Middlesbrough
moving forward

Legal and Governance

TEESSIDE PENSION BOARD

Date:	**Monday 14th November, 2022**
Time:	**2.00 pm**
Venue:	**Oberhausen Room**

AGENDA

11. Any other urgent items which in the opinion of the Chair, may be considered

12. Exclusion of Press and Public

    To consider passing a Resolution Pursuant to Section 100A (4) Part 1 of the Local Government Act 1972 excluding the press and public from the meeting during consideration of the following items on the grounds that if present there would be disclosure to them of exempt information falling within paragraph 3, of Part 1 of Schedule 12A of the Act and the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

Charlotte Benjamin
Director of Legal and Governance Services

Town Hall
Middlesbrough
Friday 4 November 2022

MEMBERSHIP

Councillors S Walker (Chair), P Thompson (Vice-Chair), W Ayre
J Bell and J Stubbs

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 18 July 2022.

PRESENT: Councillor S Walker (Chair) and P Thompson (Vice-Chair)

ALSO IN ATTENDANCE: P Mudd (XPS Administration)

OFFICERS: S Lightwing, N Orton and W Brown

APOLOGIES FOR ABSENCE: were submitted on behalf of J Bell

22/1 WELCOME AND EVACUATION PROCEDURE

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

22/2 DECLARATIONS OF INTEREST

There were no declarations of interest received at this point in the meeting.

22/3 APPOINTMENT OF CHAIR

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

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

Whoever the Board appointed as Chair would serve the remainder of the employer representative's two year term of office as Chair, which would end on 14 November 2023.

ORDERED that Councillor S Walker was appointed Chair of the Teesside Pension Board until 14 November 2023.

Councillor Walker chaired the meeting from this point.

22/4 MINUTES - TEESSIDE PENSION BOARD - 11 APRIL 2022

The minutes of the meeting of the Teesside Pension Board held on 11 April 2022 were taken as read and approved as a correct record.

22/5 MINUTES - TEESSIDE PENSION FUND COMMITTEE - 16 MARCH 2022

A copy of the minutes of the Teesside Pension Fund Committee meeting held on 16 March 2022 was submitted for information.

22/6 TEESSIDE PENSION FUND COMMITTEE - 29 JUNE 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 29 June 2022.

The Investment Advisors had provided their views on the current economic situation and outlook. Inflation was showing more persistence than originally expected which could impact on the Fund. The Fund was holding over £800m in cash and higher inflation would potentially devalue it. About £100m would be utilised over the next month and officers continued to look for suitable investments rather than holding cash in the bank with only 1% return.

The Advisors had slightly different views on investment strategy, with one recommending equities in the long term and the other suggesting the Fund might consider Bonds.

Two representatives from Hymans Robertson were present at the meeting and gave a presentation in relation to the actuarial valuation process, timetable and some of the assumptions in the valuation.

There was some discussion in relation to investments in Russia, however the position had not changed since March 2022. The Fund had around £5m invested in six different companies through Border to Coast and the value had been written down to zero.

AGREED that the information provided was received and noted.

22/7 **DRAFT ANNUAL PENSION FUND REPORT AND ACCOUNTS 2021/22**

A report was provided to present Members of the Teesside Pension Board (the Board) with the 2021/22 draft unaudited Annual Report and Accounts for the Teesside Pension Fund.

The terms of reference for the Teesside Pension Fund Committee required the Annual Report and Accounts to be considered by Members. The draft unaudited Report and Accounts for the year ended 31 March 2022 were attached to the submitted report and an updated version would be presented to the Pension Fund Committee meeting on 27 July 2022.

The overall financial performance of the Fund for the year to 31 March 2022 was very positive for a second consecutive year. The Fund's value rose to £5.073 billion, an increase over the year of approximately £514 million. This increase in value was mainly a result of equity market performance, which was positive for the year as a whole, albeit deteriorating towards the end of the year and beyond.

The Fund's asset value as at 31 March 2022 would be used by the Fund Actuary when calculating the three-yearly valuation of the Fund. The value of the Fund's assets had risen by around a billion pounds in the three years since the last valuation, an increase of around 25% in that period compared with an expected increase (based on the Actuary's assumptions) of around 14%. Although welcome news, it was important to recognise the long-term nature of the Fund and the volatility of many of its assets meant that the Actuary had to look beyond just the immediate value of the assets when carrying out the valuation.

In addition, the size of the Fund's liabilities (the cost of paying current and future benefits) was just as important when carrying out the valuation and setting employer contribution rates. Factors such as the Actuary's view of future inflation rates, future investment returns and life expectancy expectations played a key part in the Actuary's valuation calculations.

The membership of the Fund had increased, with total membership at the year-end standing at 77,895. This was an increase of 4,696 over last year. The number of active members had increased by 1,196 or 4.9% over the year, and increased by 9.2% over the past four years. The number of pensioners increased by 846 or 3.3% over the year, and increased by 15.2% over the past four years. The number of deferred members had increased by 2,927 or 12.6% over the year, and increased by 12.9% over the past four years. It was highlighted that most of the increase in the number of deferred members was due to those individuals who had left employment but had not yet had their benefits fully processed now being recognised in the count of deferred members. This also explained some of the increase in total headcount.

Every three years the Fund Actuary, carried out a full actuarial valuation of the Fund. The purpose was to calculate how much employers in the scheme needed to contribute going forward to ensure that the Fund's liabilities, the pensions due to current and future pensioners, would be covered. Unlike all the other major public sector schemes the Local Government Scheme is a funded scheme. That meant there was a pool of investments producing income which met a significant part of the liabilities.

The latest actuarial valuation of the Fund was as at 31 March 2019, with the final report published at the end of March 2020. The Actuary calculated to what extent the Fund's assets met its liabilities and this was presented as a Funding Level. The aim of the Fund was to be 100% funded. At the latest valuation the Actuary was able to declare a funding level of 115%. This was particularly pleasing since it is the third time in succession that the Fund was able to declare it was fully funded. The next valuation was due to be carried out as at 31 March 2022, with the final report due to be published in March 2023 and any changes required to employer contribution rates due to come into force from April 2023.

Financial Reporting Standards (FRS) and International Accounting Standards (IAS) required employers to disclose their share of the assets and liabilities in the Pension scheme in their accounts. The Fund's actuary, Hymans Robertson, offered to produce reports for the employers in the Teesside Pension Fund containing the figures which each needed to disclose in order to comply with the requirements of these standards.

Although the Fund was actuarially fully funded, the Employers still had FRS/IAS deficits due to the way the figures in the reports were calculated. However, it was clarified that the FRS/IAS calculations had no impact on the actual Funding Level of the Fund or the Employers within it.

The Annual Report and Accounts presented to the Board were in draft form and, whilst the main numbers and outcomes were not expected to change, changes might be needed as further review took place. Some gaps or text from the previous year existed in this draft where further input was required and some charts remained to be updated. An updated draft would be presented to the Pension Fund Committee later this month. In addition, the audit process was not complete and further changes might be required as a consequence. When complete and fully audited, the Annual Report and Accounts would be published on the Pension Fund's website.

AGREED that the 2021/22 draft unaudited Annual Report and Accounts were noted.

22/8 **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:

<u>LGPS and Levelling Up</u>

Since this issue was last reported to the Board, the Fund, along with other LGPS Funds and pooling companies (including Border to Coast) had been trying to obtain further detail in relation to these plans. As yet, nothing was confirmed but the current expectation was that the Government would not be expecting LGPS Funds to report on investments made within their specific local area, but was looking to leverage LGPS assets to invest further in projects across the UK (or possibly across England and Wales) – primarily infrastructure but possibly private equity investments as well. Further updates would be provided when available.

<u>Scheme Advisory Board Annual Report 2021/2022</u>

The Scheme Advisory Board (SAB) published its ninth Annual Report for the Local Government Pension Scheme (LGPS) in England and Wales recently. The report could be found on the SAB website at the following link: https://lgpsboard.org/index.php/foreword-2021

The report emphasised that the LGPS is one of the largest defined benefit (DB) schemes in the world and was the largest DB scheme in England and Wales, with 14,448 active employers, 6.2m members and assets of £342bn.

Key highlights for the LGPS were listed as follows:

- Total membership of the LGPS grew by 66,624 (1.08%) to 6.226 m members in 2021 from 6.160 m in 2020.
- The total assets of the LGPS increased to £342bn (a change of 23.4%). These assets were invested in pooled investment vehicles (66.2%), public equities (13.4%) bonds (4.6%), direct property (2.3%), as well as other asset classes (8.7%).
- The Local Authority net return on investment over 2020/21 was 20.56%. This was reflective of the market conditions during the year and set against the UK equities return of 30%.
- The scheme maintained a positive cash-flow position overall, including investment

income.
- Over 1.8m pensioners were paid over the year.
- CoViD-19 significantly impacted life expectancy - with a drop of 0.9 years and 0.5 years for males and females respectively (2019 figures v 2020).
- Total management charges increased by £196m (+12.9%) from £1,517m. This was primarily driven by a £193m (14.9%) rise in investment management charges, while administration and oversight and governance costs remained broadly stable.

The main activity for the SAB during the year ending 31 March 2021 was listed as dealing with issues relating to the McCloud discrimination case, the good governance project, the government's introduction of the £95k exit payment cap (subsequently removed) and responsible investment guidance. In addition, the SAB directed a large part of its resources to responding to the Covid-19 crisis and supporting the sector through that and the ensuing changes in ways of working.

LGPS On-Line Learning Academy

The Fund has recently purchased Hymans Robertson's LGPS On-Line Learning Academy and has ensured that every Pension Fund Committee and Teesside Pension Board member had access to it. The Learning Academy provided a suite of short training videos explaining different aspects of the pension scheme, covering administration, governance and investments as well as current pension issues such as measuring the carbon exposure of the Fund's investments and other responsible investment issues. It was intended to cover all of the knowledge and understanding requirements that Pension Board members were legally required to obtain.

There were a lot of topics covered within the Learning Academy it was recommended that Board Members set aside some time each week to work through them at their own pace. There were short quizzes included to ensure the training was effective, and certificates were available for completion of different sections.

Appendix A to the submitted report contained a few introductory slides showing what Members could expect from the Leaning Academy. Members were requested to provide feedback at any point in relation to the product.

AGREED that the information provided was received and noted.

22/9 **WORK PLAN UPDATE**

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.

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). These were typically areas that the Pensions Regulator and/or the Scheme Advisory Board had identified as important for Local Pension Boards to consider.

Record Keeping

The Pensions Regulator's website contained the following overview of what record keeping means for pension scheme trustees and those running public service pension schemes: "As a pension trustee or someone running a public service scheme you are responsible for making sure the scheme has good records. This is still the case if you use a third party administrator.

To manage a scheme properly you need to make sure it has accurate, complete and up-to-date records. You should have controls and processes in place to maintain these standards. Failure to maintain complete and accurate records means you are at risk of not meeting your legal obligations. Poor record-keeping can have a huge impact on members and can be very expensive for your scheme if things go wrong due to bad or missing data." (www.thepensionsregulator.gov.uk/en/trustees/contributions-data-andtransfers/record-keeping).

The Regulator recommended that those responsible for pension schemes (in the case of

Teesside Pension Fund - Middlesbrough Council as administering authority) undertook the following actions in relation to record keeping:

- Regularly review scheme data, notify the Pensions Regulator about data quality through the annual scheme return;
- Work with the administrator to improve data where it is not good enough to run the scheme effectively;
- Take an active role in monitoring data quality and accuracy and the controls around it.
- Discuss record-keeping at meetings.

The Regulator emphasised that good record keeping was vital so that:

- Defined benefit schemes (such as the Local Government Pension Scheme (LGPS)) had accurate funding plans in place.
- Defined contribution schemes could process core financial transactions promptly and accurately (this had some relevance to the LGPS in relation to Additional Voluntary Contributions which were provided on a defined contribution basis).
- All schemes could meet pensions dashboards requirements.

The types of records required to be kept included those relating to:

- Meetings and decisions of the body/bodies responsible for running the scheme.
- Scheme documents including trust deeds and rules (for the LGPS these are regulations, not trust deeds and rules), and details of any rule (regulation) changes.
- Scheme member information, including common data and scheme-specific data.
- All contributions received.
- All other payments to and from the scheme.
- Transfers of members' benefits and related assets.

The Council, as administering authority for the Fund, was responsible for maintaining all of the types of records. With the exception of records of meetings and decisions (which were maintained by the Council's Democratic Services team and, where possible, published on the Council's website) and the scheme regulations (which were maintained on the national LGPS website www.lgpsregs.org), the other records were maintained on the Council's behalf by XPS Administration (XPS), the outsourced pensions administration provider.

XPS provided an administration report every quarter to the Pension Fund Committee and the Teesside Pension Board which included information on data quality regarding details of common data and scheme specific data and any late contributions received from scheme employers.

Areas of improvement to data quality had been raised with XPS and discussed by the Committee and Board, including engaging a third party specialist provider to assist in finding correct home addresses in relation to 'gone away' deferred scheme members, and continuing to work to improve the coverage of scheme specific data. XPS was also due to launch monthly data exchange with scheme employers, piloting this with a small number of employers initially. This would improve the quality and accuracy of the member data held by the Fund and help prepare the Fund for submitting data to pensions dashboards.

Resolving Internal Disputes

Where an individual was unhappy with a decision made or an act or omission by a scheme employer or the administering authority in relation to their rights or benefits in the Fund, they could formally raise a dispute under the two stage Internal Dispute Resolution Procedure.

The leaflet attached at Appendix B set out the full details of the Procedure. The Procedure was summarised in the submitted report.

XPS provided information on complaints, dispute cases and any cases referred to the Pensions Ombudsman within their quarterly administration update to the Pension Fund Committee and the Teesside Pension Board.

AGREED that the information provided was received and noted.

22/10 **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 was presented in a new format and Members were invited to provide feedback on it. The report provided information into the following sections:

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

XPS continued to encourage use of Member Self Service with a view to dispensing with paper Annual Benefit Statements where appropriate and issuing them online only. XPS was still awaiting some information from a single employer to enable this year's Statements to be completed. This was being chased up and measures were in place so that if it was not forthcoming it would not impact on the actuarial valuation, so far as other Employers were concerned.

A new admin tool called I-Connect was being introduced and some testing would take place with Employers. I-Connect would help ensure that pensions information would be more accurate and up to date and should provide a more efficient service for Members.

The pension data scores were complete and accurate and all had correct data. There was a good common data score and XPS worked on trying to improve it. As well as addresses there was a mortality screen.

In relation to scheme specific data XPS was trying to build these tests in house. Seven tests had been built to date and there was an ambition to provide an updated score on all tests.

Customer Service: Members were requested to complete a questionnaire on retirement. The results had been consistent over the last 5 years. This facility would move online. XPS would listen and learn from the feedback provided.

Analytics on website usage were provided on page 12 of the submitted report. XPS continued to develop the website and seek feedback from Employers.

Details of late payments from Employers were included in the submitted report. It was confirmed that some of these were from the same Employers and one reason was issues with financial systems. It was anticipated that the issues would be resolved in the near future.

Administration Team performance: out of 1024 cases there had been two fails across the quarter. They were estimates of benefit but nothing that affected the scheme members. The estimates were completed as quickly as possible and usually only a day or so outside of the required time.

There were no complaints in the last quarter. There were a couple of cases at IDRP stage which would be reported back to the Board when complete.

AGREED that the information provided was received and noted.

22/11 **ANY OTHER URGENT ITEMS WHICH IN THE OPINION OF THE CHAIR, MAY BE CONSIDERED**

None.

22/12 **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.

22/13 **ACTUARIAL VALUATION UPDATE**

A report of the Director of Finance was presented to update the Board on progress on the ongoing triennial actuarial valuation of the Pension Fund as at 31 March 2022.

AGREED that the information provided was received and noted.

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TEESSIDE PENSION FUND COMMITTEE

A meeting of the Teesside Pension Fund Committee was held on Wednesday 29 June 2022.

PRESENT: Councillors D Coupe (Chair), A Bell, R Creevy, Ms J Flaws, Mr B Foulger, J Hobson, D McCabe, E Polano (Vice-Chair), J Rostron, G Wilson and Mr T Watson (UNISON Representative)

ALSO IN ATTENDANCE: W Bourne (Independent Adviser), P Moon (Independent Advisor) P Mudd (XPS Administration), Baillie (Hymans Robertson), D Green (Hymans Robertson), Baxter (CBRE), A Peacock (CBRE) and Lyons (Border to Coast)

OFFICERS: W Brown, S Lightwing and N Orton

APOLOGIES FOR ABSENCE: were submitted on behalf of Councillors J Beall, T Furness, S Hill and G Nightingale

22/1 **WELCOME AND EVACUATION PROCEDURE**

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

22/2 **DECLARATIONS OF INTEREST**

Name of Member	Type of Interest	Item/Nature of Interest
Councilor J Rostron	Non Pecuniary	Member of Teesside Pension Fund
Councillor R Creevy	Non Pecuniary	Member of Teesside Pension Fund

22/3 **MINUTES - TEESSIDE PENSION FUND COMMITTEE - 16 MARCH 2022**

The minutes of the meeting of the Teesside Pension Fund Committee held on 16 March 2022 were taken as read and approved as a correct record.

22/4 **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 2022 were 16.13%. 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, £26.7 million was invested in Alternatives. The Fund was 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 January 2022 to 31 March 2022. There were net sales of £252 million in the period, this compared to net sales of £60.3 million in the previous reporting period.

As at 31 March 2022, the Fund had £817.4 million invested with approved counterparties. This was an increase of £252.2 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 31 March 2022, including cash, was £5,071 million, compared with the last reported valuation as at 31 December 2021, of £5,040 million.

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.

In line with the agreed strategy, the Fund had reduced its equity allocation from 70% to 60% by selling units in BCP equity funds.

A pie chart showing the current asset allocation in visual form was provided on page 41 of the submitted report.

The Border to Coast Series 2 Alternative Funds went live on 1 April 2022 and the Teesside Pension Fund had agreed to commit £150m per year for the next 3 years to the Infrastructure Fund and £100m per year for the next 3 years to the Private Equity Fund.

The Fund had also subscribed to an investment of £100m over the 3 year period to a new Border to Coast Climate Opportunities Fund, however due to over-commitments this was scaled back to £80m.

As at 31 May 2022 total commitments to private equity, infrastructure, other alternatives and other debt were approaching £1,533m.

ORDERED that the report was received and noted.

22/5 **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 31 March 2022 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. As at 31 May 2022 total commitments of £750 million had been made to these sub-funds (£350m to infrastructure and £300m to private equity) with around 20% of this commitment invested so far. These investments were not reflected within the Border to Coast report attached at Appendix A to the submitted report.

The Border to Coast report showed the market value of the portfolio as at 31 March 2022 and the investment performance over the preceding quarter, year, and since the Fund's investments began. Border to Coast had also provided additional information within an appendix to that report in relation to the Overseas Developed Markets Equity Fund, giving a breakdown of key drivers of and detractors from performance in relation to each of its four regional elements. Market background information and an update of some news items related to Border to Coast were also included. Border to Coast's UK Listed Equity Fund had underperformed over the last year, whereas the Overseas Developed Markets Equity Fund had over performed. Since inception, both Funds had delivered performance roughly in line with their targets. The performance of the Emerging Markets Equity Fund had been below benchmark throughout most of the period of the Fund's investment – recent performance had been adversely affected by an overweight position in Russia prior to the invasion of Ukraine. It was confirmed that the Fund had approximately £5 million in Russian investments through Border to Coast which equated to about 0.1% of the Fund's assets.

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 31 March 2022.

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.

ORDERED that the report was received and noted.

22/6 **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 all pools were struggling to recruit staff on the investment side and whilst Border to Coast had been set up well there was a concern that another pool that was not doing so well might be forced to join it.

Although inflation might be persistent there would still be economic growth due to the fact that people had kept savings during the pandemic.

It was also noted that even if the funding level came down the fund was well placed to pay pensions in the future.

ORDERED that the information provided was received and noted.

22/7 **PRESENTATION FROM BORDER TO COAST**

Members received a presentation from Border to Coast in respect of the following items:

- Border to Coast Update
- Investment Valuation and Commitments
- Listed Equity Fund Updates
- UK Listed Equity Fund
- Overseas Developed Markets
- Emerging Markets Equity
- Alternatives Update
- Private Equity
- Infrastructure

ORDERED that the information provided was received and noted.

22/8 **CURRENT ISSUES**

A report was presented to provide Members of the Pension Fund Committee (the Committee) with an update on current issues affecting the Pension Fund locally or the Local Government

Pension Scheme (LGPS) in general.

LGPS and Levelling Up

Further to the information provided at the March meeting of the Committee,_as yet, nothing was confirmed, but the current expectation was that the Government would not be expecting LGPS Funds to report on investments made within their specific local area, but was instead looking to leverage LGPS assets to invest further in projects across the UK (or possibly across England and Wales) – primarily infrastructure but possibly private equity investments as well. Further updates would be provided when available.

Scheme Advisory Board Annual Report 2021/2022

Earlier this month the Scheme Advisory Board (SAB) published its ninth Annual Report for the Local Government Pension Scheme (LGPS) in England and Wales. The report was available on the SAB website at the following link: https://lgpsboard.org/index.php/foreword-2021

The report emphasised that the LGPS was one of the largest defined benefit (DB) schemes in the world and the largest DB scheme in England and Wales, with 14,448 active employers, 6.2 million members and assets of £342 billion.

Key highlights for the LGPS were listed as follows:

- Total membership of the LGPS grew by 66,624 (1.08%) to 6.226 million members in 2021 from 6.160 million in 2020.
- The total assets of the LGPS increased to £342 billion (a change of 23.4%). These assets were invested in pooled investment vehicles (66.2%), public equities (13.4%) bonds (4.6%), direct property (2.3%), as well as other asset classes (8.7%).
- The Local Authority net return on investment over 2020/21 was 20.56%. This was reflective of the market conditions during the year and set against the UK equities return of 30%.
- The scheme maintained a positive cash-flow position overall, including investment income.
- Over 1.8 million pensioners were paid over the year.
- Covid-19 significantly impacted life expectancy - with a drop of 0.9 years and 0.5 years for males and females respectively (2019 figures v 2020).
- Total management charges increased by £196 million (+12.9%) from £1,517 million. This was primarily driven by a £193 million (14.9%) rise in investment management charges, while administration and oversight and governance costs remained broadly stable.

The main activity for the SAB during the year ending 31 March 2021 was listed as dealing with issues relating to the McCloud discrimination case, the Good Governance Project, the government's introduction of the £95k Exit Payment Cap (subsequently removed) and Responsible Investment guidance. In addition, the SAB directed a large part of its resources to responding to the Covid-19 crisis and supporting the sector through that and the ensuing changes in ways of working.

LGPS Online Learning Academy

The Fund had recently purchased Hymans Robertson's LGPS On-Line Learning Academy and had ensured that every Pension Fund Committee and Local Pension Board member had access to it. The Learning Academy allowed Members to access a suite of short training videos explaining different aspects of the pension scheme, covering administration, governance and investments as well as current pension issues such as measuring the carbon exposure of the Fund's investments and other responsible investment issues. It was intended to cover all of the 'knowledge and understanding' requirements that Pension Board members were legally required to obtain (and Pension Committee members were strongly encouraged to obtain).

It was suggested that Members worked through the training at their own pace and provide feedback to the Head of Pensions Governance and Investment.

ORDERED that the information provided was received and noted.

22/9 **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.

The market in real estate had slowed as investors paused due to higher inflation and debt rates. There was strong competition for the best assets and fewer buyers. The available stock was not related to any particular sectors although there was still some nervousness around the retail and office sectors. There was still a healthy amount of capital available for the markets.

It was confirmed that the Fund was underweight in office accommodation and was less exposed to the lower demand in this sector following the pandemic.

The portfolio valuation had shown an increase of 3.4% in June 2022 which was above the 2% expected. There are had been no sales or acquisitions during the period and the void rate for properties remained low.

One of the Fund's largest debtors - Nuffield Health - had cleared their arrears and overall arrears were now back to pre-pandemic levels. Shoe Zone Retail Ltd currently had the highest amount of arrears (16.7% of the collectable arrears) and the Accounts Team were in regular dialogue with this tenant.

The Fund has completed a lease renewal with Harrow Green for a 10-year term with a 23% rental uplift on the previous passing rent.

In 2021, the Fund completed the purchase of an income strip to forward fund the development of a 210,000 sq ft industrial unit. A year on, the development was coming to fruition with ground works being complete and the recent assembly of the steel frame.

ORDERED that the information provided was received and noted.

22/10 **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 report was presented in a new format and Members were invited to provide feedback on it.

The report provided information into the following sections:

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

XPS was currently working on closing the 2021/2022 financial year and opening the new one. A newsletter had been sent to active members and pensioners in May as well as pension increase statements. The team had also been working through the Annual Benefit Statement programme to ensure that the Statements would be issued on time. Work was also ongoing on the Pensions Savings Statements which need to be issued in early October.

In relation to the Key Performance Indicators (KPIs) there had only been three failures which were on non-payment or retirement estimates. Over one thousand pieces of work had been carried out and none of the three failures had a time critical impact. The KPIs themselves related to around one fifth of the total work carried out by the team during the reporting period.

New staff had been recruited into the Payroll Team and Employer Liaison Systems Unit. as well. A new admin tool called I-Connect was being introduced and some testing would take place with Employers. I-Connect would help ensure that pensions information would be more accurate and up to date and should provide a more efficient service for Members.

There had been no new Complaints during the last quarter.

Analytics on website usage were provided on page 12 of the submitted report. XPS continued to develop the website and seek feedback from Employers during their health checks.

Details of late payments from Employers were included in the submitted report. It was confirmed that some of these were from the same Employers but there might be genuine reasons for this, such is if the Employer had changed finance systems.

ORDERED that the information provided was received and noted.

22/11 **ANY OTHER URGENT ITEMS WHICH IN THE OPINION OF THE CHAIR, CAN BE CONSIDERED**

None.

22/12 **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.

22/13 **FUND ACTUARY - ADVICE ON 31 MARCH 2022 VALUATION ASSUMPTIONS**

A report from the Fund Actuary was provided giving recommendations on the main financial and demographic assumptions to be used in the ongoing triennial valuation of the Fund.

ORDERED that the information provided was received and noted.

22/14 **LOCAL INVESTMENTS UPDATE**

A report of the Director of Finance was presented to provide Members of the Pension Fund Committee with an update on the three local investments the Fund had made.

ORDERED that the information provided was received and noted.

TEESSIDE PENSION FUND COMMITTEE

A meeting of the Teesside Pension Fund Committee was held on Wednesday 27 July 2022.

22/15 **WELCOME AND EVACUATION PROCEDURE**

A formal notice had been issued to all concerned of a meeting of the Teesside Pension Fund Committee to be held on 27 July 2022.

At the appointed time of 11.00 am the following were present: Councillors D Coupe, (Chair), S Hill, J Hobson, E Polano (Vice Chair), J Rostron, and G Wilson
J Flaws (Other Employers Representative)

Officers: W Brown, S Lightwing, N Orton

Apologies for absence were submitted on behalf of: Councillors Bell, J Beall (Stockton On Tees Council), J Creevy (Hartlepool Council), T Furness, D McCabe and G Nightingale (Redcar and Cleveland Council) B Foulger (GMB Representative) and T Watson (UNISON Representative)

Part 3, Paragraph 16, of the Council's Constitution states that if at the start of the meeting there is not a quorum present, then if after a period of five minutes there is still not a quorum, the meeting will be abandoned. The business will be considered at the next ordinary meeting.

The quorum for meetings of the Teesside Pension Fund Committee is eight, of which five members must be Middlesbrough Councillors. As eight Members were required to achieve a quorum, the Chair declared there was not a quorum present, and abandoned the meeting, with the remaining business to be considered at the next meeting of the Committee.

22/16 **DECLARATIONS OF INTEREST**

DEFERRED

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

DEFERRED

22/18 **DRAFT ANNUAL TEESSIDE PENSION FUND REPORT AND ACCOUNTS 2021/22**

DEFERRED

22/19 **ANY OTHER URGENT ITEMS WHICH IN THE OPINION OF THE CHAIR, CAN BE CONSIDERED**

DEFERRED

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TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 7

TEESSIDE PENSION BOARD REPORT

14 NOVEMBER 2022

DIRECTOR OF FINANCE – HELEN SEECHURN

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 (SAB) had identified as important for Local Pension Boards to consider.

5. ANNUAL REVIEW OF BOARD TRAINING

5.1 The Pension Fund Committee agreed at its March 2021 meeting to agree to a training programme following the participation in the National Knowledge Assessment. This is set out in Appendix B.

5.2 Some areas of the plan have been covered previously – in particular Environmental Social and Governance issues and how they interact with investment objectives has been addressed through a presentation to the Pension Fund Committee from colleagues at Border to Coast, and through Border to Coast's annual conference which had Responsible Investment issues as its theme. Also, the issue of McCloud and its potential impact has been covered through 'current issues' agenda items. Other areas remain to be addressed – in particular the role of pension administration. This can be picked up through working with colleagues in XPS Administration.

5.3 There has been significant changes of membership at the Board and consequently some issues and training areas may need to be revisited, either through the induction training for new members or through ongoing training.

5.4 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. The Learning Academy allows members to access a suite of short training videos explaining different aspects of the pension scheme, covering administration, governance and investments as well as current pension issues such as measuring the carbon exposure of the Fund's investments and other responsible investment issues. It is intended to cover all of the 'knowledge and understanding' requirements that Board members are legally required to obtain (and Pension Fund Committee members are strongly encouraged to obtain).

5.5 There are a lot of topics covered within the Learning Academy it is recommended that members set aside some time each week to work through them at their own pace. There are short quizzes included to ensure the training is working, and certificates are available for completion of different sections.

5.6 Going forwards, the intention is that the Learning Academy will form a key aspect of training delivery for the Board and the Pension Fund Committee. As with all training, participation and feedback will be key to ensuring it is useful effective and relevant.

6. REGULATOR CODE OF PRACTICE GAP ANALYSIS

6.1 The Pensions Regulator is the UK regulator of workplace pension schemes, it defines as follows: "We protect the UK's workplace pensions. We make sure employers, trustees, pension specialists and business advisers can fulfil their duties to scheme members." It publishes Codes of Practice to help provide those who manage pension schemes with practical guidance on the exercise of functions under pensions legislation, and set out the standards of conduct and practice expected from those who exercise those functions.

6.2 For public service pension schemes (like the LGPS) the relevant Code of Practice is Code 14: Governance and administration of public service pension schemes. This came into force on 1 April 2015 and gives guidance aimed at scheme managers and pension board members on governing schemes, managing risk, administration and resolving issues. The full guidance document can be found at the following link: https://www.thepensionsregulator.gov.uk/en/document-library/codes-of-practice/code-14-public-service-pension-code-of-practice

6.3 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 and the full document can be found here: https://moderngov.middlesbrough.gov.uk/CeListDocuments.aspx?CommitteeId=1151&MeetingId=7064&DF=23%2f07%2f2018&Ver=2

6.4 Overall compliance was assessed as good, although several areas for development or further consideration were identified. These are listed in the table below alongside comments on progress since that assessment was made:

Code of Practice analysis – areas identified as ‘red’ or not compliant in the 2018 exercise	**Current position - update**
Is there a process in place for regularly assessing the pension board members' level of knowledge and understanding is sufficient for their role, responsibilities and duties?	The Fund participated in the National Knowledge Assessment towards the end of 2020/21 and the intention is to carry this out again during 2022/23
Are records of learning activities being maintained?	Yes – the Fund has access to the Hymans Robertson LGPS On-line Learning Academy, which records progress and completion of modules. The Council also maintains a record of attendance at meetings where training is delivered.
Does the Fund have a conflicts register and it is circulated for ongoing review and published?	The Council maintains and publishes a register of interests in respect of its own elected members. All Committee and Board members are asked to consider and declare conflicts of interest at the start of each meeting and this is minuted and published.
Is appropriate information included in the register?	Yes
Is a data improvement plan in place which is being monitored with a defined end date?	XPS has been developing its data monitoring approach, and is still working on full reporting on scheme-specific data elements. The recent triennial valuation exercise has highlighted some data issues, which the Fund actuary and XPS have worked together to resolve to ensure the valuation can progress. Further work and analysis will continue on this, and on what data improvements are necessary / possible once the valuation work is complete.
Has an annual benefit statement been provided to all members with AVCs within the required timescales?	XPS have been in recent dialogue with Prudential (the Fund’s primary AVC provider) on this issue. Prudential has advised their deadline for submitting annual benefits statement information to scheme members with AVCs is 1 November each year. They also advised that their process for producing these reports is under review and some delays in provision of the information were possible this year. The Pensions Regulator is aware of this potential delay and the Fund will also be advised when the position is clearer. Members with AVCs are still able to access up to date information about their fund values through the Prudential’s online facility.

6.5 The Pensions Regulator consulted last year on significant changes to the content and format of its various codes of practice. Recognising that the current set of codes were not always readily accessible and it was not always clear which codes (or parts of codes) apply to which types of pension scheme, a new 'single code of practice' was proposed and consulted on. Much of the 'single code of practice' will apply to public service pension schemes like the LGPS and it will introduce some new requirements for LGPS scheme managers and board to consider.

6.6 The consultation ended in May 2021 and an interim consultation response was issued on 24 August 2021. The final version of the 'single code' has not been published – the Pensions Regulator's website currently has the following statement about timing, which is clearly now a little out of date:

"We do not currently have a firm final publication date for the new code. However, we do not expect to lay the new code in Parliament before spring 2022. It is, therefore, unlikely to become effective before summer 2022."

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

- **Establish an "effective system of governance" (ESOG)**
  This is an enhancement from the current requirement for pension schemes to have an "adequate" system of governance, which originated from the Pensions Act 2004. A scheme's ESOG will need to be "proportionate to the size, nature and complexity" of the scheme and comply with 17 specific modules identified by the Pensions Regulator.
- **Carry out an "Own Risk Assessment" (ORA**) – Not the normal risk assessment process already carried out by pension schemes, but an assessment of how well the ESOG is working and the way potential risks are being managed.
- **Have a written remuneration policy** – A new policy document covering anyone who is involved in running the scheme, carries out key functions or whose activities materially impact the scheme's risk profile. The remuneration policy should include an explanation of how the levels of remuneration were arrived at and why they are appropriate and should be reviewed at least every three years.
- **Write a policy on the appointment of advisors and service providers**
- **Consider climate change in their governance systems** - maintain and document processes for identifying and assessing climate change risks and opportunities.
- **Build robust cyber security systems** – schemes should implement policies for ensuring all scheme data is held securely, including assessing the cyber resilience of third-party administrators. There should also be a cyber incident response plan.

6.8 In addition to the imminent changes expected to the Pensions Regulator's Code of Practice, the government has also recently indicated that it will be implementing the LGPS Scheme Advisory Board's 'Good Governance' recommendations. These recommendations (which were also reported to the April 2021 Board meeting) have some overlap with the Code of Practice proposed changes, and in summary are as follows:

- A.1 the Secretary of State will produce statutory guidance to establish new governance requirements for funds to effectively implement the proposals below. (“the Guidance”).
- A.2 Each administering authority must have a single named officer who is responsible for the delivery of all LGPS related activity for that fund (“the LGPS senior officer”).
- A.3 Each administering authority must publish an annual governance compliance statement (GCS) that sets out how they comply with the governance requirements for LGPS funds, as per statutory Guidance. This statement must be co-signed by the LGPS senior officer and S151.
- B.1 Each fund must produce and publish a conflicts of interest policy which includes details of how actual, potential and perceived conflicts are addressed within the governance of the fund, with specific reference to key conflicts identified in the Guidance.
- B.2 The Guidance should refer all those involved in the management of the LGPS, and in particular those on decision making committees, to the guide on statutory and fiduciary duty which will be produced by the SAB
- C.1 Each fund must produce and publish a policy on the representation of scheme members and non-administering authority employers on its committees, explaining its approach to voting rights for each party.
- D.1 Introduce a requirement via the Guidance for key individuals within the LGPS, including LGPS officers and pensions committees, to have the appropriate level of knowledge and understanding to carry out their duties effectively.
- D.2 Introduce a requirement for s151 officers to carry out LGPS relevant training as part of CPD requirements to ensure good levels of knowledge and understanding.
- D.3 Administering authorities must publish a policy setting out their approach to the delivery, assessment and recording of training plans to meet these requirements.
- D.4 CIPFA should be asked to produce appropriate guidance and training modules for s151 officers.
- E.1 Each administering authority must document key roles and responsibilities relating to the LGPS and publish a roles and responsibilities matrix setting out how key decisions are reached. The matrix should reflect the host authority’s scheme of delegation and constitution, and be consistent with role descriptions and business processes.
- E.2 Each administering authority must publish an administration strategy.
- E.3 Each administering authority must report the fund’s performance against an agreed set of indicators designed to measure standards of service

- E.4 Each administering authority must ensure their committee is included in the business planning process. Both the committee and LGPS senior officer must be satisfied with the resource and budget allocated to deliver the LGPS service over the next financial year.
- F.1 Each administering authority must undergo a biennial Independent Governance Review and, if applicable, produce the required improvement plan to address any issues identified. IGR reports to be assessed by a SAB panel of experts.
- F.2 LGA to consider establishing a peer review process for LGPS Funds.

6.9 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 makes sense to carry out a further gap analysis to consider how the Fund complies with the expected regulations and where development is required. As these changes are not implemented or documented in their final form it will 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 have been made public.

7. REVIEW THE OUTCOME OF ACTUARIAL REPORTING AND VALUATIONS

7.1 As Members will be aware, the latest triennial valuation of the Fund (as at 31 March 2022) is 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 will continue to be kept informed throughout the valuation process, with the final report due to be published by the end of March 2023.

7.2 The Board will have the opportunity to discuss the final valuation outcome and report at its April 2023 meeting.

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

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Appendix A

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		

Suggested Training Plan

We have put together a summarised training plan below, picking out the key areas for development based on participant assessment results and the training requests. We would further advise that the Fund remains flexible with the training topics chosen and that regular reviews of the most pertinent training given assessed at regular (monthly) intervals. By keeping track at this level of frequency, the Fund can properly assess its progress against its Training plan and training strategy.

2021/22 – Q2	• Pensions administration, which as well as being low scoring for the Board and Committee, was also the second most requested topic. It might also be beneficial to include McCloud as part of the session.
2021/22 – Q3	• The impact of COVID-19 on the Fund + investment performance and Environmental, Social & Governance topic(s). We would also suggest that some time is included to discuss the SAB Good Governance project.
2021/22 – Q4	• For the Board – procurement and relationship management and pension administration • For the Committee – the role of the committee which was one of the lower scoring areas and is arguably one of the most important areas for the Committee to understand. We would also advise a session is devoted to pension administration.
2022/23 – Q1	• For the Committee – actuarial methods • For the Board – financial markets and product knowledge.
2022/23 – Q2	• Valuation training sessions – purpose, role, outcomes etc. This has been timed to coincide with the 2022 Actuarial Valuations.
2022/23 – Q3	• Pensions governance

TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 8

TEESSIDE PENSION BOARD REPORT

14 NOVEMBER 2022

DIRECTOR OF FINANCE – HELEN SEECHURN

Discrimination in Provision of Survivor Benefits

1. PURPOSE OF THE REPORT

1.1 To provide Members of the Teesside Pension Board (the 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.

2. RECOMMENDATIONS

2.1 That Members note this report.

3. FINANCIAL IMPLICATIONS

3.1 There are no specific financial implications in respect of the information contained in this report. However, the proposed extension of survivor benefits outlined in paragraph 5 will marginally increase the liabilities of the Fund. The Fund actuary is aware of this potential increase in liabilities and will be able to make allowances for it in the ongoing triennial valuation where appropriate.

4. DISCRIMINATION IN THE PROVISION OF SURVIVOR BENEFITS

4.1 The LGPS (or its predecessor schemes) has been in place for around 100 years. Needless to say, over this time society and social attitudes have changed considerably, as have the benefits provided by the LGPS. Currently the benefits that can potentially be provided to survivors of existing active LGPS scheme members are the same regardless of the sex of that scheme member. However in the LGPS the regulations that apply in determining someone's benefits (or their survivor's benefits) are those that were in force when they left pensionable employment, and this can mean different survivor benefits are sometimes payable to the surviving partner of a man compared to the surviving partner of a woman.

4.2 The exact rules are complicated and which LGPS regulations apply depends on the date the scheme member left active membership, whether they got married before or after leaving, and the date they died. As an example of the discrimination that can exist, if a married scheme member left active employment before 1 April 1998 and died from 9 January 2019 onwards their widow(er)'s pension would be worked out using all their pensionable service if the scheme member was a man, but only pensionable service from 6 April 1988 onwards if the scheme member was a woman.

4.3 This type of discrimination was common across many pension schemes, public and private sector, and to a certain extent reflects social attitudes at the time benefits were earned. 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. A copy of the full review can be found at the following link:
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/323874/survivor-benefits-in-occupational-pension-schemes.pdf

4.4 The Review gave some background on why pensions for widowers were typically (and can still be) introduced with a later effective date, and are hence lower than, pensions for widows (assuming identical scheme member service etc.):

> "There are a number of historical reasons for the later provision of survivor benefits for surviving male spouses. These reflect the societal expectations of previous decades and the difference in life expectancies between men and women at that time. When survivor pensions were first introduced, men were generally expected to be the breadwinner and most women who outlived their husbands were expected to have no income or pension of their own. On average women also lived longer than men, and so it was more likely that they would require this form of income protection.

4.4 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 relates 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.

5. THE GOODWIN CASE

5.1 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 are treated less favourably than survivors in same-sex marriages and civil partnerships.

5.2 The same position applies in the LGPS and other public service pension schemes and consequently the government made the following statement in July 2020:

Public service pensions, survivor benefits for opposite–sex widowers and surviving male civil partners.

The government is committed to providing public service pensions that are fair for public sector workers and for taxpayers. The government's position remains that benefit entitlements should normally be determined based on the rules applicable at the time the member served, to maintain fairness for active scheme members and the taxpayer.

Following the *Walker v Innospec* Supreme Court ruling, the government decided that in public service schemes, surviving male same-sex and female same-sex spouses and civil partners of public service pension scheme members will, in certain cases, receive benefits equivalent to those received by widows of opposite sex marriages. The exception to this is in specific schemes where, in the past, improvements in female members' survivor benefits have involved female members making employee contributions or increasing them.

A case brought in the Employment Tribunal against the Secretary of State for Education earlier this year highlighted that these changes may lead to direct sexual orientation discrimination within the Teachers' Pension Scheme, where male survivors of female scheme members remain entitled to a lower survivor benefit than a comparable same-sex survivor.

The government has concluded that changes are required to the Teachers' Pension Scheme to address the discrimination. The government believes that this difference in treatment will also need to be remedied in those other public service pension schemes, where the husband or male civil partner of a female scheme member is in similar circumstances.

Departments responsible for the administration of affected schemes will consult on and take forward changes as soon as possible. Schemes will notify their members of changes and any actions they need to take.

5.3 So far, no legislative changes have been consulted upon to make the necessary changes to the LGPS regulations. Even when implemented the changes would only apply to pensioners who have died since 2005 (as this is 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 means 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.

6. NEXT STEPS

6.1 The Board will be kept up to date with any future developments in relation to changes to the LGPS regulations as a consequence of the Goodwin case.

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

TEL NO.: 01642 729040

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TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 9

TEESSIDE PENSION BOARD REPORT

14 NOVEMBER 2022

DIRECTOR OF FINANCE – HELEN SEECHURN

Consultation on Managing and Reporting Climate-Related Risks

1. PURPOSE OF THE REPORT

1.1 To provide Members of the Teesside Pension Board (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 Members that a consultation response will be provided as set out in the recommendations

2. RECOMMENDATIONS

2.1 That Members note this report.

2.2 That Members note that the Head of Pension Governance and Investments, in consultation with the Chair and Vice Chair of the Pension Fund Committee, will provide a response to the consultation by the 24 November 2022.

3. FINANCIAL IMPLICATIONS

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

4. GOVERNMENT CONSULTATION ON MANAGING AND REPORTING ON CLIMATE-RELATED RISKS IN THE LGPS

4.1 On 1 September 2022 the Government issued a long-anticipated consultation document on managing and reporting climate-related risks in the LGPS. The proposals in the consultation are mainly aimed at administering authorities ('AAs') of LGPS Funds and are summarised in the consultation document as follows:

Area	Proposal
Overall	Each LGPS AA must complete the actions listed below and summarise their work in an annual Climate Risk Report.
Scope and Timing	The proposed regulations will apply to all LGPS AAs. The first reporting year will be the financial year 2023/24, and the regulations are expected to be in force by April 2023. The first reports will be required by December 2024.

Area	Proposal
Governance	AAs will be expected to establish and maintain, on an ongoing basis, oversight of climate related risks and opportunities. They must also maintain a process or processes by which they can satisfy themselves that officers and advisors are assessing and managing climate-related risks and opportunities.
Strategy	AAs will be expected to identify climate-related risks and opportunities on an ongoing basis and assess their impact on their funding and investment strategies.
Scenario Analysis	AAs will be required to carry out two sets of scenario analysis. This must involve an assessment of their investment and funding strategies. One scenario must be Paris-aligned (meaning it assumes a 1.5 to 2 degree temperature rise above pre-industrial levels) and one scenario will be at the choice of the AA. Scenario analysis must be conducted at least once in each valuation period.
Risk Management	AAs will be expected to establish and maintain a process to identify and manage climate-related risks and opportunities related to their assets. They will have to integrate this process into their overall risk management process.
Metrics	AAs will be expected to report on metrics as defined in supporting guidance. The proposed metrics are set out below. Metric 1 will be an absolute emissions metric. Under this metric, AAs must, as far as able, report Scope 1, 2 and 3 greenhouse gas (GHG) emissions. Metric 2 will be an emissions intensity metric. We propose that all AAs should report the Carbon Footprint of their assets as far as they are able to. Selecting an alternative emissions intensity metric such as Weighted Average Carbon Intensity (WACI) will be permitted, but AAs will be asked to explain their reasoning for doing so in their Climate Risk Report. Metric 3 will be the Data Quality metric. Under the Data Quality metric, AAs will report the proportion the value of its assets for which its total reported emissions were Verified*, Reported**, Estimated or Unavailable. Metric 4 will be the Paris Alignment Metric. Under the Paris Alignment Metric, AAs will report the percentage of the value of their assets for which there is a public net zero commitment by 2050 or sooner. Metrics must be measured and disclosed annually.
Targets	AAs will be expected to set a target in relation to one metric, chosen by the AA. The target will not be binding. Progress against the target must be assessed once a year, and the target revised if appropriate. The chosen metric may be one of the four mandatory metrics listed above, or any other climate related metric recommended by the TCFD.

Area	Proposal
Disclosure	AAs will be expected to publish an annual Climate Risk Report. This may be a standalone report, or a section in the AA's annual report The deadline for publishing the Climate Risk Report will be 1 December, as for the AA's Annual Report, with the first Climate Risk Report due in December 2024. We propose that scheme members must be informed that the Climate Risk Report is available in an appropriate way.
Scheme Climate Report	We propose that the Scheme Advisory Board (SAB) should prepare an annual Scheme Climate Report including a link to each individual AA's Climate Risk Report (or a note that none has been published) and aggregate figures for the four mandatory metrics. We also propose that a list of the targets which have been adopted by AAs. We are open to views as to whether any other information should be included in the Scheme Climate Report.
Proper advice	We propose to require that each AA take proper advice when making decisions relating to climate-related risks and opportunities and when receiving metrics and scenario analysis.

4.2 The full consultation document is attached at Appendix A and can also be found at the following link: https://www.gov.uk/government/consultations/local-government-pension-scheme-england-and-wales-governance-and-reporting-of-climate-change-risks/local-government-pension-scheme-england-and-wales-governance-and-reporting-of-climate-change-risks#scope-of-the-consultation . Points to note:

- The proposed requirements are similar to those that already apply to trustees of larger private sector pension schemes – those with 'relevant assets' of £5 billion or more have been in scope of similar requirements since 1 October 2021 and those with assets of £1 billion or more since 1 October 2022. There is no proposed phasing in introducing these requirement to the LGPS, they will come in force from the year starting 1 April 2023 with the first report due to be published by 1 December 2024.
- The consultation makes 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 is unlikely to placate pressure groups.

- There is acknowledgement in the document that data quality will be an issue, and administering authorities will be required to report on their assessment of the quality of the data available to them. The methods for analysing the data are also less than perfect, and the document acknowledges 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 considers the increasingly important role the LGPS pool companies will play in providing data and analysis in relation to climate risks and recommends 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 will be required to take "proper" advice on the issues set out in the consultation. No clear definition is given of this, but it appears further guidance will 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"

5. NEXT STEPS

5.1 The consultation period ends on 24 November 2022. The 21 October 2022 Pension Fund Committee agreed that the Head of Pensions Governance and Investments will provide a response to the consultation taking into account views and information from Border to Coast and the other Partner Funds, where available.

5.2 Further information on the final regulations and guidance will be provided to Board as it becomes available.

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

TEL NO.: 01642 729040

Scope of the consultation

Topic of this consultation:

This consultation seeks views on proposals to require Local Government Pension Scheme (LGPS) administering authorities in England and Wales to assess, manage and report on climate-related risks, in line with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD).

Scope of this consultation:

DLUHC is consulting on proposals for new requirements on LGPS administering authorities.

Geographical scope:

This consultation applies to England and Wales.

Impact assessment:

The proposed interventions affect the investment of assets by local government pension scheme administering authorities. These authorities are all public sector organisations, so no impact assessment is required.

Body responsible for the consultation:

Department for Levelling Up, Housing and Communities (DLUHC)

Duration:

This consultation will last for 12 weeks from 1 September 2022 to 24 November 2022.

Enquiries:

For any enquiries about the consultation please contact: LGPensions@levellingup.gov.uk

How to respond:

Please respond by completing an online survey (https://consult.levellingup.gov.uk/local-government-finance/lgps-england-and-wales-climate-risk/).

Alternatively, please email your response to the consultation to LGPensions@levellingup.gov.uk.

Alternatively, please send postal responses to:

> LGF Pensions Team
> Department for Levelling Up, Housing and Communities
> 2nd Floor
> Fry Building
> 2 Marsham Street
> London
> SW1P 4DF

When you reply it would be very useful if you could make it clear which questions you are responding to. Additionally, please confirm whether you are replying as an individual or submitting an official response on behalf of an organisation and include:

- your name
- your position (if applicable)
- the name of organisation (if applicable)
- an email address

1. Introduction and summary of proposals

1. Addressing climate change is one of the major challenges we face in the UK and globally. The UK government is a world leader in commitments to transition to a low carbon economy and in 2019 set the target of achieving net-zero greenhouse gas emissions by 2050.

2. Investment in more sustainable projects and activities is essential in order to reduce climate change and to mitigate its impacts. Investors will also need to understand and manage the financial risks and opportunities arising from climate change in order to protect and grow their assets and cashflow.

3. To enable investors to make high-quality decisions and to encourage better pricing and capital allocation in markets, high quality disclosures will be needed regarding how their assets will affect and be affected by climate change.

4. The international Taskforce on Climate-related Financial Disclosures (TCFD) published a set of recommendations in 2017 with the aims of improving assessment, management, and disclosure of climate-related financial risks. In November 2020, the government announced the UK's intention to make TCFD-aligned disclosures mandatory in the UK across the economy by 2025, with a significant portion of mandatory requirements in place by 2023. The joint Government Regulators Taskforce's Interim Report, and accompanying roadmap (https://www.gov.uk/government/publications/uk-joint-regulator-and-government-tcfd-taskforce-interim-report-and-roadmap), published alongside the announcement, sets out an indicative pathway to achieving that ambition.

5. In July 2021, the government went further by announcing its new, economy-wide Sustainability Disclosure Requirements (SDR) regime. This regime will build on the UK's world-leading implementation of the TCFD recommendations and streamline UK sustainability reporting. SDR will be broader than financial risk, extending to environmental impact (including disclosures based on definitions contained in the UK Green Taxonomy), and over time, to factors beyond climate, including broader sustainability factors such as environmental and social considerations.

6. In October 2021, the government published details of the regime, along with an implementation pathway, in its publication Greening Finance: A Roadmap to Sustainable Investing (https://www.gov.uk/government/publications/greening-finance-a-roadmap-to-sustainable-investing). This announced the intention to set up an endorsement and adoption function in the UK for standards issued by the International Sustainability Standards Board (ISSB). Standards issued by the ISSB will not have any legal force in the UK until they have been endorsed and adopted to ensure that the Standards applied in the UK reflect UK circumstances. The government will consult on proposals for a framework to introduce reporting against IFRS Sustainability Disclosure Standards in the UK in due course. SDR for the LGPS is not covered in this consultation but we will work with the Scheme Advisory Board to develop proposals.

Role of the LGPS

7. The LGPS is one of the largest pension schemes in the UK with 6.2 million members and a significant UK and global investor with £342 billion of assets in 2022. It is locally managed and funded by 86 administering authorities (AAs). The primary purpose of LGPS investments is to meet the scheme's long-term pension liabilities by balancing risk and return appropriately. However, the LGPS's scale and market power give it an opportunity to drive change through the investment chain through asset managers to investee companies.

8. AAs are already required to consider factors that are financially material to the performance of their investments, including environmental, social, and corporate governance considerations. They also must have a policy stating how such considerations will be considered in setting their investment strategy (https://www.legislation.gov.uk/uksi/2016/946/contents). The aim of the proposals in this consultation document is to build on that position by ensuring that the financial risks and opportunities arising specifically from climate change are properly understood and effectively managed by AAs, and that they report transparently on their approach in line with broader UK policy.

9. The government's view is that the requirements for the LGPS should set as high a standard as for private schemes. We have therefore made the requirements for private schemes (https://www.gov.uk/government/consultations/taking-action-on-climate-risk-improving-governance-and-reporting-by-occupational-pension-schemes-response-and-consultation-on-regulations/taking-action-on-climate-risk-improving-governance-and-reporting-by-occupational-pension-schemes) the starting point for our proposals but have aimed to take account of the unique features of the LGPS including its local administration and democratic accountability through the AAs.

10. The UK Energy Security Strategy (https://www.gov.uk/government/publications/british-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.

Summary of proposals

11. The new requirements on which we are consulting are discussed throughout this document. For ease, we have summarised the key proposals below.

Area	Proposal
Overall	Each LGPS AA must complete the actions listed below and summarise their work in an annual Climate Risk Report.
Scope and Timing	The proposed regulations will apply to all LGPS AAs. The first reporting year will be the financial year 2023/24, and the regulations are expected to be in force by April 2023. The first reports will be required by December 2024.
Governance	AAs will be expected to establish and maintain, on an ongoing basis, oversight of climate related risks and opportunities. They must also maintain a process or processes by which they can satisfy themselves that officers and advisors are assessing and managing climate-related risks and opportunities.
Strategy	AAs will be expected to identify climate-related risks and opportunities on an ongoing basis and assess their impact on their funding and investment strategies.
Scenario Analysis	AAs will be required to carry out two sets of scenario analysis. This must involve an assessment of their investment and funding strategies. One scenario must be Paris-aligned (meaning it assumes a 1.5 to 2 degree temperature rise above pre-industrial levels) and one scenario will be at the choice of the AA. Scenario analysis must be conducted at least once in each valuation period.

Area	Proposal
Risk Management	AAs will be expected to establish and maintain a process to identify and manage climate-related risks and opportunities related to their assets. They will have to integrate this process into their overall risk management process.
Metrics	AAs will be expected to report on metrics as defined in supporting guidance. The proposed metrics are set out below. Metric 1 will be an absolute emissions metric. Under this metric, AAs must, as far as able, report Scope 1, 2 and 3 greenhouse gas (GHG) emissions. Metric 2 will be an emissions intensity metric. We propose that all AAs should report the Carbon Footprint of their assets as far as they are able to. Selecting an alternative emissions intensity metric such as Weighted Average Carbon Intensity (WACI) will be permitted, but AAs will be asked to explain their reasoning for doing so in their Climate Risk Report. Metric 3 will be the Data Quality metric. Under the Data Quality metric, AAs will report the proportion the value of its assets for which its total reported emissions were Verified*, Reported**, Estimated or Unavailable. Metric 4 will be the Paris Alignment Metric. Under the Paris Alignment Metric, AAs will report the percentage of the value of their assets for which there is a public net zero commitment by 2050 or sooner. Metrics must be measured and disclosed annually.
Targets	AAs will be expected to set a target in relation to one metric, chosen by the AA. The target will not be binding. Progress against the target must be assessed once a year, and the target revised if appropriate. The chosen metric may be one of the four mandatory metrics listed above, or any other climate related metric recommended by the TCFD.
Disclosure	AAs will be expected to publish an annual Climate Risk Report. This may be a standalone report, or a section in the AA's annual report The deadline for publishing the Climate Risk Report will be 1 December, as for the AA's Annual Report, with the first Climate Risk Report due in December 2024. We propose that scheme members must be informed that the Climate Risk Report is available in an appropriate way.
Scheme Climate Report	We propose that the Scheme Advisory Board (SAB) should prepare an annual Scheme Climate Report including a link to each individual AA's Climate Risk Report (or a note that none has been published) and aggregate figures for the four mandatory metrics. We also propose that a list of the targets which have been adopted by AAs. We are open to views as to whether any other information should be included in the Scheme Climate Report.
Proper advice	We propose to require that each AA take proper advice when making decisions relating to climate-related risks and opportunities and when receiving metrics and scenario analysis.

*This refers to reported emissions calculated in line with the GHG Protocol and verified by a third-party.
**This refers to reported emissions calculated in line with the GHG Protocol without verification by a third-party.

12. The remainder of this chapter sets out the background to the proposals. In chapter 2, the proposed actions to be undertaken by LGPS AAs are discussed, and chapter 3 sets out the disclosure requirements. Chapter 4 discusses other issues, including our proposal for a Scheme Climate Report and the role of the LGPS asset pools. A summary of the consultation questions is at the end of the document.

Background

The TCFD recommendations

13. The TCFD is a global, private sector led group assembled in December 2015 at the instigation of the Financial Stability Board (FSB), an international body that monitors and makes recommendations about the global financial system. Following extensive public consultation, they published their recommended disclosures in June 2017.

14. The recommendations were designed to be adoptable by all organisations, including those inside and outside the financial industry, from asset managers to asset owners, including banks, insurers and pension schemes.

15. The TCFD designed the set of recommendations as a flexible framework for these organisations. The framework is meant to produce decision-useful, forward-looking information on the financial impacts of climate change. It is also meant to accommodate continued rapid evolution in climate-related modelling, management, and reporting.

16. The final report included 11 recommendations. These are split into Governance, Strategy, Risk Management, and Metrics and Targets.

Core elements of recommended climate-related financial disclosures

Governance: The organisation's governance around climate-related risks and opportunities.

Strategy: The actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.

Risk Management: The processes used by the organisation to identify, assess and manage climate-related risks.

Metrics and Targets: The metrics and targets used to assess and manage relevant climate-related risks and opportunities.

Benefits of the TCFD recommendations for the LGPS

17. A TCFD-aligned approach to climate risks will offer the opportunity for LGPS AAs to build on the relatively high-level requirements of the Local Government Pensions Scheme (Management and Investment of Funds) Regulations 2016 (https://www.legislation.gov.uk/uksi/2016/946/contents). It permits them to

demonstrate how the consideration of climate change risks and opportunities are integrated into the AA's entire decision-making process.

18. Carrying out scenario analysis, reporting on appropriate metrics that include greenhouse gas emissions, and setting appropriate targets, would provide valuable inputs to inform an AA's investment strategy. It would also allow AAs to monitor and review progress and to make amendments to the investment strategy where necessary. Disclosing this information would provide greater transparency to members and taxpayers about how their money is being managed.

19. The flexible structure of the TCFD recommendations also allows AAs to continuously improve climate risk governance and reporting in the light of rapidly increasing data quality and completeness and emerging best practice.

20. Many aspects of the tools and data used for climate-related analysis are still in development, but AAs can take substantive action now to address climate risk and to report on it as part of their duties to scheme members, employers and the public. There are already enough data, analysis and tools to effect real change when AAs use the data to manage risks and opportunities.

Comparison with regime for private pension schemes

21. The Department for Work and Pensions (DWP) has already introduced requirements on climate risk management and reporting for private pension schemes, in regulations which came into force on 1 October 2021. Implementation will be staged for private pension schemes. Private schemes with £5 billion or more in assets were immediately in scope, with those with £1 billion or more to follow in October 2022. Schemes with less than £1 billion in assets are not currently covered. The DWP has published statutory guidance on the requirements (https://www.gov.uk/government/publications/governance-and-reporting-of-climate-change-risk-guidance-for-trustees-of-occupational-schemes).

22. DWP's intention to implement the UK's new Sustainability Disclosure Requirements (SDR) regime for private pension scheme is outlined in Greening Finance: A Roadmap to Sustainable Investing (https://www.gov.uk/government/publications/greening-finance-a-roadmap-to-sustainable-investing). SDR requirements for the LGPS are not covered by this consultation.

23. The proposals set out in this consultation are broadly similar to the requirements for private pension schemes, and encompass the same four areas of governance, strategy, risk management and metrics and targets. However, a key difference is that our proposed requirements will apply to all LGPS AAs from 2023/24 regardless of fund size. Currently the assets held by LGPS funds range from around £0.5 billion to £25 billion with 65 funds holding less than £5 billion and 8 funds holding less than £1 billion.

24. We recognise that larger LGPS funds are likely to have more capacity to meet new requirements than smaller funds. However, our view is that it would not be right to stage implementation within a single pension scheme in which all funds face climate risks, are democratically accountable and subject to high external scrutiny. We also believe that the LGPS asset pools can play a key role in supporting implementation (see discussion in Chapter 4).

25. Another key difference is the proposed requirement to report data quality as a mandatory metric. This aims to help the LGPS use its scale and market power to drive improvements in the quality of emissions data, which will be a critical factor in raising the quality of climate risk management.

Other relevant regulated areas

26. Pension schemes sit at the top of an investment chain, whereby the assets are usually invested in products via a financial intermediary, who may then invest directly in products such as equities. Therefore, schemes rely on high quality data being provided up the chain to produce meaningful climate related disclosures. In preparing these proposals we have been mindful of regulation in other areas which may impact the ability of LGPS AAs to carry out the requirements.

27. The Department for Business, Energy and Industrial Strategy (BEIS) has consulted on TCFD-aligned regulations for certain publicly quoted companies, large private companies, and Limited Liability Partnerships (LLPs). The requirements came into effect in April 2022[footnote 1].

28. The Financial Conduct Authority (FCA) have introduced a new listing rule and guidance (https://www.handbook.fca.org.uk/instrument/2022/FCA_2022_6.pdf) which requires commercial companies with a UK premium listing to include a compliance statement in their annual financial report. This statement must

indicate whether the company has made disclosures consistent with the recommendations of the TCFD or provide an explanation if it has not done so.

29. In addition, the FCA has introduced TCFD related rules and guidance at the portfolio and entity level for asset managers, life insurers, and FCA-regulated pension providers. This is particularly relevant to the LGPS as some of the LGPS asset pools will be subject to these requirements in their capacity as asset managers.

30. The Pensions Regulator (TPR) also has a role in this area. It has published guidance intended to help trustees of private sector occupational pension schemes (https://www.thepensionsregulator.gov.uk/en/document-library/scheme-management-detailed-guidance/funding-and-investment-detailed-guidance/climate-related-governance-and-reporting). While TPR has no remit regarding the investments of LGPS funds, their advice and guidance may be useful for LGPS AAs wishing to adopt best practice. In addition, TPR has a role in overseeing the governance of LGPS AAs, which would include the governance requirements outlined here.

31. Our proposals are intended to facilitate consistency across the investment chain and take account of these consultations and requirements by other regulators.

32. Finally, we view these proposals as the first step on the journey to implementing in full the new UK Sustainability Disclosures Regime, announced by the then Chancellor in July 2021 (https://www.gov.uk/government/news/chancellor-sets-out-how-uk-financial-services-can-create-prosperity-at-home-and-project-values-abroad-in-first-mansion-house-speech).

2. Proposed requirements

33. The TCFD recommendations cover requirements in four areas: governance, strategy, risk management, and metrics and targets. In this chapter, we discuss how these recommendations can be implemented in the LGPS, taking account of its existing structure and framework. We also set out our proposed requirements for AAs. Proposals on disclosure in relation to each area are discussed in Chapter 3.

34. The proposed requirements relate only to the assets and liabilities in respect of the pension scheme and not to other AA activity. For example, emissions caused by travel to meetings, or office provision, would not need to be disclosed as they are not directly attributable to the assets of the LGPS.

Governance

35. The TCFD recommendations on governance aim to place development of a robust climate governance framework at the centre of an organisation's operations. The framework itself is designed to be adoptable by all organisations and easily translatable into sector-specific arrangements.

36. For LGPS AAs, however, we believe that the governance requirements in particular may require some adjustment in order to reflect the nature of their existing governance.

37. The role of the AA's scheme manager is broadly similar to that of the board, as described in the TCFD recommendations. The scheme manager of an LGPS AA usually takes the form of a pensions committee, and is assisted by the local pensions board. The scheme manager is accountable for funding strategy, investment strategy, asset allocation, and overall risk management. It will therefore be responsible for the assessment and management of climate risks and opportunities in relation to the investments. The LGPS asset pool in which the AA is a partner, in turn, is responsible for implementation of the investment strategy except in respect of non-pooled assets which remain with the fund.

38. Decisions on investment matters may therefore be taken by the scheme manager, informed by advice from external advisers and officers, or delegated to an officer or to the pool. All have important roles in effectively assessing and managing climate change risk and opportunities, and all will be central to the AA's efforts to fully embed climate risks into their governance processes.

39. 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 role of the LGPS asset pools and knowledge and skills requirements are discussed further in Chapter 4.

40. However, we are not proposing to place any legal duties on individuals, whether officers or advisers, or on the pool. Our proposal is to place new duties on AAs to:

- establish and maintain, on an ongoing basis, oversight of climate related risks and opportunities
- establish and maintain processes by which they can, on an ongoing basis, satisfy themselves that those who undertake climate-related governance activities, advisors, and those who assist the AA (including officers and advisors) with respect to climate related governance are doing so effectively.

Question 1: Do you agree with our proposed requirements in relation to governance?

Strategy

41. The TCFD's recommendations on strategy are intended to promote continuous assessment of the implications of climate change for an organisation's strategy.

42. For AAs, climate risks will be relevant to both their investment and funding strategies. AAs will need to consider what physical and transition risks and opportunities may affect both strategies and over what time periods. These may include a wide range of factors, including carbon pricing, adoption of new technology or lower carbon alternatives, and extreme weather events.

43. AAs will also need to assess the impacts of the identified risks and opportunities over the same time periods on their strategies. They also need to consider what actions to take in response. The assessment will need to take account of the materiality of the risks, and the liquidity and time horizon of the assets, as well as the cashflow and liabilities of the fund. It will be for the AA to determine the appropriate time periods and to take a view on materiality of risks taking account of these factors.

44. We propose to provide statutory guidance to assist AAs to identify risks and opportunities, and to assess the impacts, including consideration of factors to be taken into account.

45. Our proposal is to place new duties on AAs to:

- identify, on an ongoing basis, climate-related risks and opportunities that will impact the investment and funding strategy of the AA, over the short, medium and long term.
- assess, on an ongoing basis, the impact of the identified risks and opportunities on the AA's investment and funding strategy.

Question 2: Do you agree with our proposed requirements in relation to strategy?

Scenario analysis

46. The TCFD recommends that organisations undertake scenario analysis in order to improve the quality of strategies. It recommends that organisations consider credible, distinctive, and relevant scenarios for the future path of climate change and that they test the assessment of impacts and the proposed actions against these scenarios.

47. Scenario analysis is particularly relevant to AAs seeking to assess the medium- and long-term impacts of climate change on their assets, liabilities and strategies. These longer-term potential impacts, as well as sudden events such as climate tipping points, may not be captured by traditional risk management,

particularly where there are high levels of uncertainty. Scenario analysis can also help to create and maintain strategies which take full account of climate risks and opportunities.

48. We recognise that at present the use of climate scenarios is still new and that current assumptions and methodologies vary. Data quality and availability may also be a problem particularly for some asset classes. Nevertheless, we expect the development of expertise, methodologies, and data to accelerate rapidly in the next few years and hope to see greater consensus in the future.

49. We therefore propose that regulations would require AAs to conduct scenario analysis as far as they are able to. This analysis may be qualitative or quantitative, but we would expect AAs to carry out quantitative analysis where possible and to expand the assets covered by quantitative analysis as quickly as possible.

50. We also propose to provide statutory guidance on scenario analysis to assist AAs, including guidance on dealing with missing or poor-quality data and other barriers. 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.

51. The TCFD also recommends that organisations consider a range of climate scenarios, including a scenario based on global temperatures increasing by 2°C or lower over pre-industrial levels. The 2° or lower scenario is important because this level of temperature rise is believed to limit catastrophic physical risks such as flooding and droughts, but there may still be significant short term transition risks due to changes to policy, technology and markets. Scenarios based on higher temperature rises may see more impacts from physical risks both in the short and long term, with lower transition risks.

52. We therefore believe that AAs must consider two or more climate-related scenarios, at least one of which must be a scenario of 2°C or lower temperature rise. AAs will need to assess their assets and liabilities, and their investment and funding strategies against these scenarios.

53. Investment and funding decisions are made triennially in accordance with the valuation cycle. As scenario analysis should feed into these decisions, we recommend that it is incorporated into the valuation cycle and carried out at least every three years. In the interim years, AAs should consider whether a new scenario analysis should be carried out to reflect any changes in the fund. In a normal year, where there have been only minor changes in the scheme, we would not expect AAs to repeat scenario analysis given it is a substantial piece of work.

54. We propose to place a new duty on AAs to:

- assess their assets, liabilities, investment strategy and funding strategy against climate risks and opportunities in at least two climate scenarios. This assessment must include at least one scenario based on a global temperature rise of 2°C or lower on pre-industrial levels. This assessment must occur at least once every valuation cycle. In interim years, AAs must consider whether any changes in the fund have been substantial enough to require scenario analysis to be repeated.

Question 3: Do you agree with our suggested requirements in relation to scenario analysis?

Risk management

55. The TCFD's recommendations aim to ensure that risk management in relation to climate risks is rigorous, comprehensive, and fully integrated into wider risk management.

56. In line with the TCFD recommendations, we propose that regulations require that AAs identify and assess their fund's exposure to climate-related risks and take action to manage the risks identified. This will include consideration of both physical and transition risks and the materiality of those risks, as well as proximity and likelihood.

57. This means having effective processes for identifying climate-related risks and opportunities, and assessing their likely impact on assets, liabilities, investment and funding strategies. We propose that guidance will support AAs in ensuring they have the most appropriate processes in place and that they consider the full range of relevant factors and types of risk and opportunity.

58. AAs will already have risk management processes in place to manage investment risks. We therefore propose to require AAs to integrate these climate-related processes in their existing risk management processes. AAs may also wish to identify, assess and take action on climate-related opportunities, and integrate the consideration of these opportunities in their risk management. We propose to provide statutory guidance to assist AAs.

59. Our proposed requirements are for AAs to:

- Establish and maintain processes for the purpose of enabling them to identify and assess climate-related risks.
- Establish and maintain processes for the purpose of enabling them to effectively manage climate-related risks.
- Ensure, on an ongoing basis, climate-related risk management processes are integrated into their overall risk management.

Question 4: Do you agree with our proposed requirements in relation to risk management?

Metrics

60. The TCFD recommends that organisations select and disclose metrics to assess and monitor climate risks and opportunities over time. This section discusses the various metrics under consideration.

61. We propose to require AAs to measure and disclose four metrics: Total Carbon Emissions, Carbon Footprint, Data Quality and a Paris Alignment Metric. Total Carbon Emissions and Carbon Footprint both use emissions which can be divided into Scope 1, 2 and 3. The metrics relate to assets held by the AA in respect of paying benefits, not to other activity carried out by the AA such as travel.

Scope 1, Scope 2 and Scope 3 emissions

62. Scope 1 emissions are all direct emissions from the activities of an organisation or activities under its control. These emissions include fuel combustion on site such as gas boilers.

63. Scope 2 emissions are indirect emissions from electricity purchased and used by the organisation. Emissions are created during the production of the energy which is eventually used by the organisation.

64. Scope 3 emissions are all other indirect emissions from activities of the organisation, occurring from sources that they do not directly control. These are sometimes the greatest share of a carbon footprint, covering emissions associated with business travel, procurement, production of inputs, use of outputs, waste, and water.

65. Scope 1 and Scope 2 emissions are much more widely available and reliable statistics, which are highly desirable features in understanding an asset's carbon exposure. Scope 3 emissions are less widely reported, and when they are reported, they are often calculated on an approximate basis.

66. For many assets, Scope 3 will be by far the largest single category of emissions, and therefore excluding Scope 3 would significantly underreport total emissions. Excluding Scope 3 emissions will also favour some industries such as online retailers which have low Scope 1 and 2 but high Scope 3 emissions.

67. Therefore, in including Scope 3 emissions in reporting there is a trade-off. Reporting a figure which includes Scope 3 emissions is subject to more inaccuracy than Scopes 1 and 2. However, we propose to require reporting on all three types of emission as this gives the fullest picture of carbon exposure.

Absolute emissions metric: Total carbon emissions

68. Absolute emissions metrics measure the overall carbon emissions attributable to the fund's invested assets. A figure for total carbon emissions enables the AA to set a baseline for climate action and to understand the scale of the climate impact of its investments. Without a clear baseline, AAs cannot assess the impact of different scenarios.

69. We propose to require AAs to obtain, as far as they are able to Scope 1, Scope 2 and Scope 3 GHG emissions for the fund's assets – that is, the pension scheme's financed emissions. These are the emissions referred to as category 15 (investment emissions) in the [Greenhouse Gas (GHG) Protocol Technical guidance (https://ghgprotocol.org/scope-3-technical-calculation-guidance)](https://ghgprotocol.org/scope-3-technical-calculation-guidance). This measure is referred to as Total Carbon Emissions.

70. We propose that Scope 1, Scope 2 and Scope 3 emissions should be recorded separately and that the sum of the three should also be reported. Therefore, four figures should be reported to comply with the Total Carbon Emissions Metric.

71. There are different methodologies for attributing carbon emissions to investments. We propose to clarify the appropriate methodology in supporting guidance.

72. We propose that Total Carbon Emissions is calculated and reported annually via the Climate Risk Report (see Chapter 3).

73. The Total Carbon Emissions should be reported at the level of the whole of the fund. That is, it should be the total of the carbon emissions of all of the investments it holds. If the AA wishes, they may wish to consider the Total Carbon Emissions for each of its investments separately as well, as doing so may give the AA a clearer picture of where its carbon exposures lie. However, investment level reporting is not required in the annal Climate Risk Report.

Emissions intensity metric: Carbon footprint

74. Absolute emissions are a useful baseline to assess the fund's overall carbon exposure. However, they are hard to compare across assets and across funds, because larger investments naturally will have larger emissions.

75. We therefore propose that an Emissions Intensity Metric is calculated in addition. This should be calculated by dividing the Total Carbon Emissions by the total assets held by the fund for which data was available or estimated. This calculation we refer to as Carbon Footprint.

76. Carbon Footprint is easier to interpret as it does not depend on the size of the investment. A disadvantage of this metric however is that an increase in market capitalisation or revenue, all else being equal, will result in a decrease in the AA's emissions per £ million invested.

77. As explained above, using Scope 1 and 2 emissions only produces a more reliable but less complete picture of carbon exposure. We propose that Carbon Footprint is reported for Scope 1, Scope 2 and Scope 3 emissions, in each case calculated as Scope X Emissions divided by Assets for which Scope X emissions were available or estimated.

78. We propose that Carbon Footprint is calculated and reported annually via the Climate Risk Report (see Chapter 3).

79. We propose that only the top-level figure at the whole fund level is required to be produced and reported by AAs.

80. We propose that funds should report Carbon Footprint, however if they cannot do so they should report another similar metric such as Weighted Average Carbon Intensity. In these cases, the administering authority should explain why they have done this.

Data quality and the data quality metric

81. The lack of available data is a commonly reported pitfall when schemes seek to calculate the TCFD's emissions metrics. Few, if any, AAs will be able to obtain full underlying data to allow the calculation of metrics across their whole fund at present.

82. Where gaps in data do exist, it should be regarded as preferable to use modelling or estimation to fill them, rather than to leave them unaddressed or reporting as null. Beginning with estimated or proxy data can help identify carbon-intensive areas within investments. This also serves as a benchmark for asset-specific data points as and when they become available. AAs may choose to calculate metrics and set targets only for assets for which reliable data can be found. AAs may also request that service providers analyse their funds using market average techniques and assumption-based modelling.

83. We regard the inevitable gaps in data as being an important part of the challenge AAs face. We believe that the level of certainty in the data should be understood by those making decisions and should also be visible externally.

84. We also believe that the LGPS can play its part in increasing data availability and quality through increasing transparency on data quality and by adopting metrics consistent across the LGPS and private pension schemes. We therefore propose that regulations require that AAs obtain data on data quality as far as they are able and calculate a data quality metric. We also propose that guidance should set out how AAs should assess and disclose the quality and availability of data.

85. We propose that AAs should state the percentage of the value of their assets for which emissions have been Verified, Reported, Estimated or are Unavailable.

86. "Verified" and "Reported" are defined as data produced using the methodology for reporting and verifying carbon emissions given in the GHG protocol. Data can be verified by an independent third party, not necessarily an audit firm. "Estimated" includes data which has been estimated, for example using industry averages or modelling based on assumptions.

87. Where an asset has associated emissions data but the data quality as defined above cannot be confirmed, then it should be classed as estimated. "Unavailable" means that emissions data was unavailable, not that confirmation of the data quality was unavailable.

88. The data quality metric should be reported for Scope 1, Scope 2 and Scope 3 emissions separately.

89. The data quality metric on its own does not replace proper scrutiny of data. Examples of this include data which is "reported" but may not have been reported recently and it may not be completely clear whether emissions relate to a whole company or a subsection of it. "Unknown" data may be known to the company but not submitted to investors. AAs are encouraged to ask questions of their fund managers to be effective stewards of their data. Third party firms may be used to investigate and summarise issues such as these into an overall narrative to be included in the Climate Risk Report.

90. We propose that only the top-level figure for each Scope of emissions is required to be produced and reported by AAs in the Climate Risk Report.

Paris alignment metric

91. The TCFD's guidance recommends that financial institutions should describe the extent to which their activities are aligned with a well-below 2°C scenario (i.e. with the goals of the Paris agreement), which is consistent with net zero carbon emissions by 2050. 92. We propose to introduce a requirement that the LGPS AAs should report a Paris Alignment Metric in line with the TCFD's recommendation.

93. Paris Alignment Metrics look at the future trajectory of emissions, whereas Total Carbon Emissions and Carbon Footprint only measure emissions which have already taken place. Forward-looking metrics such as Paris Alignment are more useful for active decision making than historic ones. They will be key to investors robustly assessing and reporting their portfolios' alignment with their own climate goals and may help address exposure to transition risk. They are also useful for plotting trends over time.

94. There are multiple ways to report Paris Alignment Metrics, which are explored in the Portfolio Alignment Team's Measuring portfolio alignment: Technical Considerations (https://www.tcfdhub.org/wp-content/uploads/2021/10/PAT_Measuring_Portfolio_Alignment_Technical_Considerations.pdf), which was commissioned by the TCFD. This states that financial institutions should use whichever portfolio alignment tool best suits their institutional context and capabilities, and describes three main types of portfolio alignment metrics, as follows:

- binary target measurements: This tool measures the alignment of a portfolio with a given climate outcome based on the percentage of investments in that portfolio that either have declared net zero/Paris-alignment targets or are already net zero/Paris-aligned.
- benchmark divergence models: These tools assess portfolio alignment by comparing the forecast emissions performance of investments or counterparties in the portfolio against benchmarks.
- implied temperature rise (ITR) models: these tools translate an assessment of alignment with a benchmark into a measure of the consequences of that alignment in the form of a temperature score.

95. These metrics are ambitious and if calculated reliably can create an extremely useful picture of a fund's climate risks. ITR in particular links a portfolio to a specific climate outcome in a way which is scientific, incentivises action and is comprehensible to the lay audience.

96. The main problem with Paris Alignment Metrics is data, as in most cases only limited or approximate data is available. At best this means only a partial view is possible, and at worst it can create a false picture of the true exposure of a fund by over- or underestimating the metric.

97. However we believe that an imperfect metric will still be useful. Calculating ITR will be useful for funds to understand their carbon trajectories. Moreover, the more funds choose to calculate the ITR the faster the data will improve.

98. The LGPS has a responsibility to its members, employers and the public, and the Government considers it important that publicly accessible data is accurate and as useful as possible. In addition, it is useful for funds to report consistently with each other and for the results to be possible to aggregate into an overall scheme view for the LGPS.

99. We regard the Binary Target Measure to be the most appropriate for the LGPS at this point having taken these factors into account. It is simple to understand while still providing useful insights, and less subject to the data issues which exist for the other metrics. As data improves, the Government may change its approach to reflect this, and we encourage the LGPS and the sector to take a lead in promoting the most useful metrics.

100. Therefore, we propose that all AAs should report the percentage of their total assets with declared net zero or Paris-aligned targets. This is the Binary Target Measurement described above.

101. We also encourage AAs to calculate other Paris Alignment Metrics which they consider to be useful in managing their climate risks. We note that it is not only the commitment to net zero but also the pathway towards net zero which dictates Paris-alignment. For instance, a company may have made a net zero commitment, but still be making insufficient emissions reductions in the short term. For this reason, AAs should consider whether collecting and reporting an additional Paris Alignment Metric would be useful.

102. We propose that only the top-level figure at the whole fund level is required to be produced and reported by AAs.

Other metrics

103. We have proposed requirements for four metrics. However, we do not intend to limit the range of additional and more ambitious metrics AAs may select. The Government encourages AAs to calculate other metrics which are endorsed by the TCFD, such as Climate Value at Risk (VAR)[footnote 2].

Guidance and regulation

104. We propose that the requirement to publish metrics is set out in regulations, but that the metrics themselves are defined in statutory guidance. This has the advantage that as metrics become more available and accurate over time, changes may be made to update the metrics without amending regulations.

Summary of metrics proposals

105. We propose to require AAs to calculate and report the following metrics:

- Metric 1 (absolute emissions metric) - Total Carbon Emissions, which includes the Scope 1, 2 and 3 emissions reported separately, as well as the sum of the three.
- Metric 2 (emissions intensity metric) - Carbon Footprint. This is Carbon Emissions divided by the total assets of the fund to which the data relates. It should be calculated separately for Scope 1, Scope 2 and Scope 3 emissions.
- Metric 3 (data quality metric) – the percentage of assets for which Scope 1, 2 and 3 emissions are verified, reported, estimated or unavailable, in line with the GHG Protocol.
- Metric 4 (Paris Alignment Metric) – the percentage of the fund's assets for which a public Paris aligned commitment has been made, i.e. net zero by 2050.

106. We also propose to recommend in statutory guidance that AAs consider whether they wish to calculate any other climate related metrics recommended by the TCFD in order to inform assessment of climate risks.

Question 5: Do you agree with our proposed requirements in relation to metrics?

Targets

107. The TCFD recommends that organisations set targets based on the metrics they select, including a target date, baseline and performance indicators, in order to focus efforts on managing climate risk.

108. The metrics proposed support AAs to assess the current climate risks and opportunities to their assets. Targets will assist AAs to take the next step to set their strategy for managing climate risks and opportunities to the fund and to measure their progress, as well as increasing accountability.

109. We therefore propose that regulations require at least one target to be set either for one of the mandatory metrics listed above or another TCFD-endorsed metric. This additional metric may be one of the more ambitious climate-related metrics, such as Climate VAR or Implied Temperature Rise, but must be limited to metrics endorsed by the TCFD or any of the mandatory metrics.

110. We also propose that AAs should be required to measure and report performance against their targets annually, as far as they are able, as for the requirement on obtaining data. This recognises that measuring and disclosing performance is dependent on data provided by others in the investment chain, in the same way as the requirement to obtain data for metrics. In order to ensure that targets are used and kept up to date, AAs will also be required to consider annually whether to continue with the target or replace it. We propose to provide statutory guidance to assist AAs.

111. Our proposed requirements for AAs are:

- AAs must set a target for their fund in relation to one of the metrics which they have selected. The target may be in relation to one of the mandatory metrics (absolute emissions, emissions intensity, data quality or Paris alignment), or any other climate-related metric endorsed by the TCFD which the AA chooses.
- AAs must annually measure, as far as they are able, the performance of their fund against the target they have set and taking into account that performance, determine whether the target should be retained or replaced.

112. There is no expectation that AAs should set targets which require them to divest or invest in a given way, and the targets are not legally binding.

Question 6: Do you agree with our proposed requirements in relation to targets?

As far as able

113. We propose that AAs must carry out scenario analysis, obtain data, calculate, and use metrics and measure performance against AA-set targets 'as far as they are able'. This means that AAs are expected to take all reasonable and proportionate steps given costs and time constraints. However, we recognise that there will inevitably be some gaps in the work produced, and while we would expect AAs to do as much as they can we recognise that some elements are outside of their control. Therefore, where authorities are not able to comply with these proposals, they must include in their report both the areas and reasons where they are not able to comply in full.

114. The requirement for AAs to comply as far as they are able will enable them to produce metrics for only part of the portfolio or using estimation or incomplete data sets. This will still be decision-useful information for AAs. The urgency of climate change means that the AAs cannot wait until they have perfect data before they start putting it to use.

Ongoing and annual duties

115. We distinguish between ongoing and discrete duties. For duties which are regular discrete events such as reporting, we have proposed specific time intervals for AAs to follow. Ongoing duties on the other hand are those which do not take place as a distinct event but a continuous requirement. For example, AAs should always be managing the risks of the fund, and so we would think of risk management as an ongoing requirement. In practice, we recognise that these requirements will be considered at regular intervals as well, but the requirement itself would be ongoing.

116. All duties are ongoing, except requirements to conduct scenario analysis, calculate metrics, and set and review performance against targets.

117. Scenario analysis must be carried out in the reporting year 2023/24 and at least every three years thereafter. In the intervening years, AAs should review whether circumstances have changed enough to refresh their analysis. This decision should take account of availability of data, or a significant change in investment or funding strategy. AAs should explain in their Climate Risk Report whether they have carried out a new analysis, and if not give a short explanation as to why.

118. Underlying data for metrics and targets must be obtained, the metrics calculated, and performance against targets measured, at least annually.

3. Reporting on climate risks

119. High quality reporting on climate risks is central to the TCFD's recommendations. The aim is to enable stakeholders to understand as fully as possible their climate exposures and the AA's approach to addressing those risks, in the short, medium and long term. Transparency will also enable users of the reports to measure and monitor current performance against targets and the planned trajectory and to assess the implications for future performance.

120. To achieve these aims in the LGPS, reporting will need to be clear, comprehensive and consistent, as well as timely, verifiable and comparable across the sector, in line with the TCFD's principles for effective disclosure[footnote 3]. This chapter sets out our proposals ensuring that reporting both at AA and at scheme level meets these standards, and delivers proper accountability to members, locally and across the scheme.

Annual climate risk report

121. We propose that each AA publishes a Climate Risk Report every year, at the same time as the AA's annual report is published – i.e. 1 December for the reporting year which ended the previous 31 March. Once published, the Climate Risk Report must be easily and freely accessible online and members must be informed of where to find it. In addition, links to each AA's Climate Risk Report will be included in the Scheme Climate Report and may be shown on the Scheme Advisory Board's (SAB) website. The Climate Risk Report may be a constituent part of the AA's Annual Report, or a standalone report.

122. This means that the first report for the year 2023/24 must be available by 1 December 2024.

123. The Climate Risk Report should be accessible to two distinct types of user: specialist and non-specialist. The Climate Risk Report will contain detailed and useful data, and we hope that the metrics, targets and scenario analysis in particular will be important resources for specialist audiences. This role of the Climate Risk Report may require it to be technical in content, and dense with information.

124. In addition, various non-specialist stakeholders including scheme members, members of the public and other parties will also need to be considered. The Climate Risk Report should include enough information to be understood by the lay reader.

125. The AA will have to decide on how best to approach these dual requirements. One approach is to split the Climate Risk Report into two sections: a body and a short executive summary. The executive summary would be written to explain the AA's approach and high-level findings to the lay reader. This allows the body

of the Climate Risk Report to be technical as is useful to specialist audiences. We regard this as a very effective way to address this balance, although other approaches would also be valid.

126. We would like to stress that the narrative provided in the Climate Risk Report will be as valuable as the data for most audiences. Metrics by themselves are difficult to interpret for the lay reader.

127. For example, differences in an AA's investment allocation, such as its strategic allocations between the main asset types will affect its carbon emissions. Moreover, a high carbon exposure or poor alignment with the Paris climate goals may be managed by effective stewardship and engagement from the AA. AAs should ensure that messages such as these are presented in a way to help the lay reader interpret the report and understand the fund's strategy towards managing the risks from climate change.

128. It is important that the report must be easily accessible to scheme members, on the AA's website and via an internet search. We propose that AAs must at least inform members of the Climate Risk Report and how to find it when they issue their annual benefit statements. This does not necessarily mean including wording in the annual benefit statement itself.

129. Climate Risk Reports should be produced in line with the Local government transparency code 2015 (https://www.gov.uk/government/publications/local-government-transparency-code-2015/local-government-transparency-code-2015).

130. We propose that the Climate Risk Report must include the following information:

Area	Disclosure Requirement
Governance	Describe the AA's oversight of climate-related risks and opportunities Describe the role of any person other than the scheme manager who undertakes relevant governance activities and the process by which the committee satisfy themselves that this is being done Describe the role of any person who (other than a legal advisor) advises the scheme manager on relevant governance activities and the process by which the committee satisfies itself that adequate steps are being taken
Strategy	Describe the climate-related risks and opportunities which the scheme manager has identified Describe the scheme manager's definition of short term, medium term and long term
Scenario Analysis	Describe the most recent scenarios the scheme manager has analysed Describe the impact of the climate-related risks and opportunities on the AA's investment and funding strategies Describe the potential impacts on the AA's assets and liabilities which the AA has identified in the most recent scenarios and the reason for any data which is missing from the analysis Describe the resilience of the AA's investment and funding strategies in the most recent scenarios the AAs have analysed
Risk Management	Describe the processes which the AA has established for identifying and assessing climate-related risks to their fund Describe the processes which the AA has established for managing climate-related risks to the AA Describe how these processes are integrated into the AA's overall risk management
Metrics	Report the metrics which the AA has calculated (or an explanation as to why these were not possible to calculate)
Targets	Report the target which the AAs have set and the performance of the AA against that target.

Question 7: Do you agree with our approach to reporting?

Scheme climate risk report

131. In addition to the Climate Risk Reports published by each AA, we are proposing an annual Scheme Climate Risk Report to provide an overview of the LGPS and climate risks, produced by the Scheme Advisory Board (SAB). Such an overview would be useful for scheme members and other stakeholders. It would also enable the LGPS to demonstrate progress and impact, and showcase good practice.

132. We therefore propose as a minimum that the Scheme Climate Risk Report would include links to each AA's Climate Risk Report and the four aggregated metrics for the whole LGPS.

133. In relation to metrics, we propose that Total Carbon Emissions and Carbon Footprint should be calculated and reported at an aggregate level. This would involve a simple sum of Total Carbon Emissions for Aggregate Total Carbon Emissions. In order to calculate Aggregate Carbon Footprint, this would be calculated as Aggregate Total Carbon Emissions divided by the overall size of the LGPS investment portfolio for which total emissions are at least estimated. This would be done separately for Scope 1, Scope 2 and Scope 3 emissions.

134. When reporting the data quality metric, each AA must report the proportion of its assets for which overall emissions data is: Verified, Reported, Estimated or Unavailable. One reason that we have proposed this metric is that it can be aggregated across AAs. As risk management is a key objective of TCFD reporting, we believe that visibility of data quality, which is essential to the understanding of risk, will be a useful way to measure progress. Therefore, we propose to show overall data quality in the Scheme Climate Report, whereby the LGPS's entire assets will be divided into verified, reported, estimated and unknown.

135. We propose that the SAB reports on an aggregate Paris Alignment Metric based on AA level reports. This would show the proportion of the value of the whole LGPS's assets for which there is a net zero commitment in line with the Paris goals.

136. In the above paragraphs we have outlined our minimum proposals for the Scheme Climate Risk Report. In addition, we are inviting views about whether emissions, data quality and Paris-alignment metrics for each AA should be shown in the Scheme Climate Risk Report.

137. Emissions and data quality metrics will already be available in the Climate Risk Reports published by each AA and it will be possible to make comparisons between AAs. AAs may be concerned about being compared unfairly, and may fear that this may lead to pressure to reduce emissions through divestment. There is no expectation from Government that AAs should reduce emissions via divestment.

138. We recognise that transparency is an important feature of the LGPS's approach to managing climate risks. It is important for all those to whom the Scheme is accountable have easy access to climate-related information.

139. We do not propose to include any aggregate data on the scenario analysis requirement. This is because scenario analysis may be very difficult to aggregate in a meaningful way.

Question 8: Do you agree with our proposals on the Scheme Climate Risk Report?

4. Other issues

140. This chapter deals with a number of other issues relevant to the implementation of the TCFD recommendations in the LGPS.

The role of the LGPS asset pools

141. Since 2015, 8 LGPS pools have been set up with the aim of securing the benefits of scale including more professional management, reduced investment costs, increased net returns, improved resilience, and access to a wider range of assets, including infrastructure. Many of the pools have developed significant capabilities in relation to climate risks and responsible investment more broadly.

142. As of March 2021 around 80% of the Scheme's assets are either pooled, in a transition plan to be pooled, or have some oversight by their pool, although the proportion varies widely across AAs and across pools. For pooled assets, we expect that the pools will be able to provide data, calculate metrics and carry out scenario analysis on these assets where that data is available. There are differing views on the extent to which pools will be able to deliver these services for assets that are not held by the pool, especially where there are already contracts with data providers in place. Some pools will already be able to provide advice on data, metrics and scenario analysis and other relevant issues or will wish to develop or jointly commission such advice.

143. In this landscape there is potential for a multiplicity of different analyses and reports to be required on the same LGPS assets. 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.

144. We expect to see this issue reduce in importance over time as more assets transition into the pools. AAs which have transferred close to 100% of their assets excluding cash to their pools would be able to use the analyses conducted by their pool for their own purposes. 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. Both completing transition and aligning strategies would also have significant wider benefits for costs and performance through delivering greater scale.

Question 9: Do you have any comments on the role of the LGPS asset pools in delivering the requirements?

Guidance and reporting template for administering authorities

145. DLUHC intends to provide high level statutory guidance to accompany changes to regulations. This will include guidance relating to the governance activities required of AAs and the Climate Risk Report. We have also asked the SAB to produce more detailed operational guidance.

146. The SAB will also be asked to produce a standard template which AAs will be required to follow in producing their Climate Risk Report. This will help AAs to comply with the requirements, and help to ensure that the Scheme Climate Risk Report is as comprehensive and consistent as possible.

Question 10: Do you agree with our proposed approach to guidance?

Knowledge, skills and advice

147. It is important that individuals making decisions in response to climate-risk management processes have the adequate skills and information to make choices. While we will not be imposing any legal requirement on an individual's knowledge and skills, we wish to promote best practice in our approach. It is important to note that scheme managers are not expected to be technical experts in climate science or climate finance. However, a base knowledge regarding climate risks will be necessary in order to, for example, interpret the results of scenario analysis.

148. Firstly, we propose to require that AAs must take proper advice regarding assessing and managing climate risks. This should help the scheme manager, who may not be a technical expert to take proper account of climate risks in setting their investment strategy and asset allocation.

149. AAs will need to satisfy themselves that the advice is high quality and provided by appropriately qualified people. We welcome views as to how this may be practically ensured. We welcome responses on whether and how pools could jointly procure expert advice for their partner funds.

Question 11: Do you agree with our proposed approach to knowledge, skills and advice?

Consideration of impact on protected groups

150. Section 149 of the Equality Act 2010 requires Government to have due regard to the potential impact of new decisions, policies or policy changes on particular groups with protected characteristics and to avoid disproportionate negative impacts (the public sector equality duty).

151. We have made an initial assessment under the duty and do not believe there would be impacts on protected groups from the proposals in this consultation, as they do not affect member contributions or benefits. We have considered whether the reporting requirements could give rise to negative impacts on certain groups with protected characteristics and believe they would not. However, administering authorities and the Scheme Advisory Board are also subject to the public sector equality duty and we would expect them to take steps to ensure compliance with the duty, including that their reports under these proposals are available in accessible formats.

Question 12: Do you have any comments on the impact of our proposals on protected groups and on how any negative impacts may be mitigated?

Summary of consultation questions

This section contains a summary of the questions contained above, for ease.

Question 1: Do you agree with our proposed requirements in relation to governance?

Question 2: Do you agree with our proposed requirements in relation to strategy?

Question 3: Do you agree with our suggested requirements in relation to scenario analysis?

Question 4: Do you agree with our proposed requirements in relation to risk management?

Question 5: Do you agree with our proposed requirements in relation to metrics?

Question 6: Do you agree with our proposed requirements in relation to targets?

Question 7: Do you agree with our approach to reporting?

Question 8: Do you agree with our proposals on the Scheme Climate Risk Report?

Question 9: Do you have any comments on the role of the LGPS asset pools in delivering the requirements?

Question 10: Do you agree with our proposed approach to guidance?

Question 11: Do you agree with our proposed approach to knowledge, skills and advice?

Question 12: Do you have any comments on the impact of our proposals on protected groups and on how any negative impacts may be mitigated?

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TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 10

TEESSIDE PENSION BOARD REPORT

14 NOVEMBER 2022

DIRECTOR OF FINANCE – HELEN SEECHURN

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.

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

4.2 The report will also cover progress on recruitment to the posts discussed at previous meetings relating to the improvement to services.

CONTACT OFFICER: Graeme Hall (Operations Manager, XPS Administration)

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XPS Administration

Teesside Pension Fund

Performance Delivery Report

2022-2023

Contents

Regulations and Guidance

Government confirms academy guarantee will continue

The Government confirmed on 21 July 2022 in a written ministerial statement that it will continue to provide the academy guarantee. The annual ceiling will also increase to £20 million.

Technical consultation on resolving low earners tax relief anomaly

On 20 July 2022, H M R C launched a technical consultation on draft legislation that aims to resolve the tax relief anomaly. The consultation closes on 14 September 2022. The proposed changes will be included in the next Finance Bill. The legislation proposes placing a duty on H M R C to make top up payments directly to eligible members

Cost cap results published

On 29 June 2022, the Government Actuary's Department published the results of the first cost cap valuation for L G P S (England and Wales) and L G P S (Scotland). The results of the first valuations show that the cost has remained within the two per cent corridor for both schemes. This means no changes to benefits or member contributions are needed.

The Public Service Pensions (Employer Cost Cap and Specified Restricted Scheme) Regulations 2022

On 13 July 2022, H M T laid The Public Service Pensions (Employer Cost Cap and Specified Restricted Scheme) Regulations 2022. The regulations take effect from 3 August 2022. Regulation three amends The Public Service Pensions (Employer Cost Cap) Regulations 2014. The margins are currently set at two percentage points above and below the employer cost cap rate. The new regulations amend this to three percentage points

D W P responds to consultation on the draft pensions dashboards regulations

On 14 July 2022, the Department for Work and Pensions (D W P) responded to the consultation on the draft Pensions Dashboards Regulations. The key areas of the response that affect L G P S administering authorities are set out below. D W P will amend the draft regulations ('the Regulations') to reflect the response. The LGA expect D W P to lay the Regulations before Parliament in autumn. The Summary of this can be found in Bulletin 227 (https://lgpslibrary.org/assets/bulletins/2022/227.pdf)

Pensions Dashboard (Prohibition of Indemnification) Bill

On 15 July 2022, Guy Opperman MP, Pensions Minister, confirmed that the Government will support the Pensions Dashboards (Prohibition of Indemnification) Bill. This confirmation was given during the Bill's Second Reading in the Commons

HMT consultation on public sector exit payments

On 8 August 2022, HM Treasury (HMT) launched a consultation on public sector exit payments. The Government is proposing to introduce: • an expanded approval process for employee exits and special severance payments • additional reporting requirements. This does not include local authorities or bodies under devolved administrations. The guidance will apply to academies. The document can be found at https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1096743/Guidance_on_Public_Sector_Exit_Payments_27.7.22.pdf

TPO publishes corporate plan The Pensions Ombudsman's

The (TPO) corporate plan for 2022 to 2025 has been published. The corporate plan outlines TPO's key performance indicators, strategic goals and priorities for the period, along with the actions required to deliver those priorities. This can be found at https://www.pensions-ombudsman.org.uk/news-item/corporate-plan-2022-2025-published

Supreme Court decision concerning term time workers

The Supreme Court has ruled in favour of a zero hours contract worker who works on a term-time only contract in a school. The case concerned how to calculate their holiday pay. It also has implications for workers who work varying hours during only certain weeks of the year but have a continuing contract. A Bulletin has been issued to TPF employers to advise of this.

Collective Money Purchase Schemes launched

A new type of pension scheme officially opened for applications on 1 August 2022. Collective Money Purchase Schemes (also known as Collective Defined Contribution or CDC schemes) are designed to provide improved retirement returns for savers with more predictable costs for employers. The new schemes were made possible by the Pension Schemes Act 2021

Letter about discrimination in the LGPS sent to minister

On 26 August 2022, Cllr Roger Phillips, Chair of the SAB, wrote to the Local Government Minister, Paul Scully. The letter to the minister recommends amending the regulations on death grants and survivor benefits. The SAB expressed concern about continuing to restrict death grants to cases where the member died before age 75. It considers the restriction may be at risk of legal challenge and should be removed. The SAB reminded the minister that the LGPS rules on survivor benefits have not yet been amended to reflect the Goodwin judgment. It has previously recommended the Government investigate the feasibility of removing all differences in the survivor benefit rules.

Governance and reporting of climate change risk consultation

On 1 September 2022, the Department for Levelling Up Housing and Communities (DLUHC) launched a consultation called 'Governance and reporting of climate change risks. The consultation seeks views on proposals to require administering authorities to assess, manage and report on climate-related risks, in line with the recommendations of the Taskforce on Climate-related Financial Disclosures. The consultation closes on 24 November 2022 and can be found here https://www.gov.uk/government/consultations/local-government-pension-scheme-england-and-wales-governance-and-reporting-of-climate-change-risks

TPS McCloud remedy and the LGPS

The implementation of the McCloud remedy in the Teachers' Pension Scheme (TPS) means that some teachers will be retrospectively eligible for the LGPS for the period from 1 April 2015 to 31 March 2022. This is provided for in the Public Service Pensions and Judicial Offices Act 2022 (2022 Act). Chapter 1 of Part 1 of the 2022 Act defines remediable service as including 'excess teacher service'. The Department for Education (DfE) and the Department for Levelling Up, Housing and Communities (DLUHC) will consult on how this will work in practice in due course.

Broad comparability assessments resume in full later this year

The Government Actuary's Department (GAD) announced on 22 September 2022 in a press release that it will resume broad comparability assessments in full this autumn. In August 2020, GAD paused the assessments due to uncertainties from the McCloud judgment. Earlier this year, GAD partially resumed assessments. These assessments were for service from April 2022 only.

02 Membership Movement

	Actives		Deferred		Pensioner		Widow/Dependent	
Q2 2022/23	25,713	▼	26,686	▲	23,317	▲	3,321	▼
Q1 2022/23	25,990	▲	26,487	▲	23,128	▲	3,338	▲
Q4 2021/22	25,609	▲	26,240	▲	22,918	▲	3,309	▲
Q3 2021/22	24,729	▼	26,165	▲	22,710	▲	3,240	▲
Q2 2021/22	24,736	▲	26,040	▲	22,640	▲	3,261	▲

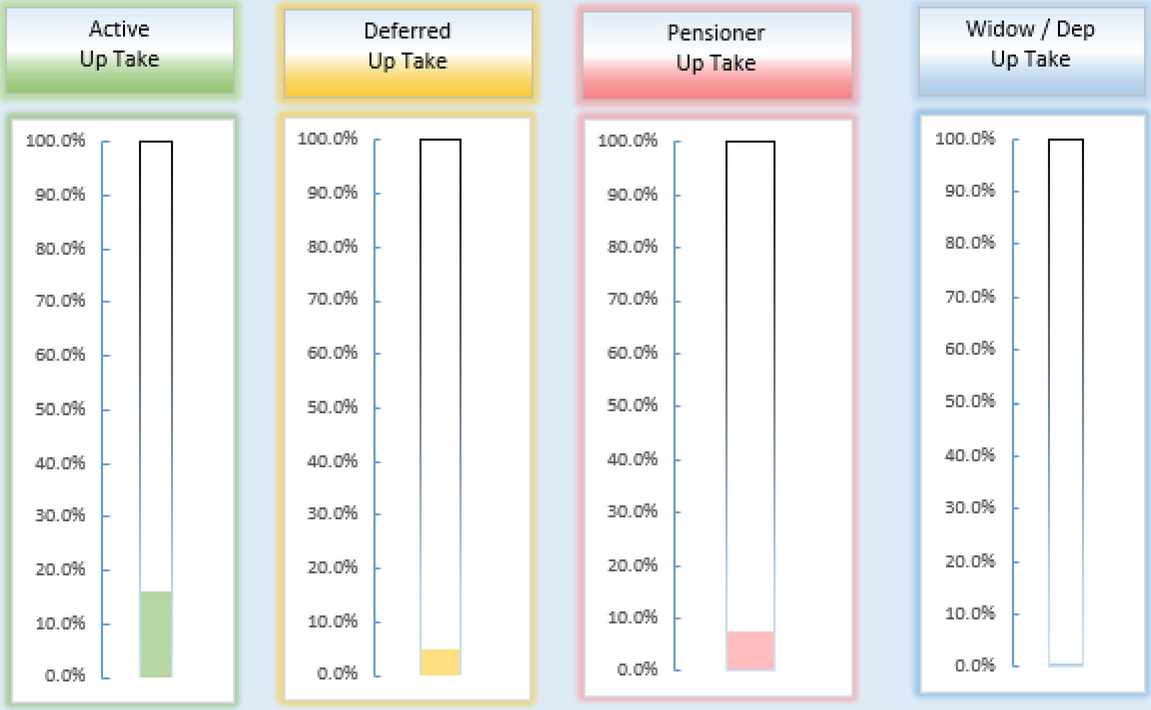
03 Member Self Service

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

XPS Administration

Member Self Service
User Statistics For:
Teesside Pension Fund

Quarter 2	REGISTERED	ACCOUNT DISABLED	ACTIVATION LINK SENT	NOT REGISTERED	TOTAL	Percentage Uptake
Actives	3,219	51	520	20,397	**20,397**	**16.0%**
Deferred	1,091	16	211	21,887	**21,887**	**5.1%**
Pensioner	1,509	49	153	20,956	**20,956**	**7.4%**
WidowDep	21	0	2	3,217	**3,217**	**0.7%**
Total	**5,840**	**116**	**886**	**66,457**	**66,457**	**9.0%**



04 **Pension Regulator Data Scores**

Common Data

Data Item	Teesside Pension Fund		
	Max Population	Total Fails	% OK
NINo	80,425	177	99.78%
Surname	80,425	0	100.00%
Forename / Inits	80,425	0	100.00%
Sex	80,425	0	100.00%
Title	80,425	133	99.83%
DoB Present	80,425	0	100.00%
Dob Consistent	80,425	1	100.00%
DJS	80,425	0	100.00%
Status	80,425	0	100.00%
Last Status Event	80,425	661	99.18%
Status Date	80,425	1,753	97.82%
No Address	80,425	482	99.40%
No Postcode	80,425	0	100.00%
Address (All)	80,425	5,085	93.68%
Postcode (All)	80,425	4,615	94.26%
Common Data Score	**80,425**	**3,117**	**96.12%**
Members with Multiple Fails	**80,425**	**90**	**99.89%**

Scheme Specific 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 Guaranteed Minimum Pension)	68,296	9,151	86.60
TPF (exc Guaranteed Minimum Pension)	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 Guaranteed Minimum Pension (GMP)				24,400	7,954	67.40
1.5.3	Post-88 Guaranteed Minimum Pension (GMP)						

05 **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	4.27	4.26
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	4.04	4.04
5. My query was answered promptly	4.45	4.45
6. The response I received was easy to understand	4.44	4.43
7. Do you feel you know enough about your employers retirement process	76.68%	76.75%
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)	47.75%	46.21%
11. Did you use the website to research the retirement process? (from 18/05/17)	27.59%	26.45%
12. Have you heard of Member Self Service (MSS)? (from 18/05/17)	23.80%	22.25%

*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

Following the resignation of the original Team Leader, a replacement has been appointed into the role.

The team are currently working on Year End files from the Teesside Pension Fund employers and commencing the role out of the collation of pension contributions on a monthly basis.

Next steps will be to work with the Fund to determine how to undertake employer covenant.

Communications

The new website was launched to Scheme Members and Employers on the 5th May 2021 which is underpinned with 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. The following chart provides an overview of the information we have collected.

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. The initial stage is currently underway and we have a number of employers who have agreed to undertake the initial rollout. 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 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 and member training. We have continued to promote the I-connect service with keen interest from employers. We are awaiting final confirmation an employer to agree to start rollout and working with a number to obtain final agreement. Additional training sessions on pensions tax are being developed at the request of a Local Authority along with a scheme promotion bulletin to promote the importance of pensions planning and the option of the 50/50 scheme for members who may consider opting out due to the cost of living crisis.

Late Payment Analysis

This table shows analysis of contributions received from participating employers.

We do chase these on a monthly basis and an e-mail has been sent to regular offenders asking them to explain why contributions are being paid across late. Health Checks have been initiated with these employers.

Date	Late Payments	Expected Payments	% Late	<10 Days Late	>10 Days Late
Sep-21	1	149	1.00%	0	1
Oct-21	3	144	2.00%	0	3
Nov-21	11	144	7.00%	0	11
Dec-21	5	144	3.00%	2	3
Jan-22	10	146	7.00%	1	9
Feb-22	9	146	6.00%	2	7
Mar-22	8	146	5.00%	0	8
Apr-22	9	146	6.00%	1	8
May-22	4	146	3.00%	4	0
Jun-22	3	142	2.11%	2	1
Jul-22	2	142	1.41%	0	2
Aug-22	4	140	2.86%	1	3
Sep-22	2	140	1.43%	0	2

06 Completed Cases Overview

2022/23

Teesside Pension Fund	Cases completed	Cases completed within target	Cases completed outside target	Cases: % within target
LG Team – Admin Manager Mathew Spurrell				
April	392	392	0	100%
May	346	346	0	100%
June	434	434	0	100%
Quarter 1	**1,172**	**1,172**	**0**	**100%**
July	458	458	0	100%
August	590	590	0	100%
September	426	426	0	100%
Quarter 2	**1,474**	**1,474**	**0**	**100%**
October	728	728	0	100%
November				
December				
Quarter 3	**728**	**728**		**100%**
January				
February				
March				
Quarter 4				
Year - Total	**3,374**	**3,374**	**0**	**100%**

07 **Completed Cases by Month**

July 2022

KEY PERFORMANCE REQUIREMENTS (KPR)	MONITORING PERIOD (Annually, Quarterly, Monthly, Half Yearly)	KPR Day	MINIMUM PERFORMANCE LEVEL (MPL)	ACTUAL PERFORMANC E 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%	100%	4.19	183	0	183	183
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	26	0	26	26
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	16	0	16	16
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	5	233	0	233	233
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 2022

KEY PERFORMANCE REQUIREMENTS (KPR)	MONITORING PERIOD (Annually, Quarterly, Monthly, Half Yearly)	KPR Day	MINIMUM PERFORMANCE LEVEL (MPL)	ACTUAL PERFORMANC E 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%	100.00%	4.43	299	0	299	299
Transfer Values - To complete the process within one month of the date of receipt of the request for payment.	Monthly	20	98.50%	100%	8	15	0	15	15
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	23	0	23	23
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	5	253	0	253	253
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%	#DIV/0!	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		

September 2022

KEY PERFORMANCE REQUIREMENTS (KPR)	MONITORING PERIOD (Annually, Quarterly, Monthly, Half Yearly)	KPR Days	MINIMUM PERFORMANCE LEVEL (MPL)	ACTUAL PERFORMANC E 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%	3.51	107	0	107	107
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	49	0	49	49
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	16	0	16	16
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	5	254	0	254	254
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 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%	6.17	347	0	347	347
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	32	0	32	32
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	22	0	22	22
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	5	327	0	327	327
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		

08 Complaints

Full Name	Description	Date received	Date completed	Comment
Retired Member	Delay in allocating the 2nd leaver notification meant payroll was missed.	22/7/2022	2/8/2022	Interest paid, original delay caused by incorrect L/F received

Graeme Hall
Operations Manager
01642 030643

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