a) Agendas and minutes
- (b) Training and attendance logs
- (c) An annual report on the work of the Board to be included in the Fund's own annual report.

58. All or some of this information may be published using the following means or other means as considered appropriate from time to time:

- (a) On the Middlesbrough Borough Council website.
- (b) On the Teesside Pension Fund website.

(c) As part of the Fund's Annual Report.

(d) As part of the Governance Policy.

59. Information may be excluded on the grounds that it would either involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A (2) of that Act and/or they represent data covered by the Data Protection Act 1998.

60. Board members shall be entitled to attend Pension Fund Committee meetings as observers, including any exempt items.

Expenses and allowances

61.

(a) Subject to (b) below, an allowance will be made to both Employer and Scheme Member Representatives for attending meetings relating to Pension Board business (including attending training) at the rates of £100 per day or £50 per half day.

(b) The allowance will not be paid if the representative is already receiving pay or an alternative allowance in relation to the period, unless it is reduced due to them not attending their normal duties.

62. The Chair of the Pension Board will receive an annual allowance, as set by the Members' Remuneration Panel but will not be entitled to also claim the allowance under paragraph 61 above.

63. All Pension Board members will also be entitled to claim travel and subsistence allowances in accordance with the procedures and allowances that would apply to a Councillor of the Administering Authority.

Budget

64. The Board is to be provided with adequate resources to fulfil its role and a budget will be agreed in advance of each financial year by the Committee. In doing so the budget for the Board will be met from the Fund.

Core functions

65. The first core function of the Board is to assist the Administering Authority in securing compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme. Within this extent of this core function the Board may determine the areas it wishes to consider including but not restricted to:

(a) Review management, administrative and governance processes and procedures in order to ensure they remain compliant with the Regulations, relevant legislation and in particular the Code.

(b) Review the compliance of scheme employers with their duties under the Regulations and relevant legislation.

(c) Monitor complaints and performance on the administration and governance of the scheme.

(d) Review the arrangements for the training of Board members.

(e) Review the complete and proper exercise of employer and administering authority discretions.

(f) Review the compliance of particular cases, projects or process on request of the Committee.

66. The second core function of the Board is to ensure the effective and efficient governance and administration of the Scheme. Within this extent of this core function the Board may determine the areas it wishes to consider including but not restricted to:

(a) Assist with the development of improved customer services.

(b) Monitor performance of administration, against key performance targets and indicators.

(c) Review the risk register as it relates to the Administering Authority function of the authority.

(d) Assist in the development and monitoring of process improvements on request of Committee.

67. In support of its core functions the Board may make a request for information to the Administering Authority with regard to any aspect of the Administering Authority's function. Any such request should be reasonably complied with in both scope and timing.

Administering Authority Consents

68. The Teesside Pension Board shall not:

(a) Question what investments decisions have or have not been made by the Administering Authority or its Committee, for the avoidance of doubt these shall include but not be limited to financial investment decisions and property related investment decisions.

(b) Amend the statements, strategies and reports prepared in compliance with Sections 57 to 61 of the LGPS Regulations.

(c) Consider or become involved in any internal dispute resolution appeals or the process itself.

(d) Enter into contracts on behalf of the Administering Authority.

- (e) Dismiss any members of the Administering Authority.
- (f) Use the Teesside Pension Board to act on behalf of a particular constituency or Pension Fund scheme member in general or in relation to a specific complaint at any time.
- (g) Compromise the Administering Authority's ability to comply with its fiduciary duty to the Pension Fund and its members.

69. The Teesside Pension Board must seek written consent from the Chief Finance Officer before it:

- (a) instructs any external advisor to provide a report of any kind;
- (b) requests any external advisor to attend a meeting of the Teesside Pension Board which shall require any remuneration of any level;
- (c) incurs a cost to the Pension Fund, unless it is explicitly covered within the Board's budget;
- (d) can amend these terms of reference.

Reporting

70. The Board must provide minutes of each meeting to the following Committee meeting.

71. The Board should in the first instance report its requests, recommendations or concerns to the Committee via an official committee report. In support of this any member of the Board may attend a Committee meeting as an observer.

72. Requests and recommendations should be reported under the provisions of paragraphs 67 above.

73. The Board should report any concerns over a decision made by the Committee or the Administering Authority to the Committee subject to the agreement of the majority of Members present.

74. On receipt of a report under paragraph 71 above the Committee should, within a reasonable period, consider and respond to the Board.

TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 8**TEESSIDE PENSION BOARD REPORT****11 APRIL 2022****DIRECTOR OF FINANCE – IAN WRIGHT****Pension Fund Business Plan 2022/25****1. PURPOSE OF THE REPORT**

- 1.1 To present to Members of the Teesside Pension Board ('the Board') the annual Business Plan for the Fund.

2. RECOMMENDATION

- 2.1 That Members note the Business Plan including the 2022/23 Pension Fund budget.

3. FINANCIAL IMPLICATIONS

- 3.1 The 2022/23 forecast income and expenditure is set out in the Business Plan, and is summarised below (expenditure in brackets):

	£ millions
Income from members	101.9
Expenditure to members	(163.1)
Administration and management expenses	(7.4)
Estimates net return on investments	56.3
Net increase/decrease in net assets available for benefits	(12.3)

4. BACKGROUND

- 4.1 In order to comply with the recommendations of the Myners Review of Institutional Investment it was agreed that an annual Business Plan should be presented to the Pension Fund Committee for approval. The Business Plan should contain financial estimates for the Fund, including the budgeted costs for investment and management expenses.
- 4.2 The Teesside Pension Fund Business Plan is designed to set out how the Pension Fund Committee operates, what powers are delegated and to provide information on key issues. The Business Plan sits alongside the Fund's other governance documents, which set out the delegated powers and responsibilities of officers charged with the investment management function.

4.3 The Business Plan for 2022/25 that was approved by the 16 March 2022 Pension Fund Committee is attached (Appendix 1). The Business Plan includes:

- The purpose of the Fund, including the Teesside Pension Fund Service Promise (see Appendix A);
- The current governance arrangements for the Fund;
- The performance targets for the Fund for 2022/23, and a summary of the performance for 2021/22 (see Appendix B);
- The arrangements in place for managing risk and the most up to date risk register for the Fund (see Appendix C);
- Membership, investment and funding details for the Fund;
- An estimated outturn for 2021/22 and an estimate for income and expenditure for 2022/23 (see Appendix D and page 21 of Appendix 1); and
- An annual plan for key decisions and a forward work programme for 2022/23 and an outline work plan for 2022 – 2025.

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

TEL NO.: 01642 729040

Business Plan

2022 – 2025



Teesside Pension Fund

EXECUTIVE SUMMARY

The purpose of this Business Plan is to outline the Fund's objectives and provide a plan of action as to how key priorities will be achieved in order to further these objectives.

Over the last few years the Fund has faced increasing complexities and there has been and continues to be new legislation that has fundamentally changed the way in which we work and our relationship with our stakeholders. The complexities have stemmed from but are not limited to the following;

- Asset Pooling
- The Public Service Pensions Act 2013
- Increased risk monitoring
- Funding pressures resulting from longevity risk and volatile financial markets
- Overriding HMRC legislation
- Increased diversity of scheme employers resulting from alternative service provision models
- Changing Local Government Pension Scheme regulations

To manage these challenges the Fund needs to be flexible and responsive to adapt in a timely and effective manner.

This Business Plan also outlines the expected non-investment related Fund receipts and payments for the financial year 2021-22, and projections for 2022-23, as well as the administration and investment expenses.

The Business Plan also details the key performance indicators by which the Fund's performance will be measured. A full listing of these indicators can be found in section 5.

Officers will update the Pensions Committee and the Pension Board on the progress made against aspects of the Business Plan in update reports presented at future meetings.

INTRODUCTION

Middlesbrough Borough Council is the Administering Authority for the Teesside Pension Fund (the Fund). The Fund is part of the Local Government Pension Scheme (LGPS), a defined benefit pension scheme providing ongoing benefits on a career average revaluated earnings (CARE) basis, with most benefits earned before April 2014 calculated on a final salary basis. It is principally funded by contributions from its constituent employers and members and by investment income.

The Fund currently has around 73,000 scheme members from over 150 employer bodies, including four Local Authorities.

At the last Actuarial Valuation, as at March 2019, the assets worth £4.088 billion, were sufficient to meet 115% of the Fund's liabilities.

PURPOSE OF THE FUND

Mission Statement

"To provide an efficient and effective pension scheme for all scheme members and employers in accordance with the requirements of the regulations and legislation for the Local Government Pension Scheme."

Purpose

The Fund is a vehicle by which scheme benefits are delivered. The purpose of the Fund is to:

- Receive monies in respect contributions from employers and employees, transfer values and investment income.
- Pay out monies in respect of scheme benefits, transfer values, costs, charges and expenses as defined in the LGPS Regulations 2013 and as required in the LGPS (Management and Investment of Funds) Regulations 2016.

Aims

The aims of the Fund are to:

- Manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due.
- Enable primary contribution rates to be kept as nearly constant as possible and (subject to the administering authority not taking undue risks) at reasonable cost to the taxpayers, and scheduled and admission bodies, while achieving and maintaining fund solvency and long-term cost efficiency, which should be assessed in light of the

risk profile of the fund and employers, and the risk exposure policies of the administering authority and employers alike.

- Seek returns on investments within reasonable risk parameters.

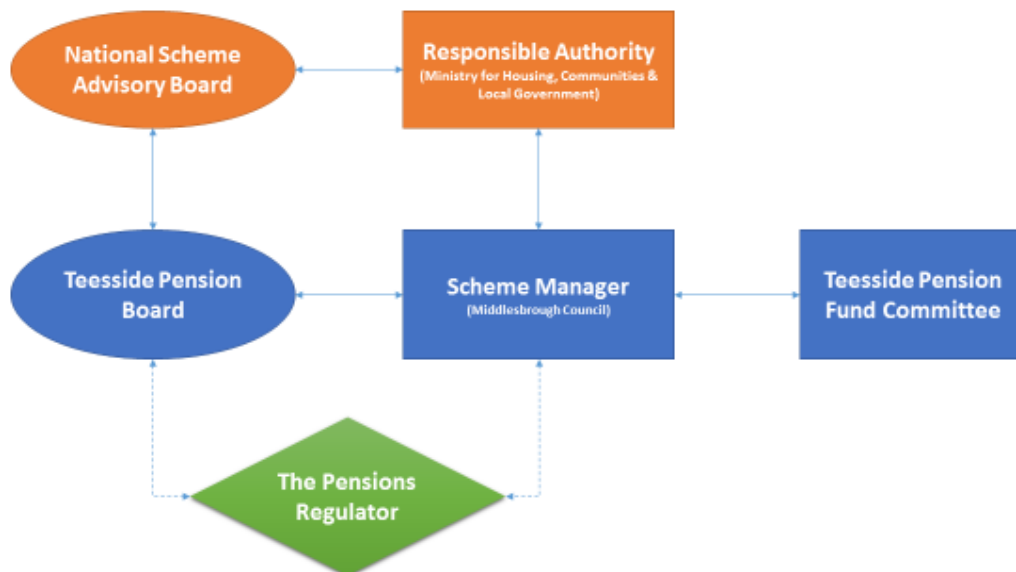
Service Promise

“We will provide a customer-focused pension service meeting the needs of members and employers, and manage the investments of the Fund to achieve solvency and long-term cost efficiency for our customers.”

The full service promise is attached as Appendix A, and sets out the promises to the four key stakeholders of the Fund.

GOVERNANCE ARRANGEMENTS

The Public Service Pensions Act 2013 updated the national and local governance framework for all public sector pension schemes, including the LGPS. The interaction of the various bodies is shown below.



Responsible Authority

For the LGPS, this is the Department for Levelling Up, Housing & Communities (DLUHC); its primary roles being:

- The LGPS Scheme ‘sponsor’;
- Ensuring affordability of the LGPS for members and employing authorities;
- Developing policy for the operation of the LGPS to reflect government policy and LGPS specific experience; and

- Commissioning and updating legislation and actuarial guidance.

More information can be found on DLUHC at the following website:

<https://www.gov.uk/government/organisations/department-for-levelling-up-housing-and-communities>

National Scheme Advisory Board

The Local Government Pension Scheme Advisory Board (SAB):

- Advises on policy, best practice, and governance issues;
- Reporting responsibility;
- Single source of information for LGPS stakeholders on general and specific health of the LGPS; and
- Liaison role with the Pensions Regulator.

Further information on the Scheme Advisory Board, its role and operation can be found at the SAB website: <http://www.lgpsboard.org/> .

The Pensions Regulator

The statutory objectives of the Pension Regulator are:

- Protect member benefits (although they accept that in the LGPS these are effectively guaranteed); and
- Promote and improve understanding of good administration.

Please visit The Pensions Regulator website for more information:

<http://www.thepensionsregulator.gov.uk/public-service-schemes.aspx> .

In addition to the national bodies, each individual LGPS Fund has a single employing authority designated as the administering authority for its geographic area. Middlesbrough Council was appointed the Administering Authority for the Teesside Pension Fund by the Secretary of State, replacing the former Cleveland County Council Fund following Local Government Reorganisation in 1996.

Each administering authority is responsible for the financial and administrative functions of their Fund. For the Teesside Fund, this function is delegated to the Teesside Pension Fund Committee, which is assisted by the Teesside Pension Board.

Teesside Pension Fund Committee

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

In its role as the administering authority, Middlesbrough Council owes fiduciary duties to the employers and members of the Teesside Pension Fund and must not compromise this with

its own particular interests. Consequently this fiduciary duty is a responsibility of the Pension Fund Committee and its members must not compromise this with their own individual interests.

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

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

stakeholders including scheme members and employers.

- vi) Discretions – determining how the various administering authority discretions are operated for the Fund.
- e) Monitoring the implementation of these policies and strategies on an ongoing basis.
- f) In relation to the Border to Coast Pensions Partnership ('Border to Coast'); the Asset Pooling Collaboration arrangements:
 - i) Monitoring of the performance of Border to Coast and recommending actions to the Joint Committee, The Mayor or his Nominee (in his role as the nominated person to exercise Shareholder rights and responsibilities), Officers Groups or Border to Coast, as appropriate.
 - ii) Undertake the role of Authority in relation to the Border to Coast Inter Authority Agreement, including but not limited to:
 - Requesting variations to the Inter Authority Agreement
 - Withdrawing from the Inter Authority Agreement
 - Appointing Middlesbrough Council officers to the Officer Operations Group.
- g) Considering the Fund's financial statements and the Fund's annual report.
- h) Selection, appointment, dismissal and monitoring of the Fund's advisers, including actuary, benefits consultants, investment consultants, global custodian, fund managers, lawyers, pension fund administrator, independent professional advisers and Additional Voluntary Contribution (AVC) provider.
- i) Liaison with internal and external audit, including providing or agreeing recommendations in relation to areas to be covered in audit plans, considering audit reports and ensuring appropriate changes are made following receipt of audit findings
- j) Making decisions relating to employers joining and leaving the Fund. This includes which employers are entitled to join the Fund, any requirements relating to their entry, ongoing monitoring and the basis for leaving the Fund.
- k) Agreeing the terms and payment of bulk transfers into and out of the Fund.
- l) Agreeing Pension Fund business plans and monitoring progress against them.
- m) Agreeing the Fund's Knowledge and Skills Policy for all Pension Fund Committee members and for all officers of the Fund, including determining the Fund's knowledge and skills framework, identifying training requirements, developing training plans and monitoring compliance with the policy.
- n) Agreeing the Administering Authority responses to consultations on LGPS matters

and other matters where they may impact on the Fund or its stakeholders.

- o) Receiving ongoing reports from the Chief Finance Officer, the Head of Pensions Governance and Investments and other relevant officers in relation to delegated functions.

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

Teesside Pension Board

The Board is responsible for assisting the Administering Authority:

- a) To secure compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme; and
- b) To ensure the effective and efficient governance and administration of the Scheme.

The Council considers this to mean that the Pension Board is providing oversight of these matters and, accordingly, the Pension Board is not a decision making body in relation to the management of the Pension Fund. The Board makes recommendations and provides assurance to assist in the management of the Fund.

Teesside Pension Officer Support

In order to support the Teesside Pension Fund Committee and Teesside Pensions Board and enable them to fulfil their obligations under the LGPS investment regulations administering authorities are required to take proper advice. "*Proper advice*" is defined in the LGPS Investment Regulations 2016 as "*the advice of a person whom the authority reasonably considers to be qualified by their ability in and practical experience of financial matters.*" Advice is taken from internal and external sources:

- Internal advice comes from the **Director of Finance**, who has Section 151 responsibilities. It is the Director who is responsible for ensuring that adequate expertise is available internally and, where he deems that not to be the case, he will advise when external advice should be sought. Internal expertise and advice is provided by:
 - The **Head of Legal Services** on legal matters pertaining to the Fund.
 - The **Head of Pensions Governance and Investments** on investment and LGPS governance issues.
 - The **Head of Pensions (XPS Administration)** on fund administration and regulatory issues.
 - The **Head of Finance and Investment** on issues relating to the Statement of Accounts.

- External advice is provided by:
 - The **Fund’s Investment Advisors** on asset allocation and investment matters.
 - The **Fund’s Actuary**, Hymans Robertson LLP, on actuarial matters.
 - The **Fund’s Solicitors**, Nabarro, on regulatory and administrative matters, and Freeths LLP, on legal matters relating to the Fund’s property investments.
 - The **Fund’s Auditor**, EY LLP, regarding auditing the accounts and internal controls and systems.
 - Other external advisors as the Director of Finance shall see fit to recommend.

PROCEDURE FOR THE REVIEW OF MANAGERS AND ADVISORS

The Fund’s management arrangements, the arrangements for the appointment of advisors and other external service providers and the regular review of those arrangements have been determined by the Committee.

- The LGPS (Management and Investment of Funds) Regulations 2016 include the requirement for all LGPS Funds to pool their assets. The Fund is one of eleven Funds who are shareholder partners in Border to Coast Pension Partnership Limited (‘Border to Coast’) and has now moved to a position where Border to Coast manages the majority of investment assets for the Fund.
- Initial asset transfers took place during 2018-19 which resulted in all the Fund’s UK equities being transferred to be under Border to Coast’s management. During 2021 most of the Fund’s overseas equities were also transferred from being managed passively by State Street Global Advisers to being managed by Border to Coast. In order to maintain the regional balance recommended by our investment advisers, a small proportion of the Fund’s overseas equities continue to be managed passively by State Street Global Advisers – as at 31 December 2021 around 18% of the Fund’s total equities were managed by State Street Global Advisers.
- There are a number of investment assets which will remain with the Fund to manage, either because they will never transfer to Border to Coast, e.g. cash, local investments or existing private markets investments, or their transfer is delayed until Border to Coast is in a position to begin management of these assets and the Fund has determined it is cost-effective to transfer them, e.g. property. These will continue to be managed by an internal team.
- Fund Investment Advisor arrangements were reviewed during 2018-19 and following a procurement exercise two independent Investment Advisors were appointed.

- The contract to provide Custodian Services to the Fund is carried out by Northern Trust – the contract started on 1 May 2019 and is due to be reviewed in 2022.
- Pension Administration Services are provided by XPS Administration (formerly Kier Group) under the terms of a contract for a period of ten years commencing 1 June 2001. This arrangement was approved by the Investment Panel on 2 March 2001. A five year extension to this contract was approved by the Investment Panel on 3 March 2010 and another five year extension was also approved on 17 June 2015. XPS Administration bought the Kier pension administration function with effect from November 2018, and the contract, staff and software to administer the Teesside Pension Fund transferred to XPS Administration as part of that sale. Following a further contract extension to the end of May 2023, the administration contract is being put out to tender during 2022.
- The contract to provide Actuarial Services to the Fund was put out to tender towards the end of 2021 and a new actuary, Hymans Robertson LLP, was appointed with effect from 1 January 2022. The contract is for six years (covering two valuation periods) with an option to extend for a further three years.
- Fund Additional Voluntary Contribution (AVC) provision was reviewed by the Investment Panel on 12 July 2002 and the Prudential Assurance Company Ltd were appointed. The long-term nature of AVC provision does not lend itself to the regular review of providers.

PERFORMANCE TARGETS

Targets are set for each of these key areas to monitor the performance of the Fund.

Funding

The Funding Strategy Statement sets out a comprehensive strategy for the whole Fund, balancing and reconciling the many interests which arise from the nature of the Scheme and the requirements to fund benefits now and in the future. The Funding Strategy Statement was last updated and published in June 2021.

The funding target of the Fund is to achieve fully funded status, i.e. the assets of the Fund match, exactly, its liabilities. This is expressed as a percentage, with fully funded status represented as 100% funded. The Fund's Actuary carries out a full actuarial valuation every three years, with the last valuation undertaken based on the assets and membership at 31 March 2019 – the final valuation report was published on 31 March 2020. The next valuation will be carried out based on assets, membership and financial conditions as at 31 March 2022 with the final report due by the end of March 2023.

Investments

The Investment Strategy Statement sets out the Fund’s strategy asset allocation (also known as the customised benchmark), a tailor made mix of investments which is reached after an Actuarial Valuation and subsequent Asset/Liability Study. The strategic asset allocation was last updated in March 2021. The Investment Strategy Statement was last reviewed and published in April 2021.

Monitoring investment performance is one way in which Members can assess how well the Fund is being managed. Performance is measured against the tailor-made mix of investments which should produce returns over the medium and long term to meet the Fund’s liabilities; the strategic asset allocation and customised benchmark.

The Fund's investment performance is measured by Portfolio Evaluation Limited (PEL), a leading provider of performance services to public and private sector pension schemes. Investment performance is reported as part of the Fund’s Annual Report & Accounts and to the Pension Fund Committee each year.

Investment performance is measured against the customised benchmark over three time periods; one year, three year and ten year (i.e. short, medium and long term performance).

Pensions Administration

Key Performance Indicators (KPIs) relating to pensions administration are included within the terms of the contract with XPS Administration and performance against those KPIs is monitored as part of that contract. The current KPIs and targets are:

Pension Administration KPI	Target
All new entrant processed within eighteen working days of receipt of notification being received by pensions.	98.50%
Transfer Values - To complete the process within one month of the date of receipt/request for payment.	98.50%
Refund of contributions - correct refund to be paid within five working days of the employee becoming eligible and the correct documentation being received.	98.75%
Statements issued within ten working days - Estimate of benefits (of receipt of request) and Deferred Benefits (of receipt of all relevant information).	98.25%
Pension costs to be recharged monthly to all employers.	98.75%

Pension Administration KPI	Target
Annual benefit statements shall be issued on a rolling basis ensuring that a scheme member shall receive a statement once a year.	98.75%
Payment of retirement grant payment to be made within 6 working days of the later of the payment due date and the date of receiving all of the necessary information.	98.75%
Pay eligible pensioners a monthly pension on the dates specified by the Council.	100.00%
All calculations and payments are correct.	98.75%

These KPIs will be reviewed as part of the process for retendering the pensions administration contract, with a view to updating them and the target rates. Results against these KPIs are reported to each meeting of the Pension Fund Committee and the Pension Board.

Accounting

The Fund's Annual Report and Accounts are prepared in line with the current guidelines and reported to the Teesside Pension Fund Committee. The Annual Report and Accounts are audited by the Fund's External Auditors (EY LLP). EY present their audit findings to the Teesside Pension Fund Committee and provide their audit opinion based on the findings of the report. The target is for the External Auditors to report that the Annual Report & Accounts show a true and fair view of the transactions the Fund.

To ensure there are adequate internal controls in place to manage and administer the Fund effectively, Internal Audit carry out an independent audit review every year, and the final reports are presented to the Teesside Pension Fund Committee and the Teesside Pension Board. Internal Audit report their findings and an audit assurance level. The target for both internal audits is to receive an assurance level of a strong control environment.

Governance

In addition to the Funding Strategy Statement and Investment Strategy Statement, the Fund is required to have in place a number of other key governance documents to allow the Fund to run effectively and smoothly. These additional governance documents are:

- Governance Policy and Compliance Statement
- Training Policy
- Conflicts of Interest Policy
- Risk Management Policy
- Procedures for Reporting Breaches of the Law

- Communication Policy
- Pension Administration Strategy and Employer Guide
- Discretions Policy and Fund Officers' Scheme of Delegation

All governance documents should be reviewed at least every three years to ensure they are still relevant and represent best practice.

A summary of performance against all targets is presented in Appendix B of this report.

RISK MANAGEMENT

The Fund's Risk Management Policy details the risk management strategy for the Fund, including:

- The risk philosophy for the management of the Fund, and in particular attitudes to, and appetite for, risk.
- How risk management is implemented.
- Risk management responsibilities.
- The procedures that are adopted in the Fund's risk management process.
- The key internal controls operated by the Administering Authority and other parties responsible for the management of the Fund.

Effective risk management is an essential element of good governance in the LGPS. By identifying and managing risks through an effective policy and risk management strategy, the Fund can:

- Demonstrate best practice in governance.
- Improve financial management.
- Minimise the risk and effect of adverse conditions.
- Identify and maximise opportunities that might arise.
- Minimise threats.

The Fund adopts best practice risk management, which supports a structured and focused approach to managing risks, and ensures risk management is an integral part in the governance of the Fund at a strategic and operational level.

In relation to understanding and monitoring risk, the Administering Authority aims to:

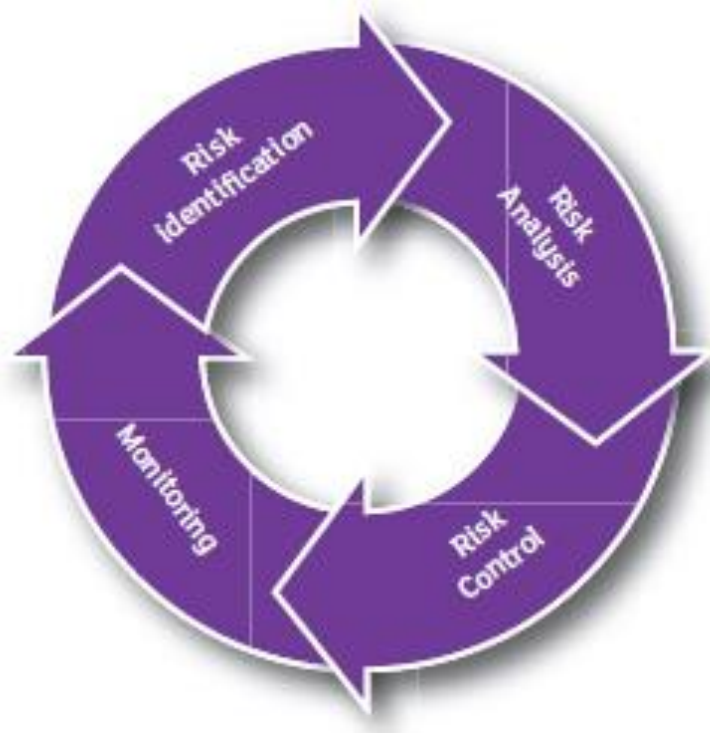
- Integrate risk management into the culture and day-to-day activities of the Fund.
- Raise awareness of the need for risk management by all those connected with the management of the Fund (including advisers, employers and other partners).
- Anticipate and respond positively to change.
- Minimise the probability of negative outcomes for the Fund and its stakeholders.

- Establish and maintain a robust framework and procedures for identification, analysis, assessment and management of risk, and the reporting and recording of events, based on best practice.
- Ensure consistent application of the risk management methodology across all Fund activities, including projects and partnerships.

To assist in achieving these objectives in the management of the Fund, the Administering Authority will aim to comply with:

- The CIPFA Managing Risk publication.
- The Pensions Act 2004 and the Pensions Regulator's Code of Practice for Public Service Pension Schemes as they relate to managing risk.

The Fund's risk management process is in line with that recommended by CIPFA and is a continuous approach which systematically looks at risks surrounding the Fund's past, present and future activities. The main processes involved in risk management are identified in the figure below and detailed in the following sections:



Risk Identification

The risk identification process is both a proactive and reactive one: looking forward i.e. horizon scanning for potential risks, and looking back, by learning lessons from reviewing how previous decisions and existing processes have manifested in risks to the organisation.

Risk Analysis

Once potential risks have been identified, the next stage of the process is to analyse and profile each risk. Risks will be assessed by considering the likelihood of the risk occurring and the impact if it does occur, with the score for likelihood multiplied by the score for impact to determine the current overall risk rating.

When considering the risk rating, the Administering Authority will have regard to the existing controls in place and these will be summarised on the risk register.

Risk Control

Risk control specifies actions taken to reduce the likelihood of a risk event happening, the frequency it could happen and reducing the impact if it does occur. Possible courses of action against risk:

- **Tolerate** – the exposure of a risk may be tolerable without any further action being taken; this is partially driven by the Administering Authority's risk 'appetite' in relation to the Pension Fund;
- **Treat** – action is taken to constrain the risk to an acceptable level;
- **Terminate** – some risks will only be treatable, or containable to acceptable levels, by terminating the activity;
- **Transfer** - for example, transferring the risk to another party either by insurance or through a contractual arrangement.

The Fund's risk register details all further action in relation to a risk and the owner for that action.

Risk Monitoring

Risk monitoring is the final part of the risk management cycle and is the responsibility of the Pension Fund Committee. In monitoring risk management activity, the Administering Authority / Committee considers whether:

- The risk controls taken achieved the desired outcomes
- The procedures adopted and information gathered for undertaking the risk assessment were appropriate
- Greater knowledge of the risk and potential outcomes would have improved the decision-making process in relation to that risk
- There are any lessons to be learned for the future assessment and management of risks.

Risk Reporting

Progress in managing risks will be monitored and recorded on the risk register. The risk register, including any changes to the internal controls, will be provided on an annual basis to the Pension Fund Committee – see attached Appendix C. The Pension Fund Committee

will be provided with updates on a quarterly basis in relation to any changes to risks and any newly identified risks and a formal review will be carried out at least twice a year.

As a matter of course, the Teesside Pension Board will be provided with the same information as is provided to the Pension Fund Committee and they will be able to provide comment and input to the management of risks.

In order to identify whether the objectives of this policy are being met, the Administering Authority will review the delivery of the requirements of this Policy on an annual basis taking into consideration any feedback from the Teesside Pension Board.

The risks identified are of significant importance to the Pension Fund. Where a risk is identified that could be of significance to the Council it will be included in the Risk Register.

Risk Matrix

The risk matrix is adapted from the one used by the Council and the External Auditor’s assessment of materiality (for the 2020/21 audit £46 million) is used as a very high fund value for the purposes of scoring the identified risks.

Likelihood	5	Almost Certain >80%	Low (5)	Medium (10)	Medium (15)	High (25)	High (35)
	4	Likely 51% - 80%	Low (4)	Low (8)	Medium (12)	High (20)	High (28)
	3	Possible 21% - 50%	Low (3)	Low (6)	Medium (9)	Medium (15)	High (21)
	2	Unlikely 6- 20%	Low (2)	Low (4)	Low (6)	Medium (10)	Medium (14)
	1	Rare <6%	Low (1)	Low (2)	Low (3)	Low (5)	Low (7)
			1	2	3	5	7
			Insignificant	Minor	Moderate	Major	Extreme

TRAINING PLAN

The Fund has adopted the CIPFA Code of Practice on Public Sector Pensions Finance Knowledge and Skills. It is a requirement of the Code that an annual statement on compliance must be included in the Fund's Statement of Accounts.

Investment Officers are required to acquire, by examination, the Investment Management Certificate (IMC) or relevant qualification. Officers without the relevant qualification and with less than five years relevant experience must undergo a minimum of twenty hours relevant training.

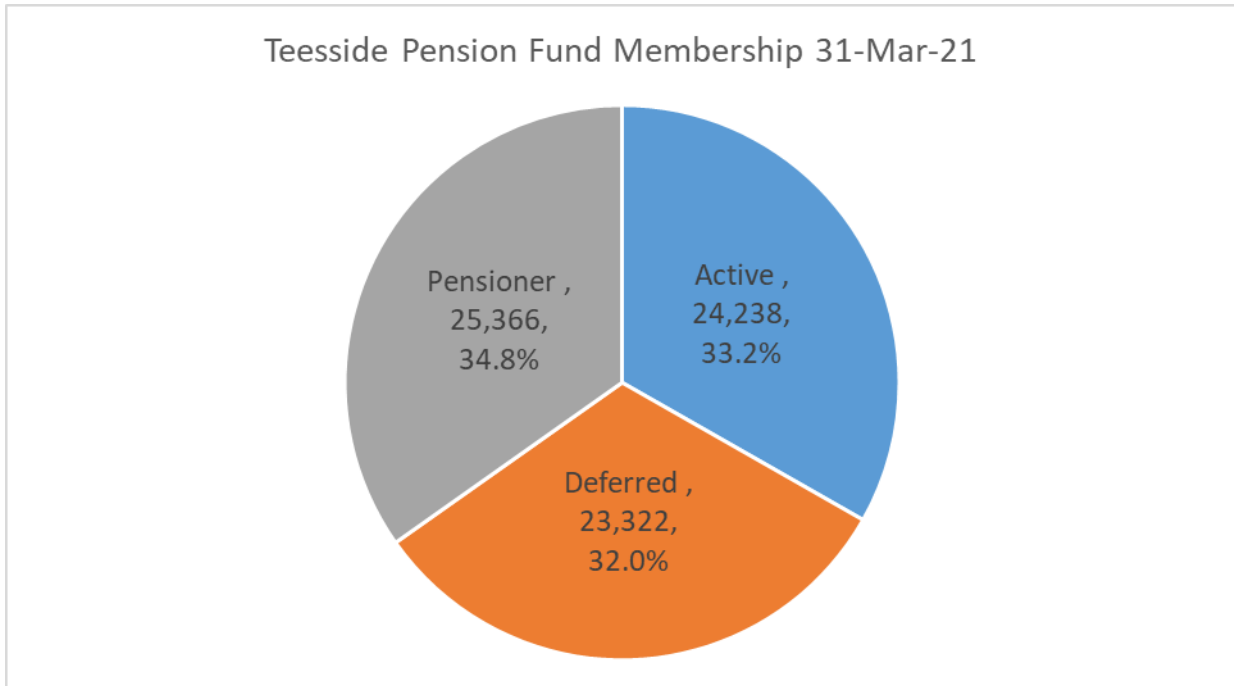
The Principles included in the Myners Review of Institutional Investment included a requirement under "Effective Decision Making" that Trustees should have sufficient expertise and be offered appropriate training.

It is a requirement that all Members serving on the Teesside Pension Fund Committee and those who may act as substitute received adequate training. This facility is extended to also include non-Middlesbrough Council members of the Committee. All Teesside Pension Board Members have received training and are encouraged to undertake the Pension Regulator's toolkit.

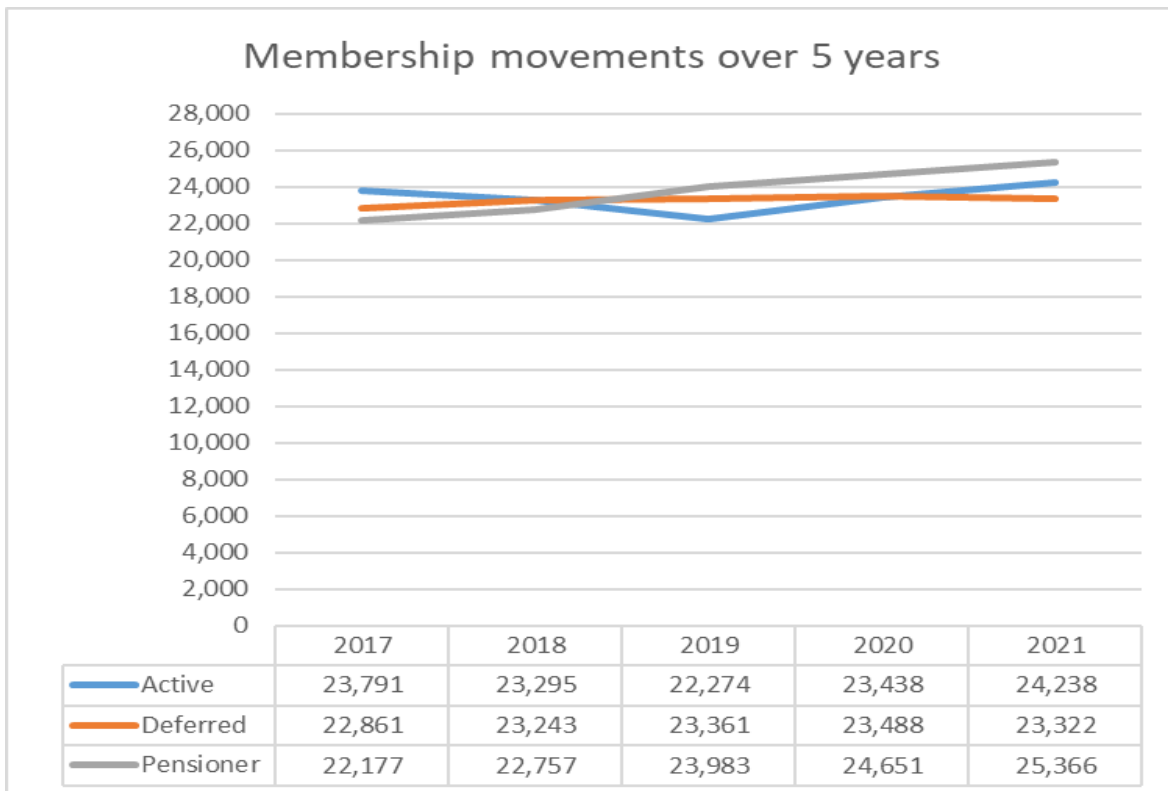
Training for Members and the staff employed by the Fund is essential as the Fund is moving to a position where its primary role will be managing two critically important outsourcing contracts with Border to Coast managing the majority of the Fund's investment assets, and XPS Administration managing the Fund's pension administration service.

MEMBERSHIP DATA

The total scheme membership for the Fund as at 31 March 2021 was 72,926 made up of the following membership types:

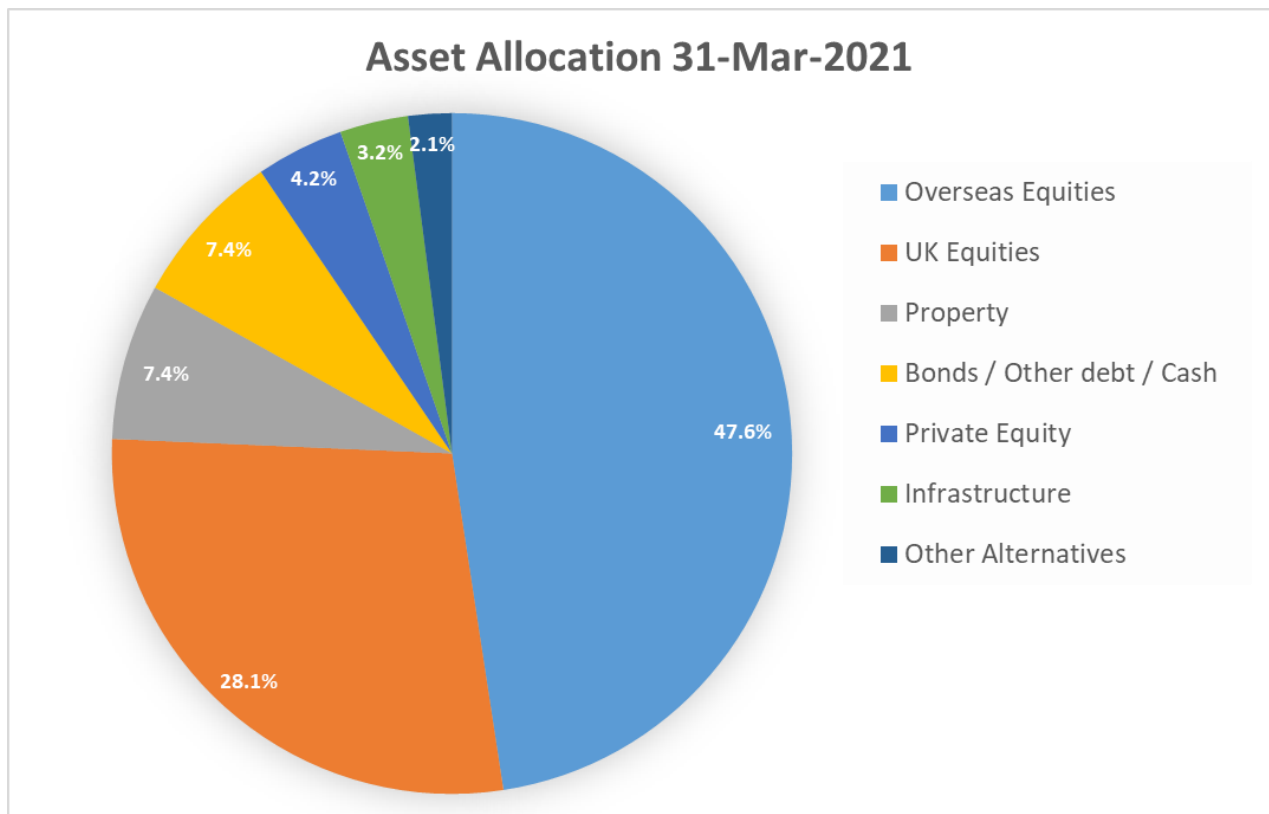


The changes to the scheme membership types is shown below. Whilst the total membership has increased by approx. 4,000 members over the period, the numbers of active members has fluctuated but increased slightly, whereas the numbers of deferred and pensioner members have increased more steadily over the period.

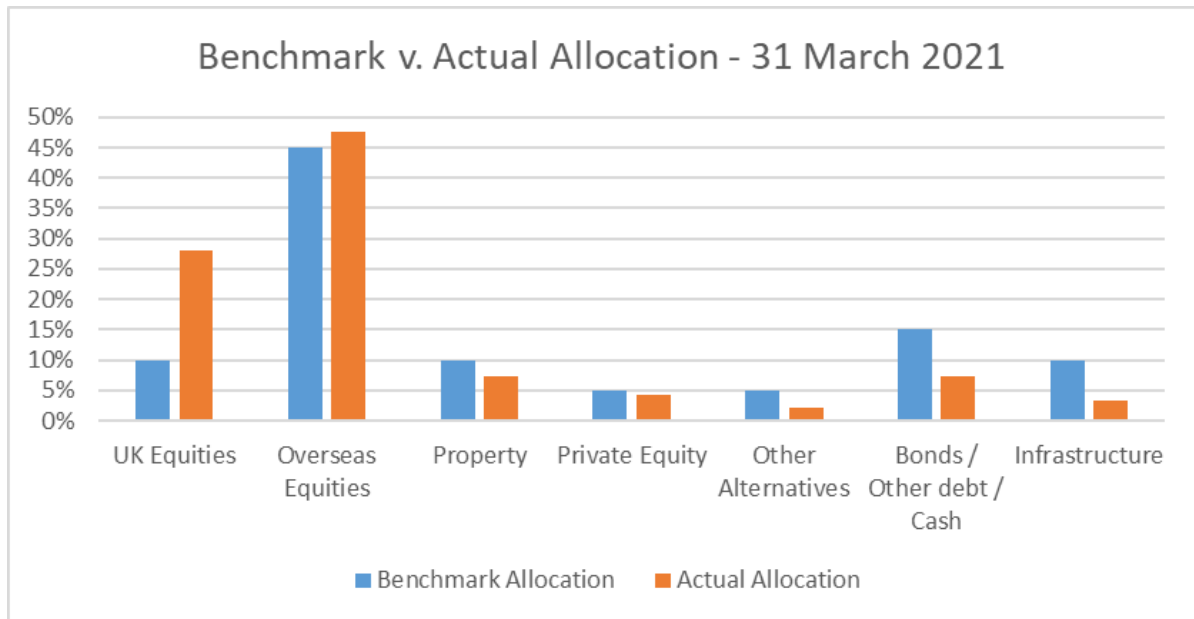


INVESTMENTS AND FUNDING

The Pension Fund invests in a wide range of asset classes and regularly reviews its asset allocation policy to ensure that it remains appropriate for the Fund.



The Fund's Investment Strategy Statement sets out the Asset Allocation Strategy. This strategy is set for the long term and is reviewed at least every three years as part of the Fund's Asset/Liability study to ensure that it remains appropriate to the Fund's liability profile. As part of the strategy the Administering Authority has adopted a strategic benchmark representing the mix of assets best able to meet the long term liabilities of the Fund. A revised strategic benchmark was agreed by the Pension Fund Committee at its March 2021 meeting, and this revised benchmark was used to update the Investment Strategy Statement. As at 31 March 2021 the actual assets compared to the revised strategic benchmark as follows:



Actuarial valuations are carried out every three years with the last completed valuation dated 31 March 2019. These valuations calculate the value of the Fund’s liabilities and compare them to the market value of the assets to determine a funding ratio. At the 2019 valuation, there was a surplus of £527.3 million, which corresponded to a funding ratio of 115%.

The next triennial valuation (as at 31 March 2022) will be published by 31 March 2023. The result of that valuation will be implemented from 1 April 2023, with any changes to employer contribution rates due to take effect then.

FUND ACCOUNT, INVESTMENT AND ADMINISTRATION COSTS

The following table provides a summary of the fund account, investment and administration income and expenditure:

Description	2020-21 Actual £'000s	2021-22 Estimate £'000s	2022-23 Estimate £'000s
Contributions	-95,393	-93,753	-94,828
Transfers in from other pension funds	-3,061	-2,751	-2,751
Other income	-5,577	-4,328	-4,328
Total income from members	-104,031	-100,832	-101,907
Benefits payable	149,785	153,627	159,400
Payments to and on account of leavers	8,158	7,327	7,500
Total expenditure to members	157,943	160,954	166,900
Management expenses	7,521	8,165	7,415
Total income less expenditure	61,433	68,287	72,408
Investment income	-13,741	-47,300	-56,300
Change in Asset Market Value	-901,667	0	0
Net return on investments	-915,408	-47,300	-56,300
Net (increase) / decrease in net assets available for benefits during the year	-853,975	20,987	16,108

Further detail behind the above summary is attached in Appendix D.

ANNUAL PLAN FOR RECEIVING REPORTS

The Teesside Pension Fund Committee meets four times each year, with an additional meeting to approve the Annual Report & Accounts. These should be before the end of:

- June;
- July;
- September;
- December; and
- March.

This allows for the presentation of key reports, which are needed to meet statutory deadlines:

June	Fund Performance Report
July	Annual Report & Accounts Audit Report
September	Interim Actuarial Valuation Report (where relevant)
December	Shareholder Governance Annual Report
March	Business Plan Annual External Audit Plan

FORWARD PLAN FOR KEY DECISIONS

A number of reviews and reports have been scheduled as a result of earlier Pension Fund Committee decisions and the requirement to put out to external tender services provided to the Fund. It may be necessary to delay non-contractual elements of the Plan, depending on resources available.

2022/23:

Pooling of Investment Assets:

- Continue to commit assets to Border to Coast's private equity and infrastructure funds as they become available.
- Commit assets to Border to Coast's climate opportunities fund as it becomes available.
- Receive regular reports and presentations from Border to Coast in relation to the assets the Fund has committed to the pool.

Pension Fund Governance:

- Assess the Fund against the Scheme Advisory Board’s recommended governance standards (expected to become statutory guidance).
- Prepare UK Stewardship Code submission.

Pension Investments:

- Review management of Property assets – assess whether to pool direct property investment through Border to Coast.
- Implement the asset allocation instructions from the Pension Fund Committee.
- Monitor and report investment performance of the Fund, as measured against the Fund's customised benchmark.
- Assess any local investment opportunities that arise, with a view to making recommendations to the Pension Fund Committee where appropriate.
- Continue to monitor the Fund’s overweight equity position against its strategic asset allocation, and assess and implement protection approaches if appropriate.

Pension Administration:

- Continue to implement customer service improvements – updated website, better liaison with scheme employers
- Carry out retendering exercise for pension administration

Funding:

- Carry out actuarial valuation as at 31 March 2022 – work with actuary to determine and understand outcomes. Incorporate asset / liability study and review investment approach as appropriate.
- Review and update the Funding Strategy Statement and Investment Strategy Statement if required.

2023/24:

- Implement new contribution rates as a consequence of triennial valuation.
- Continue / complete transfer of investment assets to Border to Coast. Property assets may be included subject to earlier value for money assessment.
- Monitor and report in line with expected Task Force on Climate-Related Financial Disclosures (TCFD) requirements.

2024/25:

- Further develop governance approach, taking into account UK Stewardship Code requirements.
- Develop Responsible Investments approach, incorporating TCFD reporting.
- Assess local investments approach in light of eventual 'levelling up' guidance.

Teesside Pension Fund

Our Service Promise

We will provide a customer-focused pension service meeting the needs of members and employers, and manage the investments of the Fund to achieve solvency and long-term cost efficiency for our customers.

Contact:

Nick Orton, Head of Pensions Governance and Investments
nick_orton@middlesbrough.gov.uk / 01642 729040.

Scheme Members

- Payment of pension payments/retirement grants
- New entrants to the LGPS processed
- Accurate transfer values calculated and paid
- Provide annual benefit statements

Scheme Employers

- Accurate contribution calculated and collected
- Pension costs accurately calculated and recharged
- Cash flow data supplied to the Actuary for IAS19/FRS17 reports

Pension Fund Committee

- Safe custody of the Fund's assets
- Invest the Fund's monies in accordance with LGPS Regulations and Pension Fund Committee instructions
- Manage the relationship with the Fund's pooling asset management company (Border to Coast Pensions Partnership)
- Report the Fund's investment transactions & asset valuations
- Produce a Business Plan for approval
- Hold accurate scheme membership data
- Statutory and selected non-statutory returns will be completed.

Pension Board

- Annual Report & Accounts produced in accordance with the latest CIPFA LGPS Code of Practice.

What we'll do for you:

- We will administer and manage the Fund in accordance with the relevant statute and regulations.
- We will process transactions and payments listed in this Service Promise in line with the timescales stipulated.
- We will provide annual benefit statements to all scheme members, in accordance with the LGPS Regulations by 31 August every year.
- We will provide Rates & Adjustment Certificates to scheme employers following the triennial valuation of the Fund's assets and liabilities, in accordance with the LGPS Regulations by 31 March the year following the valuation.



What you can do for us:

- Scheme employers provide all required information within the timeliness required for the task and in the format required.
- Scheme employers make contribution payments on time and in line with the Regulations and their Admission Agreements.
- Scheme employers provide a bond or other guarantee required by their Admission Agreements.
- All scheme members and scheme employers provide updated information relevant to the general upkeep of the data needed to maintain their records accurately.

SUMMARY OF PERFORMANCE AGAINST TARGETS

Funding:

	Target	Actual
2019 Triennial Actuarial Valuation	100%	115%

Investments:

	As at 31 December 2021	
	Benchmark	Actual
Performance Return – 1 Year	11.0%	16.5%
Performance Return – 3 Year (per annum)	9.7%	11.6%
Performance Return – 5 Year (per annum)	7.3%	8.5%
Performance Return – 10 Year (per annum)	9.1%	9.1%

Pensions Administration:

	As at 31 December 2021	
	Target	Actual
All new entrant processed within eighteen working days of receipt of notification being received by pensions.	98.50%	99.66%
Transfer Values - To complete the process within one month of the date of receipt/request for payment.	98.50%	100.00%
Refund of contributions - correct refund to be paid within five working days of the employee becoming eligible and the correct documentation being received.	98.75%	100.00%
Statements issued within ten working days - Estimate of benefits (of receipt of request) and Deferred Benefits (of receipt of all relevant information). (Formerly F68 and F72)	98.25%	99.60%
Pension costs to be recharged monthly to all employers.	98.75%	100.00%
Annual benefit statements shall be issued on a rolling basis ensuring that a scheme member shall receive a statement once a year.	98.75%	93.59% (shortfall relates to deferred members with unknown addresses)

	As at 31 December 2021	
	Target	Actual
Payment of retirement grant payment to be made within 6 working days of the later of the payment due date and the date of receiving all of the necessary information.	98.75%	100.00%
Pay eligible pensioners a monthly pension on the dates specified by the Council.	100.00%	100.00%
All calculations and payments are correct.	98.75%	100.00%

Accounting:

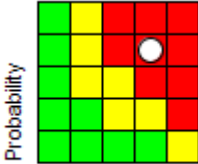
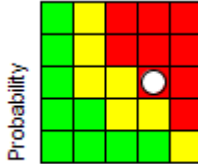
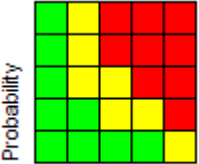
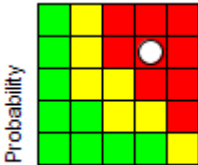
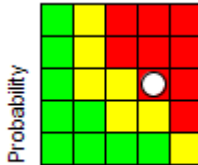
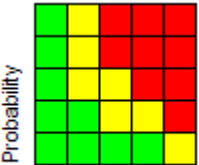



	Target	Actual
External Auditor Opinion	True & Fair View	True & Fair View (draft) –2020/21 accounts not signed off as at 25.05.22
Internal Audit Opinion – Investments	Strong Control Environment	Strong Control Environment
Internal Audit Opinion – Administration	Strong Control Environment	Strong Control Environment

Governance:

	Target	Actual
Funding Strategy Statement	Last 3 Years	June 2021
Investment Strategy Statement	Last 3 Years	April 2021
Governance Policy & Compliance Statement	Last 3 Years	December 2021
Training Policy	Last 3 Years	December 2021
Conflict of Interest Policy	Last 3 Years	December 2021
Risk Management Policy	Last 3 Years	December 2021
Procedures for Reporting Breaches of Law	Last 3 Years	December 2021
Communication Policy	Last 3 Years	December 2021
Pension Administration Strategy & Employer Guide	Last 3 Years	December 2021
Fund Officers' Scheme of Delegation	Last 3 Years	December 2021

Appendix C - Teesside Pension Fund Risk Register

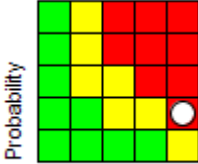


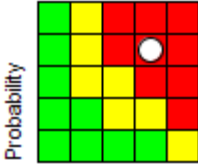
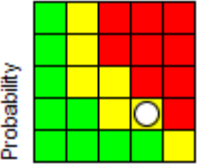

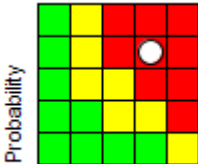


Code	Title	Original Score	Current Score	Target Score
TPF001	<p>INFLATION</p> <p>Price inflation is significantly more than anticipated: an increase in CPI inflation by X % will increase the liability valuation by Y %.</p> <p>Fund & Reputation Impact-5 Employers Impact-5 Member Impact-5</p>			
Current Mitigation		Future Mitigation	Responsible Officer	Expected Outcome
In assessing the member liabilities, the triennial Fund Actuary assumptions made for inflation are "conservatively" set based on independent economic data, and hedged against by setting higher investment performance targets.				
Code	Title	Original Score	Current Score	Target Score
TPF002	<p>ADVERSE ACTUARIAL VALUATION</p> <p>Impact of increases to employer contributions following the actuarial valuation.</p> <p>Fund & Reputation Impact-3 Employers Impact-5 Member Impact-1</p>			
Current Mitigation		Future Mitigation	Responsible Officer	Expected Outcome
Current valuations provide early warnings. Actuary has scope to smooth impact for most employers.				
Code	Title	Original Score	Current Score	Target Score
TPF003	<p>GLOBAL FINANCIAL INSTABILITY</p> <p>Outlook deteriorates in advanced economies because of heightened uncertainty and setbacks to growth and confidence, with declines in oil and commodity prices. Leading to tightened financial conditions, reduced risk appetite and raised credit risks.</p> <p>Fund & Reputation Impact-5 Employers Impact-5 Member Impact-1</p>			
Current Mitigation		Future Mitigation	Responsible Officer	Expected Outcome
Increasing investment diversification will allow the Fund to be better placed to withstand this type of economic instability. As a long-term investor the Fund does not have to be a forced seller of assets when they are depressed in value.				
Code	Title	Original Score	Current Score	Target Score

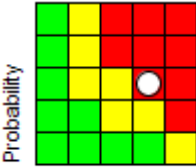

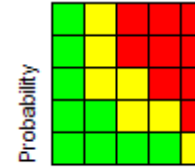



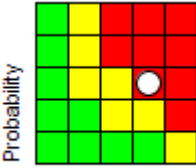

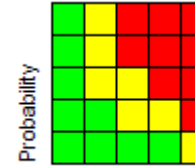
TPF004	<p>POLITICAL RISK</p> <p>Significant volatility and negative sentiment in investment markets following the outcome of adversely perceived political changes.</p> <p>Fund & Reputation Impact-5 Employers Impact-5 Member Impact-1</p>	 <p>Probability</p> <p>Impact</p> <p>20</p>	 <p>Probability</p> <p>Impact</p> <p>15</p>	 <p>Probability</p> <p>Impact</p>
Current Mitigation		Future Mitigation	Responsible Officer	Expected Outcome
Increasing investment diversification will allow the Fund to be better placed to withstand this type of political instability. As a long-term investor the Fund does not have to be a forced seller of assets when they are depressed in value.				
Code	Title	Original Score	Current Score	Target Score
TPF005	<p>INVESTMENT CLASS FAILURE</p> <p>A specific industry investment class/market fails to perform in line with expectations leading to deterioration in funding levels and increased contribution requirements from employers.</p> <p>Fund & Reputation Impact-5 Employers Impact-5 Member Impact-1</p>	 <p>Probability</p> <p>Impact</p> <p>20</p>	 <p>Probability</p> <p>Impact</p> <p>15</p>	 <p>Probability</p> <p>Impact</p>
Current Mitigation		Future Mitigation	Responsible Officer	Expected Outcome
Increasing investment diversification will allow the Fund to be better placed to withstand this type of market class failure. As a long-term investor the Fund does not have to be a forced seller of assets when they are depressed in value.				
Code	Title	Original Score	Current Score	Target Score
TPF012	<p>POOLING INVESTMENT UNDERPERFORMANCE</p> <p>Investments in the investment pool not delivering the required return.</p> <p>Fund & Reputation Impact-5 Employers Impact-5 Member Impact-1</p>	 <p>Probability</p> <p>Impact</p> <p>15</p>	 <p>Probability</p> <p>Impact</p> <p>15</p>	 <p>Probability</p> <p>Impact</p>
Current Mitigation		Future Mitigation	Responsible Officer	Expected Outcome
Code	Title	Original Score	Current Score	Target Score

TPF053	CLIMATE CHANGE <p>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 takes climate change into account in relation to its investments is set out in its Investment Strategy Statement and Responsible Investment Policy In relation to the funding implications, the administering authority keeps the effect of climate change on future returns and demographic experience, eg. longevity, under review and will commission modelling or advice from the Fund's Actuary on the potential effect on funding as required.</p>	 Probability Impact	20	 Probability Impact	15	 Probability Impact
	Current Mitigation	Future Mitigation	Responsible Officer	Expected Outcome		

Code	Title	Original Score	Current Score	Target Score		
TPF009	HIGHER THAN EXPECTED COSTS OF INVESTMENT POOLING <p>Higher setup and ongoing costs of Border to Coast and of the management associated with investment pooling arrangements (or lack of reduction compared to current costs).</p> <p>Fund & Reputation Impact-7 Employers Impact-2 Member Impact-1</p>	 Probability Impact	21	 Probability Impact	14	 Probability Impact
	Current Mitigation	Future Mitigation	Responsible Officer	Expected Outcome		
<p>Border to Coast's budget is set annually with the agreement of at least 9 of the 12 partner funds. Expenditure is monitored and reported to the quarterly Joint Committee meetings. Tenders for on-going suppliers and staff are all now in place.</p>						

Code	Title	Original Score	Current Score	Target Score		
TPF010	INADEQUATE POOLING TRANSPARENCY <p>Lack of transparency around investment pooling arrangements.</p> <p>Fund & Reputation Impact-7 Employers Impact-1 Member Impact-1</p>	 Probability Impact	21	 Probability Impact	14	 Probability Impact
	Current Mitigation	Future Mitigation	Responsible Officer	Expected Outcome		
<p>With the pooling of investment assets TPF staff will work closely with Border to Coast sub-fund asset managers and Border to Coast management to gain full clarity of performance, with</p>						

training provided to TPF staff as required.				
Code	Title	Original Score	Current Score	Target Score
TPF021	<p>INAPPROPRIATE INVESTMENT STRATEGY</p> <p>Mismatching of assets and liabilities, inappropriate long term asset allocation of investment strategy, mistiming of investment strategy.</p> <p>Fund & Reputation Impact-7 Employers Impact-7 Member Impact-1</p>	 <p>14</p>	 <p>14</p>	 <p>14</p>
Current Mitigation		Future Mitigation	Responsible Officer	Expected Outcome
This is mitigated by the Triennial Valuation and the engagement of Two Independent Investment Advisors.				
Code	Title	Original Score	Current Score	Target Score
TPF007	<p>KEYMAN RISK</p> <p>Concentration of knowledge & skills in small number of officers and risk of departure of key staff - failure of succession planning.</p> <p>Fund & Reputation Impact-5 Employers Impact-1 Member Impact-1</p>	 <p>20</p>	 <p>10</p>	 <p>10</p>
Current Mitigation		Future Mitigation	Responsible Officer	Expected Outcome
Deputy positions were created in 2018/19 (although one remains to be filled). These act to support deputise as required for the Head of Investments, Governance and Pensions.				
Code	Title	Original Score	Current Score	Target Score
TPF008	<p>INSUFFICIENT STAFF</p> <p>Causes failure to have time to adopt best practice by properly developing staff and processes.</p> <p>Fund & Reputation Impact-5 Employers Impact-5 Member Impact-1</p>	 <p>20</p>	 <p>10</p>	 <p>10</p>
Current Mitigation		Future Mitigation	Responsible Officer	Expected Outcome
In preparation for the pooling of investment assets to Border to Coast, the team was expanded and has a total complement of 9 staff. With a new investment strategy of passive rather than active management, investment transaction volumes have significantly reduced.				
Code	Title	Original Score	Current Score	Target Score

TPF011	<p>UNANTICIPATED PAY RISES</p> <p>Increases are significantly more than expected for employers within the Fund.</p> <p>Fund & Reputation Impact-5 Employers Impact-5 Member Impact-1</p>	 <p>Probability</p> <p>Impact</p> <p>15</p>	 <p>Probability</p> <p>Impact</p> <p>10</p>	 <p>Probability</p> <p>Impact</p>
Current Mitigation		Future Mitigation	Responsible Officer	Expected Outcome
<p>1) Fund employers will monitor own experience.</p> <p>2) Triennial Actuarial valuation Assumptions made on pay and price inflation (for the purposes of IAS19/FRS102 and actuarial valuations) will be long term assumptions, any employer specific assumptions above the actuaries long term assumption would lead to further review.</p> <p>3) Employers are made aware of generic impact that salary increases can have upon final salary linked elements of LGPS benefits.</p>				
Code	Title	Original Score	Current Score	Target Score
TPF013	<p>POOLING SYSTEMIC RISKS</p> <p>Systemic and other investment risks not being properly managed within the investment pool; for example appropriate diversification, credit, duration, liquidity and currency risks.</p> <p>Fund & Reputation Impact-5 Employers Impact-5 Member Impact-1</p>	 <p>Probability</p> <p>Impact</p> <p>15</p>	 <p>Probability</p> <p>Impact</p> <p>10</p>	 <p>Probability</p> <p>Impact</p>
Current Mitigation		Future Mitigation	Responsible Officer	Expected Outcome
<p>Appropriate due diligence is carried out regarding the structure, targets, diversification and risk approach for each sub-fund before investment. In addition, The Pensions Head of Service and Section 151 officer, will closely monitor and review Border to Coast sub-fund investment elements on an on-going basis, and reported to TPF Committee and Board.</p>				
Code	Title	Original Score	Current Score	Target Score
TPF014	<p>LONGEVITY</p> <p>Pensioners living longer: adding one year to life expectancy will increase the future service rate by 0.8%.</p> <p>Fund & Reputation Impact-5 Employers Impact-5 Member Impact-1</p>	 <p>Probability</p> <p>Impact</p> <p>15</p>	 <p>Probability</p> <p>Impact</p> <p>10</p>	 <p>Probability</p> <p>Impact</p>
Current Mitigation		Future Mitigation	Responsible Officer	Expected Outcome
<p>In assessing the member longevity and pension liabilities, the Triennial Actuary assumptions made for longevity are "conservatively" set based on the latest life expectancy economic data. They are reviewed and updated at each three year Actuarial</p>				

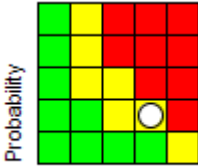
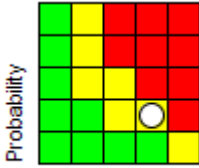
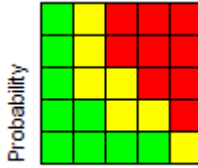
valuation. If required, further investigation can be carried out of scheme specific/employer longevity data.

Code	Title	Original Score	Current Score	Target Score
TPF017	<p>BULK TRANSFER VALUE DISPUTE</p> <p>Failure to ensure appropriate transfer is paid to protect the solvency of the fund and equivalent rights are acquired for transferring members.</p> <p>Fund & Reputation Impact-3 Employers Impact-5 Member Impact-1</p>			
Current Mitigation		Future Mitigation	Responsible Officer	Expected Outcome
A mechanism exists within the regulations to resolve such disputes - this should reduce the financial impact of any such event.				

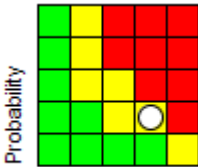
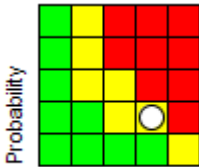

Code	Title	Original Score	Current Score	Target Score
TPF018	<p>TPF INVESTMENT UNDERPERFORMANCE</p> <p>Investment Managers fail to achieve performance targets over the longer term: a shortfall of X% on the investment target will result in an annual impact of £ Y m.</p> <p>Fund & Reputation Impact-5 Employers Impact-5 Member Impact-1</p>			
Current Mitigation		Future Mitigation	Responsible Officer	Expected Outcome
<p>1) The asset allocation made up of equities, bonds, property, cash etc funds, is sufficiently diversified to limit exposure to one asset category.</p> <p>2) The investment strategy is continuously monitored and periodically reviewed to ensure optimal asset allocation.</p> <p>3) Actuarial valuation and asset/liability study take place automatically every three years.</p> <p>4) Interim valuation data is received annually and provides an early warning of any potential problems.</p> <p>5) The actuarial assumption regarding asset outperformance of a measure over CPI over gilts is regarded as achievable over the long-term when compared with historical data.</p>				

Code	Title	Original Score	Current Score	Target Score
TPF019	<p>TPF GOVERNANCE SKILLS SHORTAGE</p> <p>Lack of knowledge of Committee & Board members relating to the investment arrangement and related legislation and guidance.</p> <p>Fund & Reputation Impact-5 Employers Impact-3 Member Impact-1</p>			

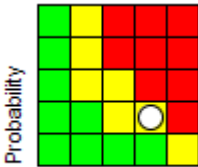
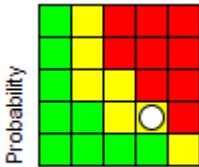

Current Mitigation	Future Mitigation	Responsible Officer	Expected Outcome
Pension Fund Committee new members have an induction programme and will have subsequent training based on the requirements of CIPFA Knowledge and Skills Framework including Pooling.			

Code	Title	Original Score	Current Score	Target Score
TPF025	<p>OUTSOURCED MEMBER ADMIN FAILURE</p> <p>XPS Administration service fails to the point where it is unable to deliver its contractual services to employers and members.</p> <p>Fund & Reputation Impact-1 Employers Impact-1 Member Impact-5</p>	 <p>Probability</p> <p>Impact</p> <p>10</p>	 <p>Probability</p> <p>Impact</p> <p>10</p>	 <p>Probability</p> <p>Impact</p>

Current Mitigation	Future Mitigation	Responsible Officer	Expected Outcome
XPS Administration is a well-resourced established pensions administration provider which is not in financial difficulty.			

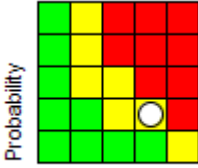
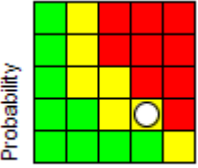

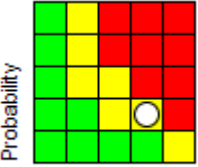
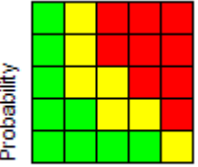
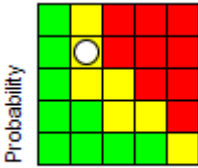
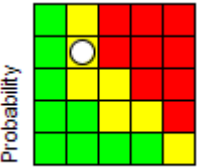
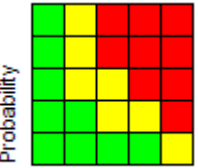
Code	Title	Original Score	Current Score	Target Score
TPF026	<p>INSECURE DATA</p> <p>Failure to hold personal data securely - i.e data stolen.</p> <p>Fund & Reputation Impact-3 Employers Impact-1 Member Impact-5</p>	 <p>Probability</p> <p>Impact</p> <p>10</p>	 <p>Probability</p> <p>Impact</p> <p>10</p>	 <p>Probability</p> <p>Impact</p>

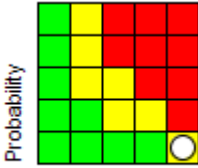

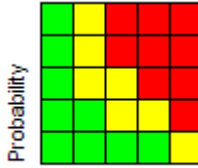
Current Mitigation	Future Mitigation	Responsible Officer	Expected Outcome
XPS Administration have advised they are not aware of any attempted hacking events.			

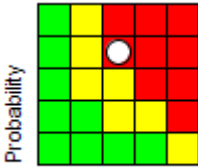
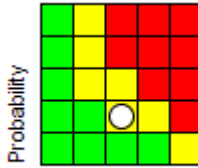
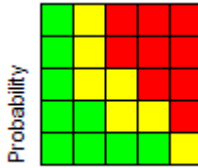
Code	Title	Original Score	Current Score	Target Score
TPF028	<p>INADEQUATE POOLING INVESTMENT EXPERTISE</p> <p>Inadequate, inappropriate or incomplete investment expertise exercised over the pooled assets.</p> <p>Fund & Reputation Impact-5 Employers Impact-5 Member Impact-1</p>	 <p>Probability</p> <p>Impact</p> <p>10</p>	 <p>Probability</p> <p>Impact</p> <p>10</p>	 <p>Probability</p> <p>Impact</p>

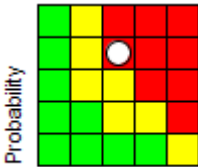
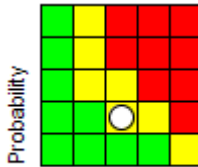

Current Mitigation	Future Mitigation	Responsible Officer	Expected Outcome
Border to Coast has completed recruitment of experienced and capable management team, alongside most of its final expected complement of 70 staff.			

Code	Title	Original Score	Current Score	Target Score

TPF029	INSUFFICIENT RANGE OF POOLING ASSET CLASSES Insufficient range of asset classes or investment styles being available through the investment pool. Fund & Reputation Impact-5 Employers Impact-3 Member Impact-1	 Probability Impact	10	 Probability Impact	10	 Probability Impact
Current Mitigation		Future Mitigation	Responsible Officer	Expected Outcome		
There is now in place a roll-out plan of different asset classes and engagement with Border to Coast to identify relevant future asset classes						
Code	Title	Original Score	Current Score	Target Score		
TPF031	INTERNAL COMPLIANCE FAILURES Failure to comply with recommendations from the local pension board, resulting in the matter being escalated to the scheme advisory board and/or the pensions regulator. Fund & Reputation Impact-5 Employers Impact-1 Member Impact-1	 Probability Impact	10	 Probability Impact	10	 Probability Impact
Current Mitigation		Future Mitigation	Responsible Officer	Expected Outcome		
Code	Title	Original Score	Current Score	Target Score		
TPF030	COMMITTEE MEMBERSHIP CHANGE Change in membership of Pension Fund Committee leads to dilution of member knowledge and understanding. Fund & Reputation Impact-2 Employers Impact-1 Member Impact-1	 Probability Impact	8	 Probability Impact	8	 Probability Impact
Current Mitigation		Future Mitigation	Responsible Officer	Expected Outcome		
Officers and advisers provide continuity and training following changes to Committee membership.						
Code	Title	Original Score	Current Score	Target Score		

TPF039	BORDER TO COAST FAILURE Failure of the operator itself, or its internal risks and controls failure of corporate governance, responsible investment, or the failure to exercise voting rights according to policy. Fund & Reputation Impact-7 Employers Impact-4 Member Impact-1	 Probability Impact	7	 Probability Impact	7	 Probability Impact	
		Current Mitigation	Future Mitigation	Responsible Officer	Expected Outcome		

Code	Title	Original Score	Current Score	Target Score			
TPF015	EMPLOYER FAILURE An employer ceasing to exist with insufficient funding, or being unable to meet its financial commitments, adequacy of bond or guarantee. Any shortfall would be attributed to the fund as a whole. Fund & Reputation Impact-2 Employers Impact-3 Member Impact-3	 Probability Impact	12	 Probability Impact	6	 Probability Impact	
		Current Mitigation	Future Mitigation	Responsible Officer	Expected Outcome		
	1) Fund employers should monitor own experience. 2) Triennial Actuarial Assumptions will account for the possibility of employer(s) failure (for the purposes of IAS19/FRS102 and actuarial valuations). Any employer specific assumptions above the actuaries long term assumption, would lead to further review. 3) Employer covenant review.						

Code	Title	Original Score	Current Score	Target Score			
TPF016	ADVERSE LEGISLATIVE CHANGE Risk of changes to legislation, tax rules etc.; resulting in increases required in employer contributions. Fund & Reputation Impact-3 Employers Impact-3 Member Impact-3	 Probability Impact	12	 Probability Impact	6	 Probability Impact	
		Current Mitigation	Future Mitigation	Responsible Officer	Expected Outcome		
	The process of legislative change and the actuarial valuation cycle means any such change would be flagged up well in advance. The actuary has scope to mitigate any contribution increase in respect of most Fund employers.						

Code	Title	Original Score	Current Score	Target Score
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TPF022	GDPR COMPLIANCE Non-compliance with GDPR regulations. Fund & Reputation Impact-3 Employers Impact-1 Member Impact-1	9	6	6
Current Mitigation		Future Mitigation	Responsible Officer	Expected Outcome
Data protection privacy notices have been distributed by XPS Administration. The Council has established GDPR-compliant processes and procedures.				
Code	Title	Original Score	Current Score	Target Score
TPF023	INACCURATE DATA RECORD COLLATION Failure to maintain proper, accurate and complete data records leading to increased errors and complaints. Fund & Reputation Impact-1 Employers Impact-3 Member Impact-3	9	6	6
Current Mitigation		Future Mitigation	Responsible Officer	Expected Outcome
Administration data quality is being assessed as part of the biennial valuation process, as well as being assessed regularly in order to meet Pensions Regulator requirements on scheme data.				
Code	Title	Original Score	Current Score	Target Score
TPF024	STRUCTURAL CHANGES TO EMPLOYER MEMBERSHIP Risk that TPF are unaware of structural changes to an employer's membership, or changes (e.g. closing to new entrants) meaning the individual employer's contribution level becomes inappropriate. Fund & Reputation Impact-2 Employers Impact-3 Member Impact-2	9	6	6
Current Mitigation		Future Mitigation	Responsible Officer	Expected Outcome
The new XPS Administration employer liaison team will improve this by working closely with employers.				
Code	Title	Original Score	Current Score	Target Score
TPF032	INADEQUATE POOLING DATA Inability to gather robust, quality or timely information from Border to Coast. Fund & Reputation Impact-3 Employers Impact-1 Member Impact-1	6	6	6

Current Mitigation	Future Mitigation	Responsible Officer	Expected Outcome
With the pooling of investment assets TPF staff will work closely with Border to Coast sub- fund asset managers and Border to Coast management to gain full clarity and reporting of performance, with training provided to TPF staff as required.			

Code	Title	Original Score	Current Score	Target Score
TPF033	ESG REPUTATIONAL DAMAGE Insufficient attention to environmental, social and governance (ESG) leads to reputational damage. Fund & Reputation Impact-2 Employers Impact-1 Member Impact-1	 Probability 6 Impact	 Probability 6 Impact	 Probability 6 Impact

Current Mitigation	Future Mitigation	Responsible Officer	Expected Outcome
Border to Coast provides increased focus on Responsible Investment.			

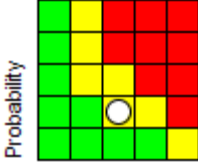

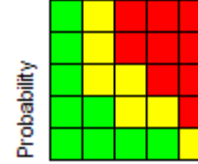
Code	Title	Original Score	Current Score	Target Score
TPF034	THIRD PARTY SUPPLIER FAILURE Financial failure of third party supplier results in service impairment and financial loss. Fund & Reputation Impact-3 Employers Impact-3 Member Impact-1	 Probability 6 Impact	 Probability 6 Impact	 Probability 6 Impact

Current Mitigation	Future Mitigation	Responsible Officer	Expected Outcome

Code	Title	Original Score	Current Score	Target Score
TPF035	PROCUREMENT PROCESS CHALLENGES Procurement processes may be challenged if seen to be non-compliant with OJEU rules. Poor specifications lead to dispute. Unsuccessful fund managers may seek compensation following non compliant process. Fund & Reputation Impact-3 Employers Impact-1 Member Impact-1	 Probability 6 Impact	 Probability 6 Impact	 Probability 6 Impact

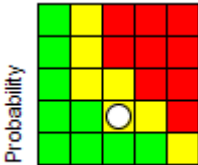


Current Mitigation	Future Mitigation	Responsible Officer	Expected Outcome

Code	Title	Original Score	Current Score	Target Score

TPF036	ASSET POOLING TRANSITION RISK		6		6	
	Loss or impairment as a result of Asset transition. Fund & Reputation Impact-3 Employers Impact-3 Member Impact-1					

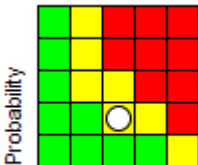
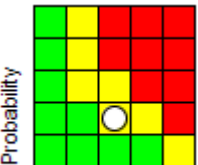

Current Mitigation		Future Mitigation	Responsible Officer	Expected Outcome

Code	Title	Original Score	Current Score	Target Score
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TPF037	COMPLIANCE FAILURES		6		6	
	Failure to comply with legislative requirements e.g. SIP, FSS, Governance Policy, Freedom of Information requests, Code of Practice 14. Fund & Reputation Impact-3 Employers Impact-2 Member Impact-0					

Current Mitigation		Future Mitigation	Responsible Officer	Expected Outcome

Code	Title	Original Score	Current Score	Target Score
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TPF038	CUSTODY DEFAULT		6		6	
	The risk of losing economic rights to pension fund assets, when held in custody or when being traded. The risk might arise from missed dividends or corporate actions (e.g. rights issues) or problems arising from delays in trade settlements. Fund & Reputation Impact-3 Employers Impact-3 Member Impact-1					

Current Mitigation		Future Mitigation	Responsible Officer	Expected Outcome

Code	Title	Original Score	Current Score	Target Score
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TPF020	INADEQUATE BORDER TO COAST OVERSIGHT Insufficient resources to properly monitor pooling & Border to Coast. Fund & Reputation Impact-5 Employers Impact-5 Member Impact-1	 Probability Impact	15	 Probability Impact	5	 Probability Impact	
Current Mitigation		Future Mitigation		Responsible Officer		Expected Outcome	
Sufficient resources exist within the team to oversee and monitor Border to Coast. External providers are also involved, such as Portfolio Evaluation Limited and the two independent investment advisors.							
Code	Title	Original Score		Current Score		Target Score	
TPF042	DECISION MAKING FAILURES Failure to take difficult decisions inhibits effective Fund management. Fund & Reputation Impact-5 Employers Impact-2 Member Impact-1	 Probability Impact	5	 Probability Impact	5	 Probability Impact	
Current Mitigation		Future Mitigation		Responsible Officer		Expected Outcome	
Code	Title	Original Score		Current Score		Target Score	
TPF043	CASH INVESTMENT FRAUD Financial loss of cash investments from fraudulent activity. Fund & Reputation Impact-5 Employers Impact-5 Member Impact-1	 Probability Impact	5	 Probability Impact	5	 Probability Impact	
Current Mitigation		Future Mitigation		Responsible Officer		Expected Outcome	
Code	Title	Original Score		Current Score		Target Score	
TPF027	SCHEME MEMBER FRAUD Fraud by scheme members or their relatives (e.g. identity, death of member). Fund & Reputation Impact-1 Employers Impact-1 Member Impact-2	 Probability Impact	8	 Probability Impact	4	 Probability Impact	
Current Mitigation		Future Mitigation		Responsible Officer		Expected Outcome	

Code	Title	Original Score	Current Score	Target Score
TPF040	INACCURATE FUND INFORMATION In public domain leads to damage to reputation and loss of confidence. Fund & Reputation Impact-2 Employers Impact-2 Member Impact-1	4	4	4
Current Mitigation		Future Mitigation	Responsible Officer	Expected Outcome

Code	Title	Original Score	Current Score	Target Score
TPF041	LIQUIDITY SHORTFALLS Risk of illiquidity due to difficulties in realising investments and paying benefits to members as they fall due. Fund & Reputation Impact-2 Employers Impact-1 Member Impact-1	4	4	4
Current Mitigation		Future Mitigation	Responsible Officer	Expected Outcome

Code	Title	Original Score	Current Score	Target Score
TPF044	ICT SYSTEMS FAILURE Prolonged administration ICT systems failure. Fund & Reputation Impact-2 Employers Impact-2 Member Impact-3	3	3	3
Current Mitigation		Future Mitigation	Responsible Officer	Expected Outcome

Code	Title	Original Score	Current Score	Target Score
TPF045	CONTRIBUTION COLLECTION FAILURE Failure to collect employee/er member pension contributions. Fund & Reputation Impact-1 Employers Impact-2 Member Impact-1	2	2	2
Current Mitigation		Future Mitigation	Responsible Officer	Expected Outcome

Code	Title	Original Score	Current Score	Target Score
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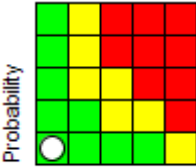

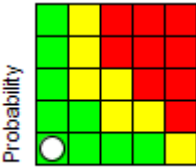
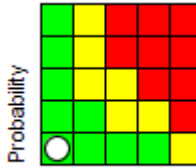
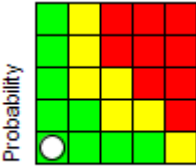
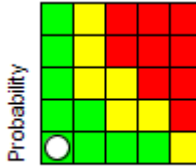
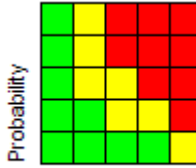
TPF046	INADEQUATE DISPUTES RESOLUTION PROCESS		2		2	
	Failure to agree and implement an appropriate complaints and disputes resolution process. Fund & Reputation Impact-1 Employers Impact-2 Member Impact-2	Probability Impact		Probability Impact		Probability Impact
Current Mitigation		Future Mitigation		Responsible Officer		Expected Outcome

Code	Title	Original Score	Current Score	Target Score		
TPF047	BORDER TO COAST CESSATION		2		2	
	Partnership disbands or fails to produce a proposal deemed sufficiently ambitious. Fund & Reputation Impact-2 Employers Impact-2 Member Impact-1	Probability Impact		Probability Impact		Probability Impact
Current Mitigation		Future Mitigation		Responsible Officer		Expected Outcome

Code	Title	Original Score	Current Score	Target Score		
TPF048	POOLING CUSTODIAN FAILURE		2		2	
	Failure to ensure safe custody of assets. Fund & Reputation Impact-2 Employers Impact-2 Member Impact-1	Probability Impact		Probability Impact		Probability Impact
Current Mitigation		Future Mitigation		Responsible Officer		Expected Outcome

Code	Title	Original Score	Current Score	Target Score		
TPF049	OFFICER FRAUD		1		1	
	Fraud by administration staff. Fund & Reputation Impact-5 Employers Impact-1 Member Impact-1	Probability Impact		Probability Impact		Probability Impact
Current Mitigation		Future Mitigation		Responsible Officer		Expected Outcome

Code	Title	Original Score	Current Score	Target Score
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TPF050	<p>EXCESSIVE ADMIN COSTS</p> <p>Excessive costs of member benefit administration leads to lack of VFM and loss of reputation.</p> <p>Fund & Reputation Impact-1 Employers Impact-1 Member Impact-1</p>	 <p>1</p>	 <p>1</p>	
Current Mitigation		Future Mitigation	Responsible Officer	Expected Outcome
Code	Title	Original Score	Current Score	Target Score
TPF051	<p>ERRONEOUS MEMBER BENEFIT CALCS</p> <p>Risk of incorrect calculation of members benefits.</p> <p>Fund & Reputation Impact-1 Employers Impact-1 Member Impact-2</p>	 <p>1</p>	 <p>1</p>	
Current Mitigation		Future Mitigation	Responsible Officer	Expected Outcome
Code	Title	Original Score	Current Score	Target Score
TPF052	<p>INADEQUATE MEMBER COMMS</p> <p>Increased workload for pensions team or increased opt-outs if communications inadequate or misunderstood.</p> <p>Fund & Reputation Impact-2 Employers Impact-1 Member Impact-1</p>	 <p>1</p>	 <p>1</p>	
Current Mitigation		Future Mitigation	Responsible Officer	Expected Outcome

Fund account, investment and administration - detailed analysis

	2020-21 Actual £'000s	2021-22 Forecast £'000s	2022-23 Estimate £'000s
Income from members			
<i>Employers contributions normal</i>	-63,910	-63,761	-64,200
<i>Employers contributions additional</i>	-13	-8	-8
<i>Employers contributions deficit recovery</i>	-1,055	-520	-520
<i>Members contributions</i>	-30,415	-29,464	-30,100
<i>Transfers in from other schemes</i>	-3,061	-2,751	-2,751
<i>Other income</i>	-5,577	-4,328	-4,328
	-104,031	-100,832	-101,907

	2020-21 Actual £'000s	2021-22 Forecast £'000s	2022-23 Estimate £'000s
Expenditure to members			
<i>Pensions paid</i>	123,640	127,612	132,800
<i>Commutations and lump sum retirement benefits</i>	22,947	22,844	23,300
<i>Lump sum death benefits</i>	3,198	3,171	3,300
<i>Payments to and on account of leavers</i>	8,158	7,327	7,500
	157,943	160,954	166,900

	2020-21 Actual £'000s	2021-22 Forecast £'000s	2022-23 Estimate £'000s
Management expenses:			
Administration costs	1,938	2,000	2,000
Investment management expenses			
<i>Custody fees</i>	23	25	25
<i>External investment management expenses</i>	3,664	4,000	4,000
<i>Internal investment management expenses</i>	551	500	500
<i>Transaction costs</i>	719	1,000	200
Total Investment management expenses	4,957	5,525	4,725
<i>External audit cost</i>	38	40	40
Oversight & governance costs	588	600	650
Total Oversight & governance costs	7,521	8,165	7,415

	2020-21 Actual £'000s	2021-22 Forecast £'000s	2022-23 Estimate £'000s
Investment Income			
<i>Investment income from bonds</i>	0	0	0
<i>Investment income from equities</i>	0	0	0
<i>Investment income from pooled investment vehicles</i>	511	-32,000	-35,000
<i>Other investment income</i>	0	0	0
<i>Property gross rental income</i>	-13,563	-15,500	-15,500
<i>Property expenses</i>	979	1,200	1,200
<i>Interest on cash deposits</i>	-1,668	-1,000	-7,000
	-13,741	-47,300	-56,300

Teesside Pension Board

Annual Report 2021 – 2022



1. Background

The **Teesside Pension Fund** is the Local Government Pension Scheme (LGPS) for local authority employees in the Teesside region (and employees working for other bodies that are eligible to participate). The Fund has over 71,500 members, and assets of approximately £5 billion (as at 31 December 2021).

The administering authority for the Teesside Pension Fund is Middlesbrough Council on behalf of all participating employers. The Council has granted authority to manage the investments of the Fund (within the requirements of the Local Government Pension Scheme Regulations) to the **Teesside Pension Fund Committee** which has plenary powers to make decisions without reference to the Council. The Committee consists of elected members of Middlesbrough Council, representatives from the other unitary authorities and other employers and the trade unions (all of whom have voting rights). The Committee receives support and advice from a number of sources including Council officers and the Fund's Investment Advisers.

Section 5 of the *Public Service Pensions Act 2013* required every LGPS to establish a Board to assist in assuring that the administration of its Pension Scheme complies with all relevant legislation. Pensions Boards are specifically required to assist in:

- (a) securing compliance with:
 - (i) scheme regulations and other legislation relating to the governance and administration of the scheme;
 - (ii) any requirements imposed in relation to the scheme by the Pensions Regulator;
 - (iii) such other matters as the scheme regulations may specify
- (b) ensuring the effective and efficient governance and administration of the Scheme.

In accordance with the *Public Service Pensions Act 2013* and the Local Government Pension Scheme regulations, the **Teesside Pension Board** ('the Board') was created on 1 April 2015 to assist in the administration of the Teesside Pension Fund. The Board's formal statement of purpose is:

To assist the Administering Authority in its role as a scheme manager of the Scheme. Such assistance is to:

- (a) secure compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme; and
- (b) to ensure the effective and efficient governance and administration of the Scheme.

This means that the Board is providing oversight of these matters and, accordingly, the Board is not a decision making body in relation to the management of the Pension Fund. The Board makes recommendations and provides assurance to assist in the management of the Fund.

The Board consists of six voting members – three employer representatives and three member representatives. Two employer representatives are appointed from the Councils of Hartlepool, Middlesbrough, Redcar & Cleveland and Stockton-on-Tees, and one employer representative is chosen from all other Scheme employers. Two member representatives are appointed from the recognised trades unions representing employees who are Scheme

members, and one member representative is appointed from the pensioner Scheme members.

Colin Monson was Chair of the Board for the first two meetings of the year but stepped down from the Board to pursue other interests having served as either Chair or Deputy Chair for six years (since the Board's inception). Gary Whitehouse (the Deputy Chair at the start of the year and also previously the Board's Chair) also resigned from the Board early in the year. The Board formally acknowledged, recognised and thanked both Colin and Gary for their time and valuable contributions to the Board since its inception.

Cllr Barrie Cooper took over the role of Chair from the November 2021 meeting, and Paul Thompson of UNISON took over the role of Deputy Chair from the February 2022 meeting. During the year the Board also welcomed a new pensioner representative, Jeff Bell. There is currently a vacancy on the Board for the 'other scheme employers' representative.

This is the sixth Annual Report of the Board, for the period 1 April 2021 to 31 March 2022.

2. Introduction

Welcome to the sixth Annual Report of the Teesside Pension Board.

The Board seeks to assist the administering authority of the Teesside Pension Fund to maintain effective and efficient governance. We continue to be supported in this role by officers of Middlesbrough Council (the administering authority for Teesside Pension Fund), and we have also been assisted by specialist external advisers, and by staff from XPS Administration who deal with the day to day pension administration.

As highlighted in previous annual reports Teesside Pension Fund has entered into an agreement to pool what now represents most of its investments with other LGPS Funds through Border to Coast Pensions Partnership Limited ('Border to Coast'). Border to Coast was set up, and is wholly owned, by eleven LGPS administering authorities each responsible for an LGPS fund (originally twelve administering authorities were involved until the long-planned merger of two of those authorities was confirmed last year and backdated to 1 April 2020). Border to Coast was established to meet central government's requirement that local government pension schemes pool their investment assets with the aims of providing savings and improving governance. Middlesbrough Council (as administering authority for the Teesside Pension Fund) is one of the owners and customers of Border to Coast.

Initial investments with Border to Coast were in public equities (or shares) and all the Fund's UK equities transferred during 2018/19 to be managed by Border to Coast, using the same low-cost 'internally-managed' approach but delivered by a larger team of investment professionals based in Leeds. The Fund also made a relatively small initial investment in Border to Coast's internally-managed overseas equity fund during 2018/19. During the year to 31 March 2022 the Fund completed the transfer the majority of its overseas equities from being managed passively (by State Street Global Advisors) to being actively managed by Border to Coast. The Fund has also invested in Border to Coast's Emerging Markets Fund. As at 31 December 2021, 57.5% of the Fund's assets were invested through Border to Coast, with this percentage expected to increase over the coming months and years.

Teesside Pension Board has received updates and commented on the process of establishing and developing Border to Coast. The Board is conscious that the Teesside

Pension Fund is fully funded and has benefited from low running costs. The Board will therefore continue to closely monitor the progress of Border to Coast to satisfy itself that any movement of assets into Border to Coast remains in the interest of the Teesside Pension Fund and its members, and that Border to Coast is meeting the aims of providing savings and improving governance.

3. Board Activity 2021 – 2022

For the nine months from April to December 2021 global equity markets were collectively very positive, although with significant variation across regions: the US performing the strongest, followed by Europe and the UK, with Asia Pacific, Japan and emerging markets only really trading water at best. Economic growth was encouraging, following the gradual return to normality as Covid-19 risks appeared to subside. Japanese markets were particularly affected as important industrial sectors were hit by global supply-chain shortages and a slow recovery in consumer spending.

The generally benign outlook was threatened briefly towards the end of 2021 with the emergence of the Omicron variant, although market reaction was short-lived once it became apparent that this looked to be less of a threat than previous variants in areas with high vaccination rates.

Emerging markets did not do well. The usually reliably expansive Chinese economy became a drag on returns: Economic growth slowed, property developers faced financing challenges and an unexpected state intervention effectively removed all capital value from the previously burgeoning private education industry. Elsewhere, emerging markets suffered some issues caused by lower volumes of effective vaccines than developed markets enjoyed.

The first three months of 2022 were dominated by Russia's threats to and eventual invasion of Ukraine and the growing awareness of the serious humanitarian, political and financial consequences of Russia's aggression. The invasion exacerbated already rising fuel costs and inflationary pressures, with the Bank of England increasing its forecast inflation from 7% to "around 8% this spring. We think it could go even higher later this year."¹ Inflation is a global issue, with other central banks increasing their forecast inflationary peaks and measures being taken or planned to increase interest rates from their long-time historic lows. Although the Board has no role in deciding how the Fund is invested, it does have a role in overseeing the Committee's actions in this respect. As the global economy enters a more challenging less benign period, the Fund's investment approach is likely to face challenges and the Board's oversight role will remain important during the coming months and years.

Over the course of 2021/22 all four of the planned meetings were held and were quorate, the first three were held remotely, as a consequence of the restrictions in place to combat the Covid-19 pandemic. The fourth meeting (on 21 February 2022) was held in person, as restrictions eased. The Board has been able to continue in its role and carry out its responsibilities to ensure effective governance. As well as continuing to receiving minutes from Pension Fund Committee meetings (meetings which all Board members are able to

¹ <https://www.bankofengland.co.uk/knowledgebank/will-inflation-in-the-uk-keep-rising> (updated 18 March 2022)

attend and all Board members receive agendas for), over the course of the year the Board has considered papers or had oral reports covering the following areas:

- An update to the Fund's Strategic Asset Allocation
- A revised Funding Strategy Statement for the Fund
- The Fund's annual Business Plan
- The Board's own Annual Report
- The Draft Annual Report for the Fund (containing the Fund's accounts).
- Board membership and training, including an update on participation in the national knowledge assessment
- Administration reports from XPS – these include performance against service level agreement targets, information on general administration activity, statistics on appeals cases and details of current and future issues impacting, or potentially impacting, on the administration of the Fund.
- Updates on current issues affecting the Fund, including:
 - the revocation of the cap on exit payments over £95,000
 - the Scheme Advisory Board's final Good Governance report,
 - the Pension Regulator's consultation on a new single code of practice for pension schemes
 - the consultation on implementing the increase to the minimum pension age
 - the conclusion of the LGPS cost management process
 - the pending climate change reporting regulations expected for the LGPS
 - the 'revised underpin' outcome expected to apply to correct the discrimination identified by the McCloud case
 - the government's announcement of the role it expects the LGPS to take as part of its 'levelling-up' agenda
 - the result of the Government Actuary's Department's Section 13 LGPS scheme valuation comparison report
 - the consultation on introducing pensions dashboards; and
 - the forthcoming valuation of the Fund as at 31 March 2022.
- Updates on work programme items (see below), including Board conflicts of interest, Board and Committee training, Fund procurements and reporting breaches of law.

4. Board work programme

At its 19 July 2021 meeting the Board confirmed that the focus of its activity would be guided by the general principles set out by the Pensions Regulator. The Pensions Regulator's website lists the following areas of governance and administration that those responsible for running, overseeing or advising a public service pension scheme need to focus on:

- **“Reporting duties**
Managers of public service pension schemes must ensure that the scheme return we issue each year is completed on time. They must also tell us of any changes to their scheme's 'registrable information' as soon as possible.
- **Internal controls and managing risks**
Public service pension schemes need to have good internal controls. They are a key characteristic of a well-run scheme and will enable risks to the scheme to be managed effectively.

- **Record-keeping**
Failing to maintain complete and accurate records can affect the ability of your public service pension scheme to carry out basic functions. Accurate record-keeping is crucial in ensuring that benefits are paid correctly.
- **Communicating to members**
Members of public service pension schemes need to receive information to help them understand their pension arrangements and make informed decisions.
- **Publishing scheme information**
Certain information relating to public service pension schemes needs to be published so that scheme members and interested parties know that their scheme is being managed effectively.
- **Maintaining contributions**
Public service pension schemes need to have procedures and processes that enable you to effectively monitor pension contributions, resolve payment issues and report payment failures.
- **Pension board conflicts of interest and representation**
In public service pension schemes, potential conflicts of interest need to be identified and managed to prevent actual conflicts of interest arising.
- **Resolving internal disputes**
Internal dispute resolution (IDR) arrangements play an important part in the management of a public service pension scheme. They enable someone with an interest in the scheme to ask for a matter in dispute to be resolved.
- **Reporting breaches of the law**
Certain people involved with the governance and administration of a public service pension scheme must report certain breaches of the law to us.”²

Taking these principles and its own Terms of Reference into account the Board set out its updated work plan as follows:

² (from <https://www.thepensionsregulator.gov.uk/en/public-service-pension-schemes/scheme-management>)

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 – Board membership and meeting attendance

Membership

Barrie Cooper - Chair <i>(member from July 2021 meeting, chair from November 2021 meeting)</i>	Employer representative (Councillor, Middlesbrough Council)
Paul Thompson – Deputy Chair <i>(member from 27 May 2021, deputy chair from February 2022 meeting)</i>	Scheme member representative (UNISON)
Billy Ayre	Employer representative (Councillor, Redcar & Cleveland Council)
Jackie Cook	Scheme member representative (UNITE)
Jeff Bell <i>(from 25 January 2022)</i>	Scheme member representative (retired members)
Vacancy	<i>Employer representative (Other employers – Fund employers with active members excluding the four main councils)</i>
Colin Monson <i>(Chair: resigned after July 2021 meeting)</i>	Scheme member representative (retired members)
Chris Hobson <i>(Resigned after April 2021 meeting)</i>	Employer representative (Councillor, Middlesbrough Council)
Gary Whitehouse <i>(Deputy Chair: resigned 21 April 2021)</i>	Employer representative (Middlesbrough College)

Meeting attendance:

	19 April 2021	19 July 2021	15 November 2021	21 February 2022
B Cooper		✓	✓	✓
P Thompson		✓	✓	✓
B Ayre	✓	✗	✗	✗
J Cook	✗	✓	✓	✗
J Bell				✓
C Monson	✓	✓		
C Hobson	✓			
G Whitehouse	✗			

TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 11

TEESSIDE PENSION BOARD REPORT

11 APRIL 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. INTERNAL CONTROLS AND MANAGING RISK

- 5.1 The phrase “internal controls” encompasses the whole approach the Council (as administering authority of the Fund) takes to ensuring the appropriate administration, management and investment of the Fund. More formally, it is defined in the Pensions Act 2004 as follows:

“internal controls” means—

- (a) arrangements and procedures to be followed in the administration and management of the scheme,
- (b) systems and arrangements for monitoring that administration and management, and
- (c) arrangements and procedures to be followed for the safe custody and security of the assets of the scheme;”

- 5.2 Internal controls in the context of managing risk are the policies, procedures and practice that are applied by the Fund to dealing with the myriad different external and internal issues that can put the delivery of the Fund's objectives in doubt.
- 5.3 The Fund's approach to managing risk is detailed within its Risk Management Policy which is included for information at Appendix B. A summary of the approach is also presented in the Fund's Business Plan, which is a separate agenda item at today's Board meeting.
- 5.4 It is not possible, or even desirable, to completely eliminate risk and some level of risk in (for example) investments is necessary to achieve the Fund's long term objectives. It is important that risks are identified and managed, and the Fund's approach to this is summarised in the section on risk management philosophy on page 3 of Appendix B, which is also repeated below:

5.5 **"Risk Management Philosophy**

The Administering Authority recognises that it is not possible or even desirable to eliminate all risks. For example, the Fund's investment strategy shows a strong preference for growth assets, which involves accepting a level of risk. Accepting and actively managing risk is therefore a key part of the risk management strategy for the Fund. A key determinant in selecting the action to be taken in relation to any risk will be its potential impact on the Fund's objectives in light of the Administering Authority's risk appetite, particularly in relation to investment matters. Equally important is striking a balance between the cost of risk control actions against the possible effect of the risk occurring.

In managing risk, the Administering Authority will:

- ensure that there is a proper balance between risk taking and the opportunities to be gained
- adopt a system that will enable the Fund to anticipate and respond positively to change
- minimise loss and damage to the Fund and to other stakeholders who are dependent on the benefits and services provided
- make sure that any new areas of activity (new investment strategies, joint-working, framework agreements etc.), are only undertaken if the risks they present are fully understood and taken into account in making decisions.

The Administering Authority also recognises that risk management is not an end in itself; nor will it remove risk from the Fund or the Administering Authority. However it is a sound management technique that is an essential part of the Administering Authority's stewardship of the Fund. The benefits of a sound risk management approach include better decision-making, improved performance and delivery of services, more effective use of resources and the protection of reputation."

- 5.6 One important output of the Fund's risk management approach is the Fund's Risk Register, which lists and assesses the main risks to the Fund. The Risk Register is

presented to the Committee and the Board at least once a year as part of the annual Pension Fund Business Plan. As the Business Plan is being presented to this meeting, Members have the opportunity to review and comment on the current risk register.

6. DISCRETIONS WITHIN THE LOCAL GOVERNMENT PENSION SCHEME (LGPS) REGULATIONS

- 6.1 Administering authorities and employers within the LGPS have a number of areas where the regulations governing the scheme allow them to exercise choices. In some cases the administering authority or employer has to have a stated policy on how they will exercise this discretion, in others they can choose whether to make a statement of policy or not.
- 6.2 This is a complex area which has grown more complicated as the LGPS regulations have changed over the years. When new regulations apply, they sometimes apply only in relation to future service or will not apply to those who have already left active service. This means the old regulations remain relevant in relation to some individuals, so administering authorities and employers will continue to have policies and/or exercise discretions in relation to several sets of old regulations as well as the new regulations.
- 6.3 The Local Government Association (LGA) has produced a full list of discretionary policies to be determined upon by scheme employers, administering authorities and other parties – this comprehensive document that runs to 53 pages can be found at the following web link:
- <https://www.lgpslibrary.org/assets/gas/ew/DISCLv1.10c.doc.pdf>
- 6.4 Some of the main discretions employers have that impact directly on scheme members include:
- Whether to allow late requests to aggregate LGPS benefits or transfer in benefits from another scheme ('late' in this context means over a year after a member joins the LGPS)
 - Whether to waive early retirement reductions (and if so, in what circumstances)
 - Whether to award additional pension to scheme members on retirement
 - Whether to allow flexible retirement
- 6.5 XPS Administration carried out an exercise several years ago to collect information from all scheme employers in relation to LGPS discretions. This exercise is likely to be repeated in future. XPS Administration also ensure that appropriate employer approval is received whenever an event that requires the exercise of an employer discretion takes place.

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

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Teesside Pension Board Work Plan		
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July 2021 Draft Report and Accounts		
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July 2023 Draft Report and Accounts		

Teesside Pension Fund

Risk Management Policy 2021



Risk Management Policy

Introduction

This is the Risk Management Policy of the Teesside Pension Fund ("the Fund"), part of the Local Government Pension Scheme ("LGPS") managed and administered by Middlesbrough Council ("the Administering Authority"). The Risk Management Policy details the risk management strategy for the Fund, including:

- the risk philosophy for the management of the Fund, and in particular attitudes to, and appetite for, risk
- how risk management is implemented
- risk management responsibilities
- the procedures that are adopted in the Fund's risk management process
- the key internal controls operated by the Administering Authority and other parties responsible for the management of the Fund.

The Administering Authority recognises that effective risk management is an essential element of good governance in the LGPS. By identifying and managing risks through an effective policy and risk management strategy, the Administering Authority can:

- demonstrate best practice in governance
- improve financial management
- minimise the risk and effect of adverse conditions
- identify and maximise opportunities that might arise
- minimise threats.

The Administering Authority adopts best practice risk management, which supports a structured and focused approach to managing risks, and ensures risk management is an integral part in the governance of the Fund at a strategic and operational level.

To whom this Policy Applies

This Risk Management Policy applies to all members of the Pension Fund Committee and the local Pension Board, including both scheme member and employer representatives. It also applies to senior officers involved in the management of the Fund.

Less senior officers involved in the daily management of the Fund are also integral to managing risk for the Fund, and will be required to have appropriate understanding of risk management relating to their roles, which will be determined and managed by the Head of Pensions Governance and Investments.

Advisers and suppliers to the Fund are also expected to be aware of this Policy, and assist officers, Committee members and Board members as required, in meeting the objectives of this Policy.

Aims and Objectives

In relation to understanding and monitoring risk, the Administering Authority aims to:

- integrate risk management into the culture and day-to-day activities of the Fund
- raise awareness of the need for risk management by all those connected with the management of the Fund (including advisers, employers and other partners)
- anticipate and respond positively to change
- minimise the probability of negative outcomes for the Fund and its stakeholders
- establish and maintain a robust framework and procedures for identification, analysis, assessment and management of risk, and the reporting and recording of events, based on best practice
- ensure consistent application of the risk management methodology across all Fund activities, including projects and partnerships.

To assist in achieving these objectives in the management of the Fund, the Administering Authority will aim to comply with:

- the CIPFA Managing Risk publication and
- the Pensions Act 2004 and the Pensions Regulator's Code of Practice for Public Service Pension Schemes as they relate to managing risk

Risk Management Philosophy

The Administering Authority recognises that it is not possible or even desirable to eliminate all risks. For example, the Fund's investment strategy shows a strong preference for growth assets, which involves accepting a level of risk. Accepting and actively managing risk is therefore a key part of the risk management strategy for the Fund. A key determinant in selecting the action to be taken in relation to any risk will be its potential impact on the Fund's objectives in light of the Administering Authority's risk appetite, particularly in relation to investment matters. Equally important is striking a balance between the cost of risk control actions against the possible effect of the risk occurring.

In managing risk, the Administering Authority will:

- ensure that there is a proper balance between risk taking and the opportunities to be gained
- adopt a system that will enable the Fund to anticipate and respond positively to change
- minimise loss and damage to the Fund and to other stakeholders who are dependent on the benefits and services provided
- make sure that any new areas of activity (new investment strategies, joint-working, framework agreements etc.), are only undertaken if the risks they present are fully understood and taken into account in making decisions.

The Administering Authority also recognises that risk management is not an end in itself; nor will it remove risk from the Fund or the Administering Authority. However it is a sound management technique that is an essential part of the Administering Authority's stewardship of the Fund. The benefits of a sound risk management approach include better decision-making, improved performance and delivery of services, more effective use of resources and the protection of reputation.

CIPFA and The Pensions Regulator's Requirements

CIPFA Managing Risk Publication

CIPFA has published technical guidance on managing risk in the LGPS. The publication explores how risk manifests itself across the broad spectrum of activity that constitutes LGPS financial management and administration, and how, by using established risk management techniques, those risks can be identified, analysed and managed effectively.

The publication also considers how to approach risk in the LGPS in the context of the role of the administering authority as part of a wider local authority and how the approach to risk might be communicated to other stakeholders.

The Pension Regulator's Code of Practice

The Public Service Pensions Act 2013 added the following provision to the Pensions Act 2004 relating to the requirement to have internal controls in public service pension schemes.

“249B Requirement for internal controls: public service pension schemes

(1) The scheme manager of a public service pension scheme must establish and operate internal controls which are adequate for the purpose of securing that the scheme is administered and managed—

(a) in accordance with the scheme rules, and

(b) in accordance with the requirements of the law.

(2) Nothing in this section affects any other obligations of the scheme manager to establish or operate internal controls, whether imposed by or by virtue of any enactment, the scheme rules or otherwise.

(3) In this section, “enactment” and “internal controls” have the same meanings as in section 249A.”

Section 90A of the Pensions Act 2004 requires the Pensions Regulator to issue a code of practice relating to internal controls. The Pensions Regulator has issued such a code in which they encourage scheme managers (i.e. administering authorities in the LGPS) to employ a risk based approach to assessing the adequacy of their internal controls and to ensure that sufficient time and attention is spent on identifying, evaluating and managing risks and developing and monitoring appropriate controls.

The Pensions Regulator's code of practice guidance on internal controls requires scheme managers to carry out a risk assessment and produce a risk register which should be reviewed regularly. The risk assessment should begin by:

- setting the objectives of the scheme
- determining the various functions and activities carried out in the running of the scheme, and
- identifying the main risks associated with those objectives, functions and activities.

The code of practice goes on to say that schemes should consider the likelihood of risks arising and the effect if they do arise when determining the order of priority for managing risks, and focus on those areas where the impact and likelihood of a risk materialising is high. Schemes should then consider what internal controls are appropriate to mitigate the main risks they have identified and how best to monitor them. The code of practice includes the following examples as issues which schemes should consider when designing internal controls to manage risks:

- how the control is to be implemented and the skills of the person performing the control
- the level of reliance that can be placed on information technology solutions where processes are automated
- whether a control is capable of preventing future recurrence or merely detecting an event that has already happened
- the frequency and timeliness of a control process
- how the control will ensure that data is managed securely, and
- the process for flagging errors or control failures, and approval and authorisation controls.

The code states that risk assessment is a continual process and should take account of a changing environment and new and emerging risks. It further states that an effective risk assessment process will provide a mechanism to detect weaknesses at an early stage and that schemes should periodically review the adequacy of internal controls in:

- mitigating risks
- supporting longer-term strategic aims, for example relating to investments
- identifying success (or otherwise) in achieving agreed objectives, and
- providing a framework against which compliance with the scheme regulations and legislation can be monitored.

Under section 13 of the Pensions Act 2004, the Pensions Regulator can issue an improvement notice (i.e. a notice requiring steps to be taken to rectify a situation) where it is considered that the requirements relating to internal controls are not being adhered to.

Application to the Teesside Pension Fund

The Administering Authority adopts the principles contained in CIPFA's Managing Risk in the LGPS document and the Pension Regulator's code of practice in relation to the Fund. This Risk Policy highlights how the Administering Authority strives to achieve those principles through use of risk management processes and internal controls incorporating regular monitoring and reporting.

Responsibility

The Administering Authority must be satisfied that risks are appropriately managed. For this purpose, the Head of Pensions Governance and Investments is the designated individual for ensuring the process outlined below is carried out, subject to the oversight of the Pension Fund Committee.

However, it is the responsibility of each individual covered by this Policy to identify any potential risks for the Fund and ensure that they are fed into the risk management process.

The Teesside Pension Fund Risk Management Process

The Administering Authority's risk management process is in line with that recommended by CIPFA and is a continuous approach which systematically looks at risks surrounding the Fund's past, present and future activities. The main processes involved in risk management are identified in the figure below and detailed in the following sections:



1. Risk Identification

The risk identification process is both a proactive and reactive one: looking forward i.e. horizon scanning for potential risks, and looking back, by learning lessons from reviewing how previous decisions and existing processes have manifested in risks to the organisation.

Risks are identified by a number of means including, but not limited to:

- formal risk assessment exercises managed by the Pension Fund Committee
- performance measurement against agreed objectives
- findings of internal and external audit and other adviser reports
- feedback from the local Pension Board, employers and other stakeholders
- informal meetings of senior officers or other staff involved in the management of the Fund
- liaison with other organisations, regional and national associations, professional groups, etc.
- legal determinations, including from the Pensions Ombudsman, Pensions Regulator and court cases

Once identified, risks will be documented on the Fund's risk register, which is the primary control document for the subsequent analysis, control and monitoring of those risks.

2. Risk Analysis & Evaluation

Once potential risks have been identified, the next stage of the process is to analyse and profile each risk. Risks will be assessed by considering the likelihood of the risk occurring and the impact if it does occur, with the score for likelihood multiplied by the score for impact to determine the current overall risk rating, as illustrated in Middlesbrough Council's Risk Matrix on the next page.

Likelihood	5	Almost Certain >80%	Low (5)	Medium (10)	High (15)	High (25)	High (35)
	4	Likely 51% - 80%	Low (4)	Medium (8)	High (12)	High (20)	High (28)
	3	Possible 21% - 50%	Low (3)	Medium (6)	Medium (9)	High (15)	High (21)
	2	Unlikely 6- 20%	Low (2)	Low (4)	Medium (6)	Medium (10)	High (14)
	1	Rare <6%	Low (1)	Low (2)	Low (3)	Low (5)	Medium (7)
			1	2	3	5	7
			Insignificant	Minor	Moderate	Major	Extreme

Risk/Impact Type	Impact				
Financial	<£0.1m	£0.1m - £0.5m	£0.5m - £1m	£1m - £3m	>£3m
Reputation	No publicity	Adverse internal publicity	Local media coverage	National media < 3 day coverage	National media > 3 day coverage
Health and Safety	No/minor injury	Superficial injuries, minor cuts and bruises, nuisance and irritation, ill health leading to temporary minor disability	Occupational deafness, dermatitis, allergy, WRULDs, RSIs, VWF, ill health leading to permanent minor disability. HSE Enquiry	Amputations, permanent loss of eyesight, major fractures, poisonings and gassings, severe/multiple/fatal injuries Long term disability or need for redeployment	Multiple fatalities
Data		Business critical information compromised	Serious breach of information confidentiality	Temporary loss of business critical information	Indefinite loss of business critical information
Staff Morale	Passing Problem, Days	Short term issue (weeks)	Staff morale – longer term issue (months)	Staff morale – significant problem (>12 months)	Staff morale – major breakdown/loss of staff confidence or management authority
Business Targets	Occasional missing of business targets by more than 20%	Frequent missing of business targets by more than 30%	Frequent missing of business targets by more than 40%	Frequent missing of business targets by more than 50%	Frequent missing of all business targets
Operational	Operational inconvenience not affecting quality of service	Service disruption causing operational inconvenience for up to 12 hours	Service interrupted and/or work area unusable, necessitating temporary working arrangements for up to 24 hours	Services curtailed for up to 48 hours and/or areas beyond the directorate affected	Services curtailed for more than 48 hours
Partnership	Weak partnerships – general inconvenience only	Weak partnerships – minor issues readily overcome	Significant weakness in partner relationships	Unreliable partner(s) in contracts	Partnership performance so bad needs dissolving
Legal		Minor out-of-court settlement	Civil action – no defence	Class action	Criminal prosecution – no defence

When considering the risk rating, the Administering Authority will have regard to the existing controls in place and these will be summarised on the risk register.

3. Risk Response

The Head of Pensions Governance and Investments will review the extent to which the identified risks are covered by existing internal controls and determine whether any further action is required to control the risk, including reducing the likelihood of a risk event occurring or reducing the severity of the consequences should it occur. Before any such action can be taken, Pension Fund Committee approval may be required where appropriate officer delegations are not in place. The result of any change to the internal controls could result in any of the following:

- **Tolerate** – the exposure of a risk may be tolerable without any further action being taken; this is partially driven by the Administering Authority's risk 'appetite' in relation to the Pension Fund;
- **Treat** – action is taken to constrain the risk to an acceptable level;
- **Terminate** – some risks will only be treatable, or containable to acceptable levels, by terminating the activity;
- **Transfer** - for example, transferring the risk to another party either by insurance or through a contractual arrangement.

The Fund's risk register details all further action in relation to a risk and the owner for that action.

4. Risk Monitoring & Review

Risk monitoring is the final part of the risk management cycle and will be the responsibility of the Pension Fund Committee. In monitoring risk management activity, the Committee will consider whether:

- the risk controls taken achieved the desired outcomes
- the procedures adopted and information gathered for undertaking the risk assessment were appropriate
- greater knowledge of the risk and potential outcomes would have improved the decision-making process in relation to that risk
- there are any lessons to be learned for the future assessment and management of risks.

5. Risk Reporting

Progress in managing risks will be monitored and recorded on the risk register. The risk register, including any changes to the internal controls, will be provided on an annual basis to the Pension Fund Committee.

The Pension Fund Committee will be provided with updates on a quarterly basis in relation to any changes to risks and any newly identified risks.

As a matter of course, the local Pension Board will be provided with the same information as is provided to the Pension Fund Committee and they will be able to provide comment and input to the management of risks.

In order to identify whether the objectives of this policy are being met, the Administering Authority will review the delivery of the requirements of this Policy on an annual basis taking into consideration any feedback from the local Pension Board.

The risks identified are of significant importance to the Pension Fund. Where a risk is identified that could be of significance to the Council it could also be included in the Council's Risk Register.

Key risks to the effective delivery of this Policy

The key risks to the delivery of this Policy are outlined below. The Pension Fund Committee will monitor these and other key risks and consider how to respond to them.

- Risk management becomes mechanistic, is not embodied into the day to day management of the Fund and consequently the objectives of the Policy are not delivered
- Changes in Pension Fund Committee and/or local Pension Board membership and/or senior officers mean key risks are not identified due to lack of knowledge
- Insufficient resources are available to satisfactorily assess or take appropriate action in relation to identified risks

- Risks are incorrectly assessed due to a lack of knowledge or understanding, leading to inappropriate levels of risk being taken without proper controls
- Lack of engagement or awareness of external factors means key risks are not identified.
- Conflicts of interest or other factors lead to a failure to identify or assess risks appropriately

Costs

All costs related to this Risk Policy are met directly by the Fund.

Approval, Review and Consultation

This Risk Policy will be presented to the Teesside Pension Fund Committee meeting on 15th December 2021. It will be formally reviewed and updated at least every three years or sooner if the risk management arrangements or other matters included within it merit reconsideration.

Further Information

If you require further information about anything in or related to this Risk Policy, 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 at:

www.teespen.org.uk

TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 12

TEESSIDE PENSION BOARD REPORT

11 APRIL 2022

DIRECTOR OF FINANCE – IAN WRIGHT

XPS 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

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Teesside Pension Fund

Service Delivery Report

2021/22

Teesside Pensions Fund

Headlines

LGPS investments in Russia

The UK Government has sanctions in place and is likely to introduce more as a result of events in Ukraine. The SAB advises any LGPS fund that is not already doing so to consider the implications for their investment portfolios.

September 2021 CPI rate announced

On 20 October 2021, the Office for National Statistics announced the Consumer Prices Index (CPI) rate of inflation for September 2021 as 3.1%.

Employer contribution bandings 2022/23

New Employee contribution bandings were released by the LGA in February 2022 which have increased by CPI. These have been fed back to employers via bulletin on 14/02/2022 and the websites will be updated shortly.

Finance (No.2) Bill 2021/22 On 2 November 2021,

HM Treasury (HMT) formally introduced the Finance (No.2) Bill 2021/22 to Parliament. The Bill includes a number of provisions that may affect the administration of the LGPS such as changes to annual allowance payment deadlines and increase to the Normal Minimum Pension Age. This received royal assent on 24/02/2022. The bill introduces the following

Clause 9: Annual allowance deadlines

Deadlines for electing for scheme pays and associated payment and reporting deadlines will be extended for certain members who are informed of a change in pension input amount for a past pension input period.

Clause 10: Normal minimum pension age

The normal minimum pension age will increase from 55 to 57 from 6 April 2028. This will not apply to members of uniformed services pension schemes. The Act provides for protected pension ages for members who meet the entitlement condition. We do not yet know whether DLUHC and SPPA intend to amend the LGPS regulations to introduce a protected pension age.

Clause 11: Power to change tax rules related to the McCloud remedy

The Act provides HM Treasury with the power to make regulations to address tax impacts that arise as a result of implementing the McCloud remedy. Different regulations may apply to different public service pension schemes. The regulations will have retrospective effect.

We are still waiting for a final version of the Act to be published. When it is, we will publish more detailed information about the provisions of the Act and its impact on LGPS administering authorities.

Pension scams: new restrictions on transfers

On 8 November 2021

the Government published its Response to Pension scams: empowering trustees and protecting members consultation (<https://www.gov.uk/government/consultations/pension-scams-empowering-trustees-and-protecting-members>)

The Occupational and Personal Pension Schemes (Conditions for Transfers) Regulations 2021 [SI 2021/1237] were laid (<https://www.legislation.gov.uk/uksi/2021/1237/contents/made>)

The Pensions Regulator (TPR) published TPR guidance on dealing with transfer requests. (<https://www.thepensionsregulator.gov.uk/en/pension-scams/dealing-with-transfer-requests>)

The regulations took effect from 30 November 2021. They introduce further legal restrictions on a member's statutory right to transfer. New administrator guides have been published by the LGA on the documents pages of www.lgpsregs.org and XPS have circulated the new guidance and procedures to our admin teams.

The DWP has confirmed that it may make changes to The Occupational and Personal Pension Schemes (Conditions for Transfers) Regulations 2021. The changes would mean that the presence of low-risk overseas investments would no longer constitute an amber flag.

SAB cost management result published

On 15 October 2021, SAB published the result of its cost management process for the 2016 scheme valuation. Although the Board reached agreement on how to include McCloud costs in the process in the summer, it was not able to publish the outcome until HM Treasury (HMT) published the Cost Cap Directions 2021.

SAB agreed to spread McCloud costs over a 10 year period (rather than the four years used in the HMT process), resulting in an outcome of 19.4 per cent against a target cost of 19.5 per cent. Despite the slight shortfall in cost SAB will not recommend any scheme changes.

HMT publishes consultation response on the cost control mechanism

On 4 October 2021, HM Treasury (HMT) published its response to the Public Service Pensions: cost control mechanism. The response can be found at the following link <https://www.gov.uk/government/consultations/public-service-pensions-cost-control-mechanism-consultation>

Legal challenge:

McCloud costs and cost control mechanism. Unions have launched a judicial review against the Treasury concerning including McCloud remedy costs in the cost control mechanism. The FBU, GMB and BMA argue that the cost of rectifying the discrimination should not be met by scheme members. The provisional results of the 2016 cost control mechanism showed that all public service schemes were cheaper than expected. This would have led to a reduction in contributions or improvements in benefits from April 2019 had the cost control process not been paused.

The Public Service Pensions (Valuations and Employer Cost Cap) (Amendment) Directions 2021

On 7 October 2021, HMT published the Public Service Pensions (Valuation and Employer Cost Cap) (Amendment) Directions 2021. This can be found at the following link <https://www.gov.uk/government/publications/public-service-pensions-completion-of-2016-valuations>

Autumn budget 2021

On 27 October 2021 the Government announced its Autumn 2021 budget and spending review. Of particular interest to the LGPS is the publication of the Government's response to the Call for Evidence on pensions tax relief administration. The response (<https://www.gov.uk/government/consultations/pensions-tax-relief-administration-call-for-evidence>) announces that it will introduce a system to make topup payments directly to low-earning members using the net pay arrangements. This will commence from 2025/26

Unsuitable pension advice customers eligible for compensation

The Financial Conduct Authority (FCA) has written to a total of 3,951 defined benefit(DB) pension transfer advice customers to tell them they might be eligible for compensation. Letters have been sent to customers of firms in liquidation where past business reviews have identified that the firm has given unsuitable advice to some customers.

Policy paper: Taxation of public service pension reform remedy

On 27 October 2021, HMRC published a Policy paper on the taxation of public service pension reform remedy. The paper outlines changes to the tax regime that are required to implement the McCloud remedy in the unfunded public service pension schemes. Provisions will be made in the Finance (No.2) Bill 2021-22

DWP launch second review of State Pension age

The review was launched on 14 December 2021. It will consider if the State Pension age (SPA) rules are still appropriate based on the latest life expectancy data and other evidence.

More information can be found at <https://www.gov.uk/government/news/second-state-pension-age-review-launches>

DWP responds to nudge consultation

The Department for Work and Pensions (DWP) responded to the consultation 'Stronger Nudge to pensions guidance' on 17 January 2022. On the same day, the DWP laid before Parliament the Occupational and Personal Pension Schemes (Disclosure of Information) (Requirements to Refer Members to Guidance etc) (Amendment) Regulations 2022. The regulations come into force on 1 June 2022 and apply to England, Scotland and Wales.

Amendments tabled to the PSPJO Bill

The Government tabled further amendments to the Public Service Pensions and Judicial Offices (PSPJO) Bill on 21 January 2022. This can be found at <https://bills.parliament.uk/bills/3032>

CIPFA partners with Isio to refresh its training for board members

On 27 January 2022, the Chartered Institute of Public Finance and Accountancy (CIPFA) announced that it has partnered with Isio to refresh its current training and support programme for LGPS pension board members. CIPFA expects to hold the first event of the programme re-launch in London in May 2022.

DLUHC Levelling Up White Paper

On 2 February 2022, the Department for Levelling Up, Housing and Communities (DLUHC) published the [Levelling Up White Paper](#). The paper includes the Government's intention to ask LGPS pension funds, working with the asset pools, to publish plans for increasing local investment, including setting an ambition of up to 5 percent of assets invested in projects which support local areas. We understand that 'local' refers to UK projects, rather than to projects local to a particular administering authority. We expect DLUHC to issue a consultation before the Parliamentary summer recess. We understand that consultation will also cover climate risk and reporting regulations and pooling guidance.

Consultation on reporting deadlines

HMRC is consulting on draft regulations associated with extending the deadlines for Scheme Pays. The (Draft) Registered Pension Schemes (Miscellaneous Amendments) Regulations 2022 are in addition to the changes introduced by the Finance Act 2022. It will be of particular relevance to public service pension schemes when dealing with members whose pension input amount for a past year is changed as a result of the McCloud remedy. The Government proposes that the regulations take effect from 6 April 2022. The short consultation will close on 15 March 2022.

Consultation on draft pensions dashboards regulations

DWP published a [consultation on the draft Pensions Dashboards Regulations](#) on 31 January 2022.

Automatic enrolment trigger remains the same DWP has published its review of the automatic enrolment trigger for 2022/23.

The earnings trigger will remain at £10,000. This is a real term decrease in the value of the trigger. The Government estimates this will bring 17,000 more savers into pension savings compared with increasing the trigger in line with average wage growth.

New member website

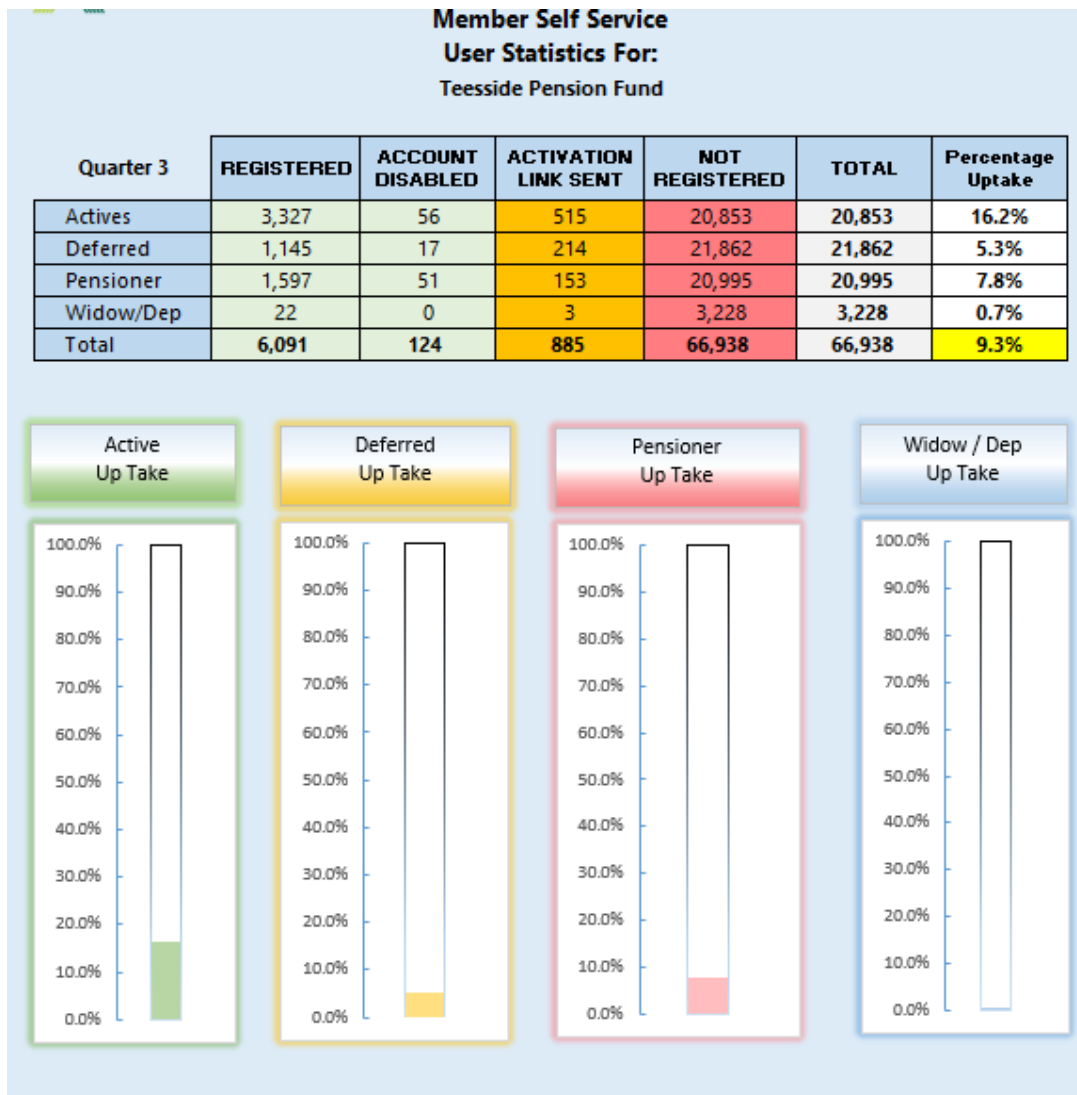
The LGA have confirmed they will shortly be releasing a new website for LGPS members. The website address will however remain the same – www.lgpsmember.org

Membership Movement

	Actives		Deferred		Pensioner		Widow/Dependent	
Q3 2021/22	24,729	▼	26,165	▲	22,710	▲	3,240	▲
Q2 2021/22	24,736	▲	26,040	▲	22,640	▲	3,261	▲
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:



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 IDRPs 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 IDRPs 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

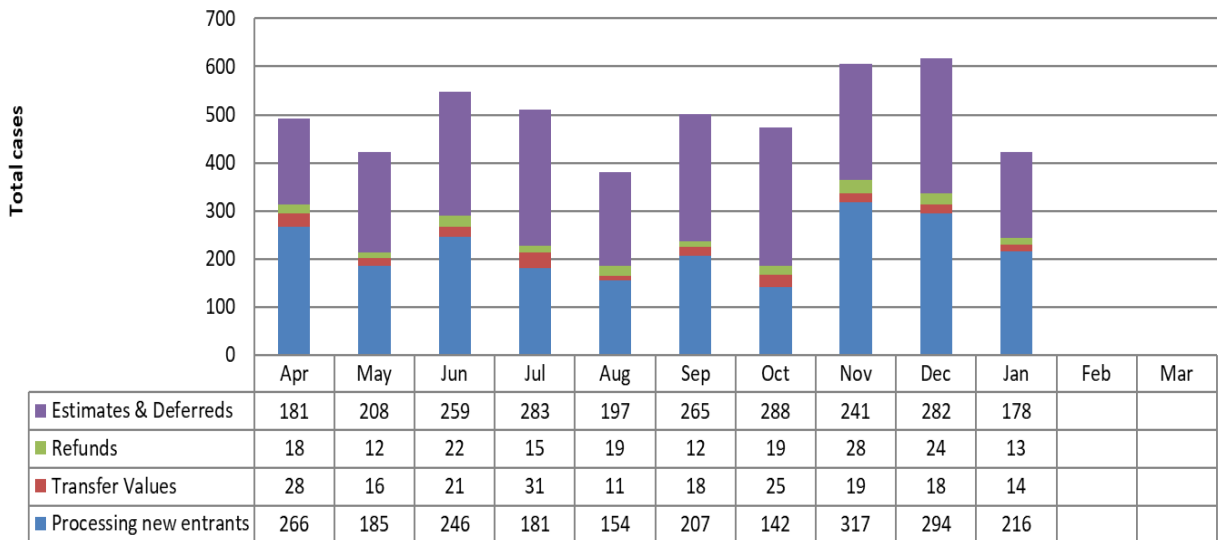
Within the last report, XPS provided details on the production and issuance of Annual Benefit Statements to Active members. For completion the data on the issuance of statements for deferred members is below:

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

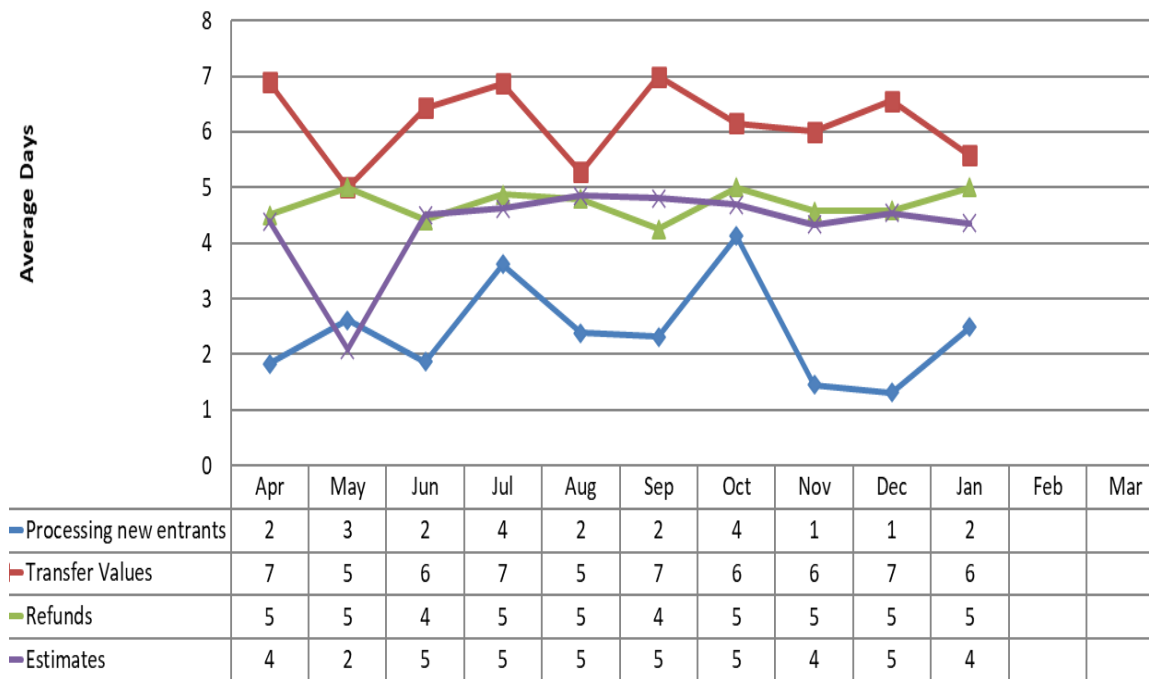
Performance Charts

Overall Demand

Demand by Task



Average days by Task



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

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KEY PERFORMANCE REQUIREMENTS (KPR)	MONITORING PERIOD (Annually, Quarterly, Monthly, Half Yearly)	KPR Day	MINIMUM PERFORMANCE LEVEL (MPL)	ACTUAL PERFORMANCE LEVEL (AP)	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 Day	MINIMUM PERFORMANCE LEVEL (MPL)	ACTUAL PERFORMANCE LEVEL (AP)	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		

February 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	Comments
All new entrant processed within twenty working days of receipt of application.	Monthly	20	98.50%	100.00%	2.66	97	0	97	97	
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	13	0	13	13	
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	11	0	11	11	
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	99.5%	5	219	1	219	218	
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			