TEESSIDE PENSION BOARD

A meeting of the Teesside Pension Board was held on Monday 14 November 2022.

PRESENT: Councillor S Walker, (Chair), P Thompson (Vice Chair), J Bell and J Stubbs

OFFICERS: S Lightwing and N Orton

ALSO IN ATTENDANCE: P Mudd, XPS

APOLOGIES FOR ABSENCE: Councillor W Ayre

22/14 **WELCOME AND EVACUATION PROCEDURE**

The Chair welcomed all present and read out the Building Evacuation Procedure.

22/15 **DECLARATIONS OF INTEREST**

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

22/16 **MINUTES - TEESSIDE PENSION BOARD - 18 JULY 2022**

The minutes of the meeting of the Teesside Pension Board held on 18 July 2022 were taken as read and approved as a correct record.

22/17 **MINUTES - TEESSIDE PENSION FUND COMMITTEE - 29 JUNE AND 27 JULY 2022**

Copies of the minutes of the meetings of the Teesside Pension Fund Committee held on 29 June and 27 July 2022 were submitted for information.

22/18 **TEESSIDE PENSION FUND COMMITTEE - 21 OCTOBER 2022**

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 21 October 2022.

The Investment Advisers had discussed future strategy for investments including the potential for buying Bonds which had been advised against for a number of years. In line with current strategy the Fund had reduced its equity holdings.

The Fund Actuary had given a presentation on the actuarial valuation and further information was provided at agenda item 13.

The Committee had considered a local investment proposal and agreed that Officers should carry out due diligence and provide an evaluation for consideration.

A Board member asked whether there were any concerns in relation to the companies currently invested in, given the current economic climate and likelihood of recession. It was confirmed that through Border to Coast the Fund invested in quality companies that would hopefully survive the recession and also the risk was spread across multiple companies.

It was noted that with regard to Employer Contributions, Employers had enjoyed lower contribution rates due to the Fund's performance but there was now potential for rates to increase. It was acknowledged that increasing contribution rates from Employers would be difficult – particularly in the current climate for local government which was both challenging and uncertain. However if rates were increased this would be in a gradual and controlled way.

Clarification was also provided regarding the cost of redundancies. In terms of cost to the Fund this was not an issue as the additional costs of redundancy had to be met by Employers.

AGREED that the information provided was received and noted.

22/19 **WORK PLAN UPDATE**

A report of the Director of Finance was presented to the Board on items scheduled in the work plan for consideration at the current meeting.

Annual Review of Board Training

In March 2021, the Pension Fund Committee agreed to a training programme following the participation in the National Knowledge Assessment. This was set out in Appendix B to the submitted report.

Some areas of the plan had been covered previously, including Environment Social and Governance (ESG) issues and McCloud. Other areas remained to be addressed – in particular the role of pension administration. This could be picked up through working with colleagues in XPS Administration. There had been significant changes of membership at the Board and consequently some issues and training areas might need to be revisited, either through the induction training for new members or through ongoing training.

Since 1 June 2022 Pension Fund Committee and Teesside Pension Board members have been able to access Hymans Robertson's Local Government Pension Scheme (LGPS) Online Learning Academy which was intended to cover all of the 'knowledge and understanding' requirements that Board members were legally required to obtain (and Pension Fund Committee members were strongly encouraged to obtain). A lot of topics covered within the Learning Academy and it was recommended that Members set aside some time each week to work through them at their own pace. It was intended that the Learning Academy would form a key aspect of training delivery for the Board and the Pension Fund Committee. As with all training, participation and feedback would be key to ensuring it was useful effective and relevant.

Regulator Code of Practice Gap Analysis

In July 2018 the Fund commissioned AON to carry out a comprehensive assessment on compliance against Code of Practice 14. The outcome was reported to the 23 July 2018 Board meeting. Overall compliance was assessed as good, although several areas for development or further consideration were identified. These were listed in the table at paragraph 6.4 of the submitted report alongside comments on progress since that assessment was made.

The Pensions Regulator consulted last year on significant changes to the content and format of its various codes of practice. An interim consultation response was issued on 24 August 2021, however, the final version of the 'single code' had not been published.

Based on the initial consultation and the response to this, it looked likely that pension schemes would have the following additional requirements under the single code of practice:

- Establish an "effective system of governance" (ESOG).
- Carry out an "Own Risk Assessment" (ORA).
- Have a written remuneration policy.
- Write a policy on the appointment of advisors and service providers.
- Consider climate change in their governance systems.
- Build robust cyber security systems.

In addition to the imminent changes expected to the Pensions Regulator's Code of Practice, the government had also recently indicated that it would be implementing the LGPS Scheme Advisory Board's 'Good Governance' recommendations.

In the light of the proposed changes expected to both the Code of Practice and the LGPS regulations or guidance covering the governance of the scheme, it made sense to carry out a further gap analysis to consider how the Fund complied with the expected regulations and where development was required. As these changes were not implemented or documented in their final form it would be more cost-effective to commission any assistance with this analysis once the final format of the new Code of Practice and Good Governance arrangements had been made public.

Review the outcome of Actuarial Reporting and Valuations

The latest triennial valuation of the Fund (as at 31 March 2022) was currently in progress. Reports have been brought to the last and the current Board meeting outlining progress – these have been in the private agenda owing to commercial sensitivity around draft information and the intellectual capital contained in the reports. The Board would be kept informed throughout the valuation process, with the final report due to be published by the end of March 2023. The Board would have the opportunity to discuss the final valuation outcome and report at the April 2023 meeting.

It was suggested that an area for future consideration for Board Members' training was the topic of Cyber Security.

AGREED as follows:
1. that the information provided was received and noted.
2. Cyber Security would be added to the Board's Work Plan for consideration at a future meeting.

22/20 **UPDATE ON CURRENT ISSUES - DISCRIMINATION IN PROVISION OF SURVIVOR BENEFITS**

A report of the Director of Finance was presented to provide Members of the Teesside Pension Board with an update regarding the long-standing discrimination built into the Local Government Pension Scheme (LGPS) regulations regarding the payment of survivor benefits, and as yet unexecuted proposals to remove some of this discrimination.

The Government carried out a Review of Survivor Benefits in Occupational Pension Schemes (published in June 2014) as it was required to do so under the Marriage (Same Sex Couples) Act 2013 in order to consider the differences in survivor benefits between different groups and the costs and other effects of eliminating those differences. The Review estimated the capitalised cost (eight years ago) of removing differences in survivor benefits between opposite sex surviving couples, same sex surviving spouses and surviving civil partners in all public service pension schemes at around £2.9 billion. Only some of the amount related to the LGPS but nevertheless the cost to the LGPS would represent a noticeable sum. No attempt was made to equalise historic benefits following this Review.

The Goodwin Employment Tribunal case was brought in 2020 against the Secretary of State for Education in relation to survivor benefits in the Teachers' Pension Scheme. The Goodwin case identified male survivors of opposite-sex marriages and civil partnerships in the Teachers' Pension Scheme were treated less favourably than survivors in same-sex marriages and civil partnerships.

The same position applied in the LGPS and other public service pension schemes. To date, no legislative changes had been consulted upon to make the necessary changes to the LGPS regulations. Even when implemented the changes would only apply to pensioners who had died since 2005 (as this was when same-sex dependants could first get a pension in the LGPS and other public service pension schemes). Also, the changes would only mean pensionable service was calculated from 1988, not from date of joining if that was earlier. This meant the changes required to remove the discrimination identified by the Goodwin ruling would reduce but not eliminate discrimination in the provision of survivor benefits in the LGPS.

The Board would be kept up to date with any future developments in relation to changes to the LGPS regulations as a consequence of the Goodwin case. It was suggested that a letter was sent to the National Scheme Advisory Board requesting further information in relation to the timescale for implementing the legislative changes required to make the necessary changes to the LGPS as a result of the Goodwin Employment Tribunal.

AGREED as follows that:
1. the information provided was received and noted.
2. on behalf of the Board, the Head of Pensions Governance and Investments would write to the National Scheme Advisory Board requesting information on the timescale for legislative

changes following the outcome of the Goodwin Employment Tribunal.

22/21 **CONSULTATION ON MANAGING AND REPORTING CLIMATE-RELATED RISKS**

A report of the Director of Finance was presented to provide Members of the Board with details of an ongoing consultation exercise on managing and reporting climate-related risks in the Local Government Pension Scheme (LGPS), and to advise that a consultation response would be provided.

On 1 September 2022 the Government issued a long-anticipated consultation document on managing and reporting climate-related risks in the Local Government Pension Scheme (LGPS). The proposals in the consultation were mainly aimed at Administering Authorities (AAs) of LGPS Funds and were summarised in the submitted report. A copy of the consultation document was attached at Appendix A to the submitted report. The following points were highlighted:

The proposed requirements were similar to those that already applied to trustees of larger private sector pension schemes – those with 'relevant assets' of £5 billion or more had been in scope of similar requirements since 1 October 2021 and those with assets of £1 billion or more since 1 October 2022. There was no proposed phasing in introducing these requirements to the LGPS, they would come in force from the year starting 1 April 2023 with the first report due to be published by 1 December 2024.

The consultation made explicit reference to not wanting to encourage schemes to divest from energy companies, but instead to encourage a (more gradual) transition to cleaner energy: "The UK Energy Security Strategy was published in April 2022 and emphasises the importance of investment in energy by the private sector to improve energy security and support the transition to clean energy. The LGPS has an important role to play as a major investor with a commitment to stewardship and engagement. These proposals seek to support that approach to addressing high carbon emissions and discourage any pursuit of lower emissions through withdrawing investment from energy companies." This pragmatic approach was unlikely to placate pressure groups.

There was acknowledgement in the document that data quality would be an issue, and administering authorities would be required to report on their assessment of the quality of the data available to them. The methods for analysing the data were also less than perfect, and the document acknowledged this, for example stating: "We would expect AAs to aim to do the best scenario analysis that they can, and to aim to improve their scenario analysis over time".

The document considered the increasingly important role the LGPS pool companies would play in providing data and analysis in relation to climate risks and recommended close working between funds and pools to ensure consistency: "Pool operators are required to report on climate risks in relation to pooled assets by the Financial Conduct Authority. If AAs' strategies significantly differ it will be resource intensive for their pool to produce analysis for them. We expect to see this issue reduce in importance over time as more assets transition into the pools. AAs could also minimise this issue by aligning their strategies and targets within their pool and ensuring as shareholders that the pool's strategy also aligns with that of the partner AAs. This would enable AAs to commission their pool to conduct analyses for both pooled and non-pooled assets on a consistent basis with the pool's own reporting."

Administering authorities would be required to take "proper" advice on the issues set out in the consultation. No clear definition was given of this, but it appeared further guidance would be provided in due course: "The scheme manager will need to appoint properly qualified advisers, fully consider their advice, and take appropriate action in order to address these risks. The committee's officers and advisers and the pool, where appropriate, will need to provide advice which is accessible for non-specialists and adequately addresses climate risks to the fund, bringing in additional expertise where needed. We propose to provide statutory guidance to assist AAs".

The consultation period would end on 24 November 2022. The Teesside Pension Fund Committee had agreed that the Head of Pensions Governance and Investments would provide a response to the consultation taking into account views and information from Border to Coast and the other Partner Funds, where available. Further information on the final regulations and guidance would be provided to the Board as it became available.

AGREED that the information provided was received and noted.

22/22 **XPS ADMINISTRATION REPORT**

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

The report provided information on the following:

- Overview.
- Member Movement.
- Member Self Service.
- Pension Regulator Data Scores.
- Customer Service.
- Completed Cases Overview.
- Completed Cases by Month.
- Complaints.

The overview covered the recent regulations and guidance issued, much of which had already been covered in the meeting. XPS were represented at the National LGPS Technical Group regionally and kept updated on changes and actions required from a regional and nation perspective on the Fund.

Membership movement was consistent – the number of actives had slightly reduced and deferreds and pensioners had increased. There had been a slight reduction in widows and dependents.

With regard to Member Self Service XPS was keen to move forward with online membership as this would free up the team to deal with other enquiries.

The Pension Regulator Data Scores were similar to the previous report. Work had been undertaken on mortality and address screening to try and find deferred members in particular. Once the Pensions Dashboard was operational it would be easier for people to view all their pension information in one place and potentially get in touch if their LGPS pension was missing.

In relation to Scheme Specific Data, XPS was building tests to accurately score the data held. This would enable XPS to target individual data cleansing exercises.

There had been less views on the website during October although mobile and tablet usage had increased slightly. The top search item currently was people looking at opting out, which was a concern. XPS were preparing a communication in relation to the cost of living crisis to promote the many benefits of the pension scheme. The 50/50 scheme would also been promoted as part of this exercise.

XPS had engaged with Employers making late payments and established the reasons for this. Action had been undertaken by Employers to correct the situation.

XPS had recorded 100% compliance on all Key Performance Indicators (KPIs) in the last recording period.

There had been one complaint which had been resolved.

A request was made as to whether seasonal workers could be signposted to join the Scheme. It was confirmed that XPS had contacted Employers in the last year about this issue. A contract of three months or more was required for people to join the scheme. If they left before two years' service, their contributions would be returned. It was confirmed that agency staff could not join the scheme as the Employer needed to be a scheme member.

AGREED that the information provided was received and noted.

22/23 **ANY OTHER URGENT ITEMS WHICH IN THE OPINION OF THE CHAIR, MAY BE**

CONSIDERED

None.

22/24 **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.

22/25 **ACTUARIAL VALUATION UPDATE**

An update was provided on the Actuarial Valuation as at 31 March 2022.

AGREED that the information provided was received and noted.