Legal and Governance

TEESSIDE PENSION BOARD

Date: Monday 20th February, 2023
Time: 2.00 pm
Venue: Spencer Room

AGENDA

1. Welcome and Evacuation Procedure

2. Apologies for Absence

3. Declarations of Interest

   To receive any declarations of interest.

4. Minutes - Teesside Pension Board - 14 November 2022 — 3 - 8

5. Minutes - Teesside Pension Fund Committee - 21 October 2022 — 9 - 18

6. Teesside Pension Fund Committee - 14 December 2022

   Verbal Update

7. Update on Current Issues — 19 - 42

8. Update on Work Plan Items — 43 - 94

9. XPS Administration Report — 95 - 112

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

Charlotte Benjamin
Director of Legal and Governance Services

Town Hall
Middlesbrough
Friday 10 February 2023

MEMBERSHIP

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

Assistance in accessing information

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

TEESSIDE PENSION BOARD

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

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

ALSO IN ATTENDANCE: P Mudd, XPS

OFFICERS: S Lightwing and N Orton

APOLOGIES FOR ABSENCE: were submitted on behalf of Councillor W Ayre, Redcar and Cleveland Council

22/14 **WELCOME AND EVACUATION PROCEDURE**

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

22/15 **DECLARATIONS OF INTEREST**

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

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

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

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

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

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

The Head of Pensions Governance and Investments provided a verbal update on agenda items considered at a meeting of the Teesside Pension Fund Committee held on 21 October 2022.

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

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

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

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

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

Clarification was also provided regarding the cost of redundancies. In terms of cost to the

Fund this was not an issue as the additional costs of redundancy had to be met by Employers.

AGREED that the information provided was received and noted.

22/19 **WORK PLAN UPDATE**

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

Annual Review of Board Training

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

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

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

Regulator Code of Practice Gap Analysis

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

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

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

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

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

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

Review the outcome of Actuarial Reporting and Valuations

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

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

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

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

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

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

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

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

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

AGREED as follows that:
1. the information provided was received and noted.
2. on behalf of the Board, the Head of Pensions Governance and Investments would write to

the National Scheme Advisory Board requesting information on the timescale for legislative changes following the outcome of the Goodwin Employment Tribunal.

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

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

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

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

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

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

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

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

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

AGREED that the information provided was received and noted.

22/22 **XPS ADMINISTRATION REPORT**

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

The report provided information on the following:

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

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

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

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

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

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

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

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

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

There had been one complaint which had been resolved.

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

AGREED that the information provided was received and noted.

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

None.

22/24 **EXCLUSION OF PRESS AND PUBLIC**

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

22/25 **ACTUARIAL VALUATION UPDATE**

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

AGREED that the information provided was received and noted.

TEESSIDE PENSION FUND COMMITTEE

A meeting of the Teesside Pension Fund Committee was held on Friday 21 October 2022.

PRESENT: Councillors D Coupe, (Chair), A Bell, R Creevy, T Furness, S Hill, J Hobson, D McCabe, E Polano (Vice-Chair), J Rostron, and G Wilson
J Flaws and T Watson

ALSO IN ATTENDANCE: P Mudd (XPS Administration), W Bourne (Independent Adviser), S Law (Hymans Robertson), P Moon (Independent Adviser), M Kerr (Border to Coast), A Owen (CBRE), M Rutter (External Auditor) (Ernst Young) and A Peacock (CBRE)

OFFICERS: S Lightwing, N Orton and W Brown

APOLOGIES FOR ABSENCE: were submitted on behalf of Councillors J Beall and G Nightingale (Redcar and Cleveland Borough Council)

22/20 WELCOME, INTRODUCTIONS AND EVACUATION PROCEDURE

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

22/21 DECLARATIONS OF INTEREST

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

22/22 MINUTES - TEESSIDE PENSION FUND COMMITTEE - A) 29 JUNE 2022 AND B) 27 JULY 2022

The minutes of the meeting of the Teesside Pension Fund Committee held on 29 June and 27 July 2022 were taken as read and approved as a correct record.

The Chair explained that as Members were aware, unfortunately the Teesside Pension Fund Committee meeting held on 27 July 2022 was inquorate and therefore abandoned. The Draft Annual Teesside Pension Fund Report and Accounts 2021/2022 were to be presented to the Committee for noting and a copy of the Draft Accounts were included in the agenda pack for that meeting for Members' information.

The Teesside Pension Fund Accounts were subsequently included in Middlesbrough Council's Draft Statement of Accounts 2021/2022 which were reviewed and noted by the Corporate Affairs and Audit Committee at a meeting held on 29 September 2022. The target date for the Corporate Affairs and Audit Committee's approval of the audited accounts, based on there being no significant delays or issues, was 2 March 2023.

Once EY, the external auditors, had completed their work an audit completion report including their findings would be brought to the next available meeting.

22/23 BORDER TO COAST SHAREHOLDER NON-EXECUTIVE DIRECTOR

The Head of Pensions Governance and Investments informed the Committee that Councillor Coupe had recently been appointed as a Shareholder Non-Executive Director at Border to Coast.

A dispensation had been sought and approved by Middlesbrough Council's Standards Committee for a period of three years, at a meeting held on 17 October 2022. The dispensation allowed Councillor David to participate in any discussion of any matter concerning Border to Coast at the meetings of the Teesside Pension Fund and/or participate in any vote, or further vote, taken on the matter at the said meeting(s). Under this dispensation, Councillor Coupe should not participate in any discussion or vote where changes to the remuneration of Directors of the Company were discussed.

As it was no longer appropriate for Councillor Couple to continue in his previous role at Border to Coast, Councillor Polano had agreed to represent Teesside Pension Fund Committee on the Border to Coast Joint Committee.

NOTED

22/24 **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. It was suggested that it was timely for the Committee to give consideration as to whether to invest in index linked government bonds, bonds related to companies or high grade corporate bonds.

At the June 2018 Committee it was agreed that a maximum level of 20% of the Fund would be held in cash. Cash levels at the end of June 2022 were 14.9%. 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 direct property purchases or sales were made in the period, however and additional investment of £15m was made into an existing Property Unit Trust.

Investment in Alternatives, such as infrastructure and private equity, offered the Fund diversification from equities and bonds. They came with additional risks of being illiquid, traditionally had costly management fees and investing capital could be a slow process. 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. £31.6 million was invested in the quarter.

Appendix A to the submitted report detailed transactions for the period 1 April 2022 to 30 June 2022. There were net purchases of £131m in the period, compared to net sales of £252m in the previous reporting period.

As at 30 June 2022, the Fund had £724.5 million invested with approved counterparties. This was a decrease of £92.9 million over the last quarter. Appendix B to the submitted report showed the maturity profile of cash invested as well as the average rate of interest obtained on the investments for each time period.

The total value of all investments as at 30 June 2022, including cash, was £4,868 million, compared with the last reported valuation as at 31 March 2022, of £5,071 million.

A summary analysis of the valuation, attached at Appendix C to the submitted report, showed the Fund's percentage weightings in the various asset classes as at 30 June 2022 compared with the Fund's customised benchmark.

The Forward Investment Programme provided commentary on activity in the current quarter and looked ahead to the next three to five years. Details of the Strategic Asset Allocation agreed at the March 2021 Pension Fund Committee were shown at paragraph 8.2 of the submitted report.

At the end of June 2022 the Fund's equity weighting was 58.1% compared to 59.9% at the end of March 2022. There were no plans to purchase or sell equities at this time. A summary of equity returns for the quarter 1 April 2022 to 30 June 2022 was shown at paragraph 8.3 of the submitted report.

There were two property assets that the Fund was currently waiting to exchange contracts on and progress would be reported to the Committee at the next meeting.

To date the Fund had agreed three Local Investments.

The Border to Coast Series 2 Alternative Funds went live on 1 April 2022, and the Fund had agreed to commit £150 million per year for the next 3 years to the Infrastructure Fund, £100 million per year for the next 3 years to the Private Equity Fund and £80 million to the Climate Opportunities Fund.

As at 31 August 2022 total commitments to private equity, infrastructure, other alternatives and other debt were approaching £1,563 million and a breakdown of that figure was included at paragraph 8.7 of the submitted report.

ORDERED that the report was received and noted.

22/25 **EXTERNAL MANAGERS' REPORTS**

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

As at 30 June 2022 the Fund had investments in the Border to Coast UK Listed Equity, Overseas Developed Markets and Emerging Markets Equity Funds. For all three sub funds the return target was expected to be delivered over rolling 3 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. To date, total commitments of £650 million had been made to these sub-funds (£350m to infrastructure and £300m to private equity) with around 26% 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 but were referenced in the Border to Coast presentation at Agenda Item 8 of the meeting.

The Border to Coast report showed the market value of the portfolio as at 30 June 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 achieved returns of 0.94% above benchmark over the last year, nearly meeting its 1% overachievement targets. The Overseas Developed Markets Equity Fund had achieved returns of 2.10% above benchmark over the last year, comfortably above its 1% overachievement target, albeit in a falling market. 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 – performance over quarter to 30 June 2022 was slightly above benchmark, but below target, with the internal team delivering better results that quarter than the external China managers due to a mixture of sector and stock selection.

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

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

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

ORDERED that the report was received and noted.

22/26 **PRESENTATION FROM BORDER TO COAST**

The Committee received a presentation from Border to Coast which included information in relation to the following:

Fixed Income:

- An introduction.
- Border to Coast's Fixed Income Fund Range.

Border to Coast Update:

- Investment Strategy Capabilities.
- Valuation and Commitments.
- Listed Equity Fund Updates.
- Alternatives Updates.

ORDERED that the information provided was received and noted.

22/27 **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.

Following the presentation from Border to Coast, W Bourne recommended that the Committee consider investing in fixed income as the products available looked reasonable. Price and timing would be key considerations. It was highlighted that the Committee should also think about the amount invested in Alternatives and whether to continue investing at the same pace or consider Bonds.

The Committee were reminded that the Fund was well funded and that short term volatility was a slight distraction. P Moon recommended that some of the Fund's cash should be invested in equities in the short term.

A query was raised in relation to Officers' delegations and whether they were sufficient to enable quick decision making if required. The Head of Pensions Governance and Investments confirmed that the current delegations were wide-ranging and provided good flexibility but could be reviewed.

ORDERED that:

1. the information provided was received and noted.

2. a report on the current Officer delegations would be brought to a future meeting for review by the Committee.

22/28 **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 property market was not immune to the wider issues in the financial markets and there were fewer buyers. Pricing was reducing and there was a price correction across the market. Generally, as at June 2022, there had been a fall of about 5% across funds but only 2.5% on the Teesside Pension Fund's portfolio. This was an indication of the quality of the property held which was lower risk and lower return. On more a positive note, new acquisitions could be purchased for lower prices and CBRE would look to ensure that the Fund continued to buy quality assets.

As requested, the report included at page 5 of the submitted report was a table demonstrating the Fund's Portfolio's return compared to a reference index over the past 1, 3 and 5 years. The CBRE Property Index was provided for illustrative purposes only.

The Asset Management Update and the Arrears Update were also included in the submitted report. The rent collection across the entire portfolio in the last three quarters was 99%.

As the market became tougher for investors, those investors with debt had drifted away which presented more opportunities for long term investors such as the Teesside Pension Fund looking for sensible pricing.

Details were provided of three acquisitions: in Covent Garden, Swindon and an affluent south-east commuter town. Once completed the value of the Fund's Portfolio would be £416 million.

ORDERED that the information provided was received and noted.

22/29 **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 provided information on the following:

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

Annual Benefits Statements had been produced for active and deferred Members during the summer. Information had been sent to the pensioner cohort regarding increased benefits from April 2022.

Take up on member self service was still low and the team continued to promote it through the employer health checks. XPS was not yet in a position to rely on the online system to be the hub for benefit statement production.

With regard to data scores, XPS was currently mapping all the data to an internal system that would test, validate and give a score on common data to ensure that it was as accurate as possible for the new Pensions Dashboard in 2024.

A new online form had been designed to enable feedback on Customer Service. Questionnaires also continued to be sent out.

There had been an increase in web traffic and the average time people spent on the platform was now 21%, although they were not necessarily new users.

Details of late payments were included in the submitted report and there had been a reduction.

The deadline for the Pensions Regulator Annual Scheme Return was 18 November 2022 and the return had been drafted.

XPS had received enquiries regarding the uplift in pensions in April 2023. HM Treasury would agree the index in April and XPS would apply whatever indices was provided. The CARE accrual and CPI uplift would apply also. Members had also enquired about the Bank of England intervention and what that might mean for them. XPS confirmed that there was no risk to Scheme Members.

ORDERED that the information provided was received and noted.

22/30 **CONSULTATION ON MANAGING AND REPORTING CLIMATE-RELATED RISKS**

A report of the Director of Finance was presented to provide Members of the Pension Fund Committee with details of an ongoing consultation exercise on managing and reporting climate-related risks in the Local Government Pension Scheme (LGPS), and to request Members to agree a consultation response.

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

A copy of the consultation document was attached at Appendix A to the submitted report. The following points were highlighted:

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

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

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

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

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

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

ORDERED as follows:
1. that the information provided was received and noted.
2. the Head of Pension Governance and Investments, in consultation
with the Chair and Vice Chair, would provide a response to the consultation by 24 November 2022.

22/31 **FUND ACTUARY - 31 MARCH 2022 VALUATION - FUNDING STRATEGY STATEMENT UPDATE**

The Funding Strategy Statement (FSS) was prepared in collaboration with the Fund Actuary and formed an integral part of the triennial valuation. The FSS also outlined how the funding strategy fitted in with the Investment Strategy.

The current FSS was last presented to the Teesside Pension Fund Committee on 23 June 2021, to reflect updates required for the administering authority to be able to exercise powers in relation to "employer flexibilities", for exiting employers and for contribution reviews between triennial valuations.

The 2022 review has focussed on adapting the FSS to the changing regulations and environment within which the Fund operated. The 2022 review also reflected the updated approach to funding, working with the new Fund Actuary - Hymans Robertson.

The evolving challenges, increasing diversity of employers, and growing complexity and regulation in the LGPS over the last few years meant that many LGPS Funds had found themselves with an FSS that had become understandably, but increasingly, long and complex. While the purpose of the FSS was to act as a compliant and robust reference document, it was acknowledged that a more streamlined document and modular approach to policies would improve accessibility and useability - ultimately making it more practical for all stakeholders, and particular employers.

The revised structure would be a streamlined core FSS document which was complemented by a number of satellite policies. This would replace the current approach of having a single FSS covering all circumstances.

Alongside the restructure there were regulatory and other updates required since the current FSS was prepared. The most significant changes included:

- Review of funding assumptions and approach

The actuary has reviewed the funding approach and assumptions as part of the 2022 valuation. These had been updated to reflect Hymans Robertson's actuarial methodology, and emerging experience and market conditions as at 31 March 2022. The Committee considered and noted these at its 29 June 2022 meeting.

- Climate risk

The Fund recognised that climate change was a key risk due to the open-ended time horizons of the liabilities. As part of the modelling analysis for reviewing the Council's contribution strategy, the Actuary would stress-test the results under additional climate scenarios. The Fund's draft FSS would clarify this ongoing work.

- Risk-based exit valuation approach

The Fund was reviewing the approach to cessation valuations that were carried out when an employer left the Fund. The current approach was closely tied to gilt yields on a particular day, an approach which introduced much volatility into cessation valuations over time. The new approach under consideration would instead be linked to the expected investment return of the assets held by the Fund, with a prudent level of risk incorporated for the protection of the Fund. Details of this proposed approach would be made available by the Fund Actuary for discussion with Officers.

A draft version of the FSS and policies was being prepared by Officers and Hymans Robertson working in collaboration. LGPS Regulations required the FSS to be subject to formal consultation with employers. This would most likely take place during December 2022 and January 2023. Following the end of the consultation period, any comments received might lead to amendments to the document. The Committee would be requested to approve the final version of the FSS at its 15 March 2023 meeting, which would enable the Actuary to sign off the final valuation documents in time for the statutory deadline of 31 March 2023.

ORDERED that the report was received and noted.

22/32 **ANY OTHER URGENT ITEMS WHICH IN THE OPINION OF THE CHAIR, CAN BE CONSIDERED**

None.

22/33 **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.

22/34 **FUND ACTUARY - 31 MARCH 2022 VALUATION - INITIAL WHOLE OF FUND RESULTS**

A report from the Fund Actuary was presented on the 31 March 2022 Valuation – Initial Whole of Fund Results.

ORDERED that the information provided was received and noted.

22/35 **FUND ACTUARY - MARKETS VOLATILITY, FUNDING ISSUES**

A report from the Fund Actuary was presented on Markets Volatility and Funding Issues.

ORDERED that the report was received and noted.

22/36 **LOCAL INVESTMENT PROPOSAL**

A report of the Director of Finance was presented to provide Members of the Pension Fund Committee with Local Investment Proposal.

ORDERED that:
1. the report was received and noted.
2. due diligience would be undertaken on the proposal and the outcome of that analysis would be brought back to a subsequent Committee meeting together with a recommendation in relation to investment.

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TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 7

TEESSIDE PENSION BOARD REPORT

20 FEBRUARY 2023

DIRECTOR OF FINANCE – HELEN SEECHURN

Update on Current Issues

1. PURPOSE OF THE REPORT

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

2. RECOMMENDATIONS

2.1 That Members note this report.

2.2 That Members agree that the Head of Pensions Governance and Investments issues a response to the consultation as set out in 5.4 below.

3. FINANCIAL IMPLICATIONS

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

4. COST CONTROL CONSULTATION

4.1 As Members will be aware, the benefit structure of the Local Government Pension Scheme (LGPS) was last radically reformed in 2014, taking if from a scheme providing a pension of 1/60th of final salary to one that (going forwards) provides a pension of 1/49th of career average pay. When these changes were introduced the Government put in place two ‘cost control’ mechanisms designed to ensure the cost of providing the scheme benefits remained within a specific range. One is scheme-specific and is run by the LGPS Scheme Advisory Board (SAB), the other is applied by HM Treasury, which applies a cost control mechanism across all public service pension schemes. The concept behind cost control is that if the scheme looks to be significantly cheaper than expected in the long run the benefits can potentially be increased and/or member contributions reduced or conversely if the scheme looks to be significantly more expensive than expected in the long run future benefits will potentially be reduced and/or member contributions increased.

4.2 So far, the mechanism has produced some potentially surprising outcomes – assessments are carried out every four years, with the first undertaken as at 31 March 2016. This showed that the cost of the scheme was below target, mainly because of a reduction in assumed future pay increases and a reduction in assumed life expectancy. This would have led to an increase in scheme member benefits and/or a reduction in scheme member contributions if the whole process had not been put on hold while the outcome of the legal challenge in relation to the McCloud case was resolved. This case resulted in the Government making a commitment to extend the protections put in place when the new LGPS was introduced to cover scheme members of all ages, not just older scheme members as that original approach was deemed to be unlawful discrimination. As the Government determined that the cost of correcting this discrimination should be a 'scheme member cost' the final assessment of the cost of the scheme under the cost control mechanism was that it fell within appropriate parameters and the scheme benefits should not be changed.

4.3 The Government is facing a legal challenge from trade unions in relation to deciding the cost of remedying the discrimination should be a scheme member cost. The outcome of this court case is not yet known and, should it be appealed to the Supreme Court, may not be finalised until towards the end of this year

4.4 In the meantime the Government has issued this latest consultation on changes to the cost management process with the intention of better aligning the two cost control mechanisms that apply to the LGPS by updating the SAB mechanism to align with the HM Treasury cost control valuations and give the SAB more flexibility in how it manages any cost variations. A copy of the consultation document is enclosed at Appendix A.

4.5 Hymans Robertson, the Fund's actuary, has stated that it will respond to the consultation and share its response with administering authorities. Given the technical nature of this subject matter it is appropriate for the Fund to take the actuary's comments into account before deciding whether to produce a response. The closing date for the consultation is 24 March 2023.

5. CHANGE TO REVALUATION DATE CONSULTATION

5.1 When the LGPS moved to a career average scheme in 2014, under the regulations governing the scheme the pension an individual earns is revalued on 1 April every year in line with the annual Consumer Prices Index (CPI) as at the previous September. The tax year runs from 6 April to 5 April and it is the growth in the value of an individual's pension benefits over this period that is measured against the 'annual allowance' (currently set at £40,000) – if an individual exceeds this annual allowance they are potentially liable to a tax charge on the excess.

5.2 In order to allow for individuals' benefits increasing in line with inflation, this is taken into account when calculating whether someone has exceeded the annual allowance. Unfortunately, the slight difference between revaluation date in the LGPS (the 1 April) and the start of the tax year (the 6 April) leads to a mismatch and an earlier year is used when determining the increase in benefits that is permitted without incurring a tax charge. This year, owing to an increase in CPI from 3.1% in September 2021 to 10.1% in September 2022, that mismatch is significant and means many more individuals in the LGPS will be subject to an annual allowance charge as the allowance for inflation for determining whether they will exceed the annual allowance will be 3.1% but their career average LGPS benefits will increase by 10.1%.

5.3 The Government is proposing to correct this by moving the revaluation date in the LGPS to 6 April each year (bringing it in line with the tax year) and making other consequential amendments to ensure nobody is disadvantaged by this proposed change. This should ensure the number of peopled impacted by the annual allowance charge is more in line with that for a normal year, and should also prevent this issue arising in future.

5.4 The consultation document is enclosed at Appendix B. There is a tight timescale for this consultation, this is necessary as administration and software changes will be required to implement it before the April revaluation. The consultation was issued on 10 February with responses due by 24 February. The Head of Pensions Governance and Investments will discuss the practicalities of this proposed change with XPS Administration and will issue a response to the consultation.

6. INVESTMENT POOLING – POTENTIAL WITHDRAWAL OF A LONDON BOROUGH

6.1 It has been widely reported in the pensions press that the Royal Borough of Kensington and Chelsea (RBKC), which is nominally part of the London CIV pool, is considering formally withdrawing from the London CIV. This is significant as it would represent the first time an LGPS administering authority had withdrawn from an investment pool and as such is a potential challenge to the Government's pooling agenda.

6.2 At the time of writing this report it is not clear whether RBKC will vote to leave the London CIV. It should be noted that although the fund had around £1.5 billion in assets it appears none is invested in any of the London CIV's funds, instead it invests its equities through passive vehicles and its other assets via other managers. Nevertheless RBCK has been paying a governance charge for membership of the London CIV.

6.3 Should a decision be taken to leave, the response from the Government will be closely watched. However, it could be argued that RBCK has not been meaningfully participating in pooling for the last three years and no Government action has been forthcoming.

7 FUTURE CONSULTATIONS

7.1 A number of consultations in relation to the LGPS are expected from the Government in the coming months – several of these have been awaited for some time. The current list includes the following:

Expected regulations	Description
McCloud regulations	The Government has agreed that regulations will change to remove the illegal age discrimination identified by the courts in the McCloud case. The practical impact for the LGPS is that the 'underpin' introduced to ensure older scheme members were not worse off when the final salary scheme was changed to a career average scheme will be extended to cover all ages. Detailed regulations are needed on this and a consultation on these is expected soon.
Goodwin regulations	The Government has also conceded, following the Goodwin court cast, that discrimination in survivor benefits should removed in certain circumstances. Legislation was promised in July 2020 and is still outstanding.
Pooling guidance	Updated statutory guidance and/or regulations in relation to asset pooling are long overdue.
Good Governance	The Government has accepted the recommendations of the Good Governance review carried out by the Scheme Advisory Board. As yet no regulations or guidance on this has been forthcoming
Anti- Boycotts, Divestments and Sanctions	The 2022 Queen's speech included a commitment to introduce a 'Boycotts, Divestment and Sanctions Bill' – to ensure "Legislation will prevent public bodies engaging in boycotts that undermine community cohesion." The purpose of such a Bill is to deliver the Government's manifesto commitment to stop public bodies from adopting their own approach to international relations. If and when this legislation appears it will potentially have an impact on the way LGPS Funds can and can't make investment decisions.

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

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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		

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Department for Levelling Up, Housing & Communities

Open consultation

Local Government Pension Scheme: Changes to the Scheme Advisory Board cost management process

Published 30 January 2023

Applies to England and Wales

Contents

This publication is available at https://www.gov.uk/government/consultations/local-government-pension-scheme-changes-to-the-scheme-advisory-board-cost-management-process/local-government-pension-scheme-changes-to-the-scheme-advisory-board-cost-management-process

Scope of the consultation

Topic of this consultation:

1. This consultation seeks views on proposals to amend the rules of the Local Government Pension Scheme (LGPS) in England and Wales. It covers amendments to the scheme regulations governing the Scheme Advisory Board (SAB) cost management process (CMP). The SAB 'cost management process' is provided for in regulation 116 of the LGPS Regulations 2013 and operates symmetrically, so that if valuations show that the costs of providing benefits have risen or fallen outside of a target level, recommendations must be made which would bring them back to target. A separate HM Treasury cost control mechanism takes place under section 12 of the Public Service Pension Act 2013 (https://www.legislation.gov.uk/ukpga/2013/25/contents/enacted).

2. Any changes to the LGPS rules are likely to be of interest to a wide range of stakeholders, such as local pension funds, administering authorities, those who advise them, LGPS employers and local taxpayers.

Geographical scope:

These proposals relate to England and Wales.

Impact assessment:

A full impact assessment has not been produced for this instrument as no, or no significant, impact on the private, public or voluntary sector is foreseen.

Basic information

Body/bodies responsible for the consultation:

Department for Levelling Up, Housing and Communities

Duration:

This consultation will last for 8 weeks from 30 January 2023 to 24 March 2023.

Enquiries:

For any enquiries about the consultation please contact:

Sheila.Owen@levellingup.gov.uk

How to respond:

You may respond by completing an online survey (https://consult.levellingup.gov.uk/local-government-finance/sab-cost-management-process-consultation).

Alternatively, you can email your response to the questions in this consultation to: LGPensions@levellingup.gov.uk.

If you are responding in writing, please make it clear which questions you are responding to.

Written responses should be sent to:

> Local Government Finance Stewardship
> Department for Levelling Up, Housing and Communities
> 2 Marsham Street
> London
> SW1P 4DF

When you reply, it would be very useful if you 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 address (including postcode)
- an email address
- a contact telephone number

1. Cost control in Public Service Pension Schemes

3. Following the 2010 election, the government set up the Independent Public Service Pensions Commission (IPSPC), chaired by former Labour Work and Pensions Secretary of State, Lord Hutton of Furness. Its remit was to conduct a fundamental structural review of public service pension provision. In the final report (2011) (https://www.gov.uk/government/publications/independent-public-service-pensions-commission-final-report-by-lord-hutton), the Commission stated its aim was to recommend a structure that would include sharing the risks and costs of public service pensions fairly between employees and Government.

4. The government accepted the IPSPC's recommendations and cost management processes were legislated for by HM Treasury for all public service schemes under section 12 of the Public Service Pensions Act 2013 (https://www.legislation.gov.uk/ukpga/2013/25/section/12).

5. In addition, as a funded scheme under section 13 of the Public Service Pensions Act 2013 (https://www.legislation.gov.uk/ukpga/2013/25/section/13) the 86 individual LGPS administering authorities also carry out local valuations to determine the contributions to be paid by employers in the individual funds. Apart from setting employer contribution rates local fund valuations also assess if administering authorities are on target to meet their pension liabilities as they fall due in years ahead. Employer contribution rates are mainly determined on an individual employer basis and consider several factors - related either to the individual employer (such as membership demographics) or related to the fund more broadly (such as the performance of fund investments since the previous valuation).

2. Cost control in the LGPS (England and Wales)

6. All main public service pension schemes are subject to 4-yearly valuations by the Government Actuary's Department (GAD) (https://www.legislation.gov.uk/ukpga/2013/25/section/11) at which the value of pension benefits today that will be paid in the future are assessed . In the unfunded schemes, the scheme valuations are used to set the employer contribution rate but in the LGPS, with employer contributions set locally, the

main relevance of the scheme valuation is to assess costs for the purposes of the Cost Control Mechanism (CCM). At the time of introduction, it was agreed that the LGPS (England and Wales) SAB would operate an additional check on scheme costs and the way they are shared between employers and employees. The SAB Cost Management Process (CMP) is provided for in regulation 116 of the LGPS Regulations 2013 (https://www.legislation.gov.uk/uksi/2013/2356/regulation/116).

7. As with the HM Treasury CCM the SAB CMP aims to manage costs in the LGPS. However, the SAB CMP differs from the main HM Treasury CCM in that:

- The SAB CMP has target costs of 19.5% employer and employee contributions (with a 2/3rd to 1/3rd respective split) as provided for in regulation 116(7) of the LGPS Regulations 2013 (https://www.legislation.gov.uk/uksi/2013/2356/regulation/116)
- The SAB CMP can use different assumptions around the cost of providing member benefits, for example, it can use a different discount rate to reflect that LGPS is a funded scheme. In addition, it takes into account the level of take up of the 50/50 section of the scheme which provides the flexibility to pay half the normal member contribution and build up half the normal pension, which is entirely excluded from the HMT CCM.
- The SAB CMP allows for different criteria for when corrective action is taken to move the scheme back to target cost in a broader range of circumstances, namely:
- A movement of between 0% and 1% from the target in either direction may result in agreed recommendations for action to move back to the target,
- A movement of between 1% and 2% from the target in either direction should result in agreed recommendations for action to move back to the target,
- A movement of 2% or more from the target in either direction must result in agreed recommendations for action to move back to the target.

8. The SAB CMP operates prior to the HM Treasury CCM, and recommendations made as a result (and accepted by government) are considered when calculating the scheme costs (for the purpose of the HM Treasury CCM).

3. The 2016 Scheme Valuations and Government Actuary review

9. The first assessment of scheme costs under the main HM Treasury CCM were undertaken as of 31 March 2016. Provisional 2016 cost control results indicated a breach of the cost cap floor for all schemes for which results were assessed.

10. In the context of these provisional results government announced that it was asking the Government Actuary to review the CCM for future exercises. The key drivers of the indicative floor breaches were a reduction in the assumed level of future pay increases and a reduction in assumed life expectancy. Neither of these reasons necessarily seemed to fit the category of ‘extraordinary, unpredictable events’, which it was originally intended would be the trigger for benefit rectification under cost control. This therefore raised the question of whether the CCM as designed was too volatile.

11. The operation of the HM Treasury 2016 CCM (https://commonslibrary.parliament.uk/research-briefings/sn06971/) was paused at the end of January 2019 due to uncertainty about scheme costs following the Court of Appeal judgment in McCloud v Lord Chancellor (https://www.judiciary.uk/wp-content/uploads/2018/12/lord-chancellor-v-mcloud-and-ors-judgment.pdf) (PDF, 699KB). This held that the “transitional protection” offered to some members as part of the 2013 Act reforms amounted to unlawful discrimination.

12. In July 2020 the government lifted the pause (https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/901141/Update_on_the_Cost_Control_Element_of_the_2016_Valuations.pdf) (PDF, 139KB), as progress in determining the increase in value of member benefits as a result of the McCloud remedy meant costs were now more certain. It was decided that the cost of the remedy would count as a “member cost” in the completion of the 2016 valuations.

13. In October 2021, the government published amending directions for completion of the 2016 valuations (https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1023845/The_Public

_Service_Pensions__Valuations_and_Employer_Cost_Cap___Amendment__Directions_2021.pdf) (PDF, 209KB). A letter from the Government Actuary confirmed that the amending directions reflected government's policy intention that the impact of the McCloud remedy should be considered in the 2016 valuations.

4. Changes to the HM Treasury Cost Control Mechanism from 2020 Valuations

14. Following the Government Actuary's review of the HM Treasury CCM (https://www.gov.uk/government/publications/cost-control-mechanism-government-actuarys-review-final-report) a consultation (https://www.gov.uk/government/consultations/public-service-pensions-cost-control-mechanism-consultation) was launched in June 2021 on 3 proposals:

- A redesign of the CCM – to ensure it only considers past and future service benefits built up in the reformed schemes with all legacy scheme costs excluded,
- Widening the corridor from 2% to 3% of pensionable pay, thereby reducing the regularity of breaches, and
- Introducing an economic check, so that a breach of the mechanism would only be implemented if it would still have occurred had the impact of any change in long-term economic assumptions been considered.

The government published a response to the consultation (https://www.gov.uk/government/consultations/public-service-pensions-cost-control-mechanism-consultation) in October 2021 which confirmed its approach and that the three changes above would be taken forward. Government legislation (https://www.legislation.gov.uk/uksi/2022/787/contents/made) was laid in Parliament in July 2022 to widen the cost corridor so that costs can vary more from target before action is taken.

5. Changes to cost control in the LGPS

15. Following the changes announced to the HM Treasury CCM, the SAB considered the changes it wished to make to the operation of the SAB CMP to ensure the processes remained generally aligned. A final policy paper (https://lgpsboard.org/images/CMBDA/SABCM140222.pdf) (PDF, 172KB) was considered by a SAB committee in February 2022 and approved by the Board in March 2022 .

16. The SAB has considered whether it would be desirable for their process to be adapted in line with the principles of the economic check, as referred to in paragraph 3.32 of the HM Treasury's October 2021 response to the cost control consultation (https://www.gov.uk/government/consultations/public-service-pensions-cost-control-mechanism-consultation) (see also paragraph 14 above). However, the SAB has decided it would be preferable to reflect wider pressures on LGPS costs in the SAB process by considering changes in the LGPS discount rate, as determined following advice by its actuary. The government is content with this approach.

17. This consultation outlines changes to the regulations governing cost control in the LGPS which the Government considers are desirable or necessary following the SAB review. The Government remains of the view that there should be flexibility in how the HM Treasury CCM, and the SAB CMP interact and have not proposed changes to the regulations which limit flexibility in a way we consider undesirable. Our expectation remains that – as mentioned in paragraph 8 above – the SAB CMP will continue to operate prior to the HM Treasury CCM.

18. The proposed changes in the draft regulations are described in the following sections.

6. Correcting the regulation cost control dates to align with other public sector scheme valuation dates

19. Scheme regulation 114(3) (https://www.legislation.gov.uk/uksi/2013/2356/regulation/114) currently requires that the actuarial valuation for the HMT CCM takes place in line with the actuarial valuations of pension funds. These are the local fund valuations which take place every 3 years (see paragraph 5). We propose to update

this for consistency with HMT directions (specifically the The Public Service Pensions (Valuations and Employer Cost Cap) (Amendment) Directions 2018 (https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/758842/23_November_2018_Signed_Directions.pdf) (PDF, 13.4MB) which moved the HMT CCM for LGPS onto a 4 year cycle). Regulation 116(1) also requires that the SAB CMP takes place in line with the three yearly actuarial valuations of pension funds, and we also propose to update this to four years for consistency with the HMT CCM. Amending the regulations to bring the scheme valuation and cost control process in line with the scheme valuations in the other public service pension schemes every four years will align the government and SAB mechanisms and allow the SAB CMP to operate immediately prior to the HMT CCM.

> Question 1 - Do you agree that scheme regulations should be amended so that the SAB CMP is aligned with the scheme valuations (every 4 years) in the other public service pension schemes?

7. Removing the requirement for SAB recommendations to bring the scheme back to target cost

20. Scheme regulations (https://www.legislation.gov.uk/uksi/2013/2356/contents) currently require the SAB to make recommendations to bring the cost of the scheme back to the target cost. Additional flexibility can be provided by amending the regulations so that if the Board decide to make recommendations, they do not need to recommend the costs move back to target. This additional flexibility can act to address cost changes in the LGPS as they arise. We propose recommendations may be made to move towards, or to, the target cost but not beyond the target cost.

21. Regulations also require that if the overall cost of the Scheme is more than 2% from the target cost in either direction, the SAB must make recommendations to bring the scheme back to target. This is inconsistent with our flexible approach set out above and we propose removing this in its entirety. This would mean that the SAB is able, but not required, to make recommendations when costs differ from the overall target cost.

22. However, it should be noted that if following the implementation of recommendations made by the SAB following the CMP process, there is still a breach under the HM Treasury CCM, then action will be taken by the Government to bring costs back to target.

> Question 2 - Do you agree that regulations should be amended to provide additional flexibility if the Board decide to make recommendations on cost?

8. Economic check in the LGPS

23. Regulation 115(2) of the LGPS Regulations 2013 (https://www.legislation.gov.uk/uksi/2013/2356/regulation/115) provides that the government must take steps to bring the Scheme back to the target cost where there has been a breach of the corridor under the HM Treasury CCM.

24. As set out in paragraph 14 above, an economic check is being introduced to the cost control mechanism. This will mean that a breach of the mechanism will only be implemented if it would still have occurred had the impact of any change in long-term economic assumptions been considered.

25. Technical details of the economic check will be introduced by government via the valuation directions (https://www.legislation.gov.uk/ukpga/2013/25/section/12/enacted). These will set out in detail how the economic check will work. Depending on what the directions require, it may be necessary for us to amend regulation 115(2) (https://www.legislation.gov.uk/uksi/2013/2356/regulation/115) to ensure that changes to the Scheme are only necessary after consideration of the economic check. If this is the case, we will consult with the SAB and ensure any change is technically accurate before we implement.

Question 3 - Do you have any comments on our proposal in paragraph 25?

9. Public sector equality duty

26. The Department for Levelling up, Housing and Communities has considered the proposals set out in this consultation document to fulfil the requirements of the Public Sector Equality Duty as set out in section 149 of the Equality Act 2010. This requires the department to pay due regard to the need to:

1) eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act

2) advance equality of opportunity between people who share a protected characteristic and those who do not

3) foster good relations between people who share a protected characteristic and those who do not.

We have made an initial assessment under the duty and do not believe there are equality impacts on protected groups from the proposals at paragraphs 19 to 25 which set out changes to the SAB CMP, as there would be no change to member benefits arising from these procedural adjustments. These are procedural changes which will not affect member benefits. Any proposals to amend scheme benefits in the future - for example, following a breach of the cost control mechanism - would need to be considered against the requirements of the Public Sector Equality Duty at the time.

Question 4 - Are you aware of any equalities impacts or of any particular groups with protected characteristics who would be disadvantaged by the proposals contained in this consultation?

10. Statutory Instruments

2023 No.

Public Service Pensions, England And Wales

Local Government Pension Scheme (Governance) (Amendment) Regulations 2023

Made ***

Laid before Parliament ***

Coming into force ***

The Secretary of State makes the following Regulations, in exercise of the powers conferred by sections 1, 3, 7, 11(1), 12(6) and 13 of the Public Service Pensions Act 2013([23]).

In accordance with section 21 of that Act, the Secretary of State has consulted the representatives of such persons as appear to the Secretary of State likely to be affected by these Regulations.

In accordance with section 3(5) of that Act, these Regulations are made with the consent of the Treasury.

Citation, commencement and extent

1.—(1) These Regulations may be cited as the Local Government Pension Scheme (Governance) (Amendment) Regulations 2023 and come into force on ***.

(2) These Regulations extend to England and Wales.

Amendment of the Local Government Pension Scheme Regulations 2013

2.—(1) The Local Government Pension Scheme Regulations 2013([24]) are amended as follows.

(2) In regulation 114(3), for "on the dates specified in regulation 62(1)(a)(actuarial variations of pension funds)", substitute "on the dates specified in Treasury directions".

(3) [Revision to regulation 115 (employer cost cap) – please refer to paragraphs 23-25 of the consultation].

(4) In regulation 116—

(a) in paragraph (1) for "on the dates specified in regulation 62(1)(a)(actuarial variations of pension funds)", substitute "on the dates specified in regulation 114(3) (Scheme actuary) in relation to actuarial variations".

(b) in paragraph (2)—

(i) omit "and (6)";

(ii) after "bring the overall cost of the Scheme back to", insert ", or towards";

(c) in paragraph (3) after "contributions by employers and members back to", insert ", or towards";

(d) in paragraph (4) after "the proportions of that cost met by Scheme employers and members, back to", insert ", or towards";

(e) omit paragraph (6).

Signed by authority of the Secretary of State for Levelling Up, Housing and Communities

Name

Minister of State

Date Department for Levelling Up, Housing and Communities

We consent

Name

Name

Two of the Lords Commissioners of His Majesty's Treasury

Date

([23]) 2013 c.26; sections 3, 7, 11 and 12(6) were amended by the Public Service Pensions and Judicial Offices Act 2022 (2022 c.7).

([24]) S.I. 2013/2356; regulations 114 and 116 inserted by S.I. 2015/57.

Explanatory Note

(This note is not part of the Regulations)

The Local Government Pension Scheme Regulations ("the 2013 Regulations") established the Local Government Pension Scheme ("the Scheme").

Regulation 2(2) of this instrument amends regulation 114 of the 2013 Regulations. This amendment changes the date on which the Scheme actuary must carry out a valuation of the scheme, to align with the dates specified in Treasury directions made under section 11 of the Public Service Pensions Act 2013 ("the 2013 Act").

Regulation 2(3) of this instrument amends regulation 116 of the 2013 Regulations. These amendments change the date on which the Local Government Scheme Advisory Board ("the Board") must carry out an assessment of the cost of the Scheme, to align with the dates specified for the Scheme actuary's valuation under regulation 114. These amendments also provide that the Board must take out independent actuarial advice in determining its assessment of the Scheme cost. These amendments also make further provision in relation to the exercise of the Board's recommendation-making functions under regulation 116.

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Department for Levelling Up, Housing & Communities

Open consultation

Annual revaluation date change in the Local Government Pension Scheme (LGPS)

Published 10 February 2023

Applies to England and Wales

Contents

This publication is available at https://www.gov.uk/government/consultations/annual-revaluation-date-change-in-the-local-government-pension-scheme-lgps/annual-revaluation-date-change-in-the-local-government-pension-scheme-lgps

Scope of the consultation

Topic of this consultation:

This consultation seeks views on changing the Local Government Pension Scheme for England and Wales (LGPS) annual revaluation date from 1 April to 6 April. This is to mitigate against the impact of high inflation on LGPS revaluation this year and consequent tax liabilities arising as a result. These tax liabilities would arise because the timing of LGPS revaluation on 1 April is not aligned with HMRC's process for assessing the annual allowance tax charge. The proposed change would bring it into alignment. We are also seeking views on draft regulations to effect this change.

Scope of this consultation:

The Department of Levelling Up, Housing and Communities (DLUHC) is consulting on changes to the LGPS Regulations 2013 to give effect to the change in the annual revaluation date from 1 April to 6 April.

Geographical scope:

These proposals relate to England and Wales only.

Basic Information

Body/bodies responsible for the consultation:

The Department for Levelling Up, Housing and Communities.

Duration:

This consultation will last for 2 weeks from 10 February 2023 to 24 February 2023.

Enquiries:

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

How to respond:

You may respond by completing an online survey (https://consult.levellingup.gov.uk/local-government-finance/annual-revaluation-date-change-in-the-lgps/).

Alternatively, you can email your response to the questions in this consultation to lgpensions@levellingup.gov.uk.

If you are responding in writing, please make it clear which questions you are responding to.

Written responses should be sent to:

> Local Government Finance Stewardship
> Department of 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 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 address (including post-code),
- an email address, and
- a contact telephone number

Introduction

Annual revaluation and annual allowance

The Local Government Pension Scheme (LGPS) for England and Wales is designed to offer significant value in retirement to people who have chosen to dedicate part or all of their careers to serving the public through local government. The LGPS offers the security of a guaranteed income in every year of retirement for all its members.

Currently in the LGPS, the scheme year runs from 1 April to 31 March. The scheme's revaluation occurs on 1 April each year, which is the first day of the LGPS scheme year. This means that on 1 April each year, active members' CARE pensions are revalued to take account of the impact of inflation over the previous scheme year. We set that date in scheme regulations.

The tax year runs from 6 April to 5 April, and it is the growth in a member's pension over this period (known as the "Pension Input Amount", or PIA) which determines if there is a tax liability. A pension may grow in line with inflation (based on CPI in the September before the start of the tax year) without contributing to the "Pension Input Amount", but growth in the pension above that level is assessed against the annual allowance. Annual allowance is the maximum amount of pension savings an individual can make in any one year before potentially facing tax charges. The annual allowance is currently £40,000 for most people. Typically, a tax liability would arise where growth over the period is more than the annual allowance of £40,000. Currently the calculation of the pension on 5 April takes account of 1) the increase in accrued pension during the tax year due to additional length of service and 2) the increase for inflation through the scheme revaluation process on 1 April, based on CPI during the scheme year. For the 2022/23 tax year, a pension may grow 3.1% without contributing to the PIA (based on September 2021 CPI), but LGPS pensions are expected to increase by 10.1% on 1 April 2023 (based on September 2022 CPI). Individuals may face tax liabilities because while the PIA and LGPS are both based on CPI, they are based on CPI figures as at different dates. The proposed changes to LGPS regulations would defer future revaluation increases to 6 April, so for example the 10.1% increase would apply 6 April 2023, during the 2023-24 tax year. For the 2023/24 tax year, a pension may grow by 10.1% without contributing to the PIA (based on September 2022 CPI). In short, LGPA revaluation will be aligned with the tax calculations.

Background on making the change

Consumer Price Index (CPI) and its impact on annual allowance

Before 2016/17, the period over which pension growth was measured for tax purposes, the pension input period (PIP), was the scheme year. The LGPS revaluation and the inflation growth allowed without contribution to the PIA were aligned, so that the growth in pension for tax purposes reflected only the pensions accrued during the PIP due to employment contributions. Changes made in 2016/17 to require the PIP to be the tax year, not the scheme year, changed the position. From that point, the LGPS revaluation on 1 April used the CPI figure at the preceding September and the HMRC uplift for that tax year used the CPI figure at the September before the start of the tax year that is, 18 months before.

CPI in September 2022, which is expected to be used for the LGPS revaluation for the 2022-23 scheme year, was 10.1%. This is markedly higher than CPI in September 2021, used for the HMRC uplift, which was 3.1%. As a result, members would have significantly higher total growth in pension for tax purposes (PIA).

Therefore, without changes to scheme regulations, there will be a significant increase in the number of LGPS members breaching the annual allowance threshold, and potentially incurring a tax charge. This is despite the revaluation merely ensuring that accrued pensions of active members keep pace with changes in prices. Changing scheme regulations to move the revaluation date from 1 April to 6 April means that inflation would be reflected in the value of the pension after HMRC assess the value of an LGPS pension for the purposes of annual allowance in tax year 2022/23. Thus, by taking revaluation out of scope of the annual allowance calculation for the 2022/23 tax year, we will reduce the number of members receiving an annual allowance charge for this year.

For tax years from 2023/24 onwards, the LGPS EW CARE revaluation would be aligned with the inflationary growth allowed for when calculating how much a pension had grown for annual allowance purposes, as it was before 2016/17.

For members unaffected by the annual allowance, the proposed change will have no effect on the amount of LGPS pension benefits they are entitled to on retirement.

GAD data on annual allowance breaches

Findings

The Government Actuary's Department (GAD) undertook to illustrate the number of LGPS members that may exceed their annual allowance in the 2022/23 tax year as a result of the forthcoming April 2023 revaluation increase of 10.1%. GAD's findings showed if salary increases were 7% in 2022/23, 26,000 scheme members earning over £50,000 (in 2020) and have larger Career Average Revalued Earnings (CARE) pots with generally longer service, are at a higher likelihood of exceeding their 2022/23 Annual Allowance.

Their findings also showed that if salary increases were 4% in 2022/23, 14,000 scheme members earning over £60,000 (in 2020) and have larger CARE pots with generally longer service, are at a higher likelihood of exceeding their 2022/23 annual allowance limit of £40,000. Due to the spike in CPI this year, these numbers are significantly higher than usual.

Under the proposed change where the revaluation date will change from 1 April to 6 April, GAD expect the number of members likely to exceed their annual allowance to reduce significantly. Under these scenarios, it is estimated that roughly 5,000 members would breach the threshold on a 7% salary increase, and just 1,000 members would breach the threshold on a 4% salary increase.

Policy aims with the proposed regulation changes

Changes would need to be made the LGPS Regulations 2013 to give effect to the change in the annual revaluation date from 1 April to 6 April. The main policy aim is to clarify that the revaluation date would change from 1 April to 6 April and that these changes have no effect on the amount of LGPS pension benefits anyone is entitled to on retirement. DLUHC have outlined the policy rationale for the proposed regulation changes. This is to be read alongside the draft regulations (https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/1135006/Draft_LGPS_revaluation_regulations.pdf) (PDF, 238KB).

Regulation 21 – Assumed Pensionable Pay (APP)

The policy aim is that there should be no change to the calculation of APP. Therefore, whenever the revaluation is applied for APP, while the revaluation date will now be 6 April, it take effect from 1 April.

Regulation 23 – Active members

Currently in the LGPS regulations, the closing balance for a scheme year is calculated as at 31 March, the end of the scheme year, comprising the opening balance for the previous year, the pension accrued during the scheme year, and other adjustments. The revaluation adjustment is applied to the closing balance on 1 April, the beginning of the following scheme year to create the opening balance for that scheme year. The policy aim is for the revaluation adjustment to be applied on 6 April, the first day of the following tax year.

Regulations 24 and 25 – Deferred and pensioner members

The policy aims are:

1. for members changing status between 1 to 5 April, the revaluation adjustment is applied on 6 April and for any pensions in payment takes effect from the date of the change of status.
2. for all members changing status, the balance is revalued on 6 April in the following scheme year rather than on 1 April, and for any pensions in payment takes effect from 1 April.

Regulation 27 – Flexible retirement members

The policy aim is that for all members changing status, the balance is revalued on 6 April in the following scheme year rather than on 1 April, and for any pensions in payment takes effect from 1 April.

Regulations 41, 42, 44, 45, 47 and 48 - Survivor benefits

The policy aims are:

1) for members dying between 1 to 5 April, if a revaluation was due on the 6 April following, that revaluation is allowed for in calculating the survivor pension. This will apply if the member dies in the period 1 to 5 April in the year in which they ceased to be an active member or in the following year. This will ensure that the benefits due to these groups of members reflects the revaluation adjustment that would have applied on 1 April, as if no change had been made.

2) for members who leave active service and subsequently die within the same scheme year, the survivor pension is revalued on 6 April in the following scheme year rather than on 1 April, and takes effect from 1

April.

Regulations 43 and 46 - Death grants for deferred and pensioner members who die in the period 1-5 April

For the purposes of calculating the death grant, the policy aim is that, if a revaluation was due on the 6 April following, that revaluation is allowed for in calculating the death grant. This will ensure that the death grant in relation to these groups of members reflects the revaluation adjustment that would have applied on 1 April, as if no change had been made.

Definition changes to “revaluation adjustment” in Schedule 1

The policy aim is to clarify that the revaluation adjustment is applied on 6 April in the following scheme year. For the purposed of transferred Club Service, the aim is that funds would apply revaluation adjustment for transferred Club Service on 6 April, regardless of the revaluation adjustment date from the sending scheme. Where revaluation of transferred service should apply at a different rate, this would continue to be the case and remain unchanged.

Definition of “revaluation date” in Schedule 1

The policy aim is to change the revaluation date in the Local Government Pension Scheme from 1 April to 6 April.

Impact assessment

Public Sector Equality Duty

DLUHC has analysed the proposals set out in this consultation document to fulfil the requirements of the Public Sector Equality Duty (PSED) as set out in section 149 of the Equality Act 2010. This requires the department to pay due regard to the need to: 1) eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act 2) advance equality of opportunity between people who share a protected characteristic and those who do not 3) foster good relations between people who share a protected characteristic and those who do not.

Summary of the evidence considered in demonstrating due regard to PSED

We have used data from the Government Actuary’s Department’s 2020 LGPS EW valuation to understand spread of average pensionable pay across the membership. This has allowed us to understand impact that either changing the revaluation date or not changing the revaluation date has on different ages.

Assessing the impact

In short, the proposed changes are primarily a technical amendment to address the different CPI figures used by the pension input amount calculation, for annual allowance purposes, and CARE revaluation in the LGPS EW. For members unaffected by the AA, the proposed change will have no effect on the amount of LGPS pension benefits they are entitled to on retirement.

DLUHC has considered the impact of the proposed changes and presents its conclusions below.

Age

DLUHC considers that the proposed changes indirectly engage with age. LGPS EW 2020 valuation data indicates that older members still in employment have higher average pensionable pay than younger members. Therefore, to leave the pension rules regarding inflation unchanged may have a greater impact on older members, who have more service in the LGPS EW and more potential to have higher pensionable earnings. Without the proposed changes these members are more likely to have a tax charge, or a higher tax charge, when, like in September 2022, inflation is higher than usual. This would not affect older members who are already receiving their pension. Nevertheless, these changes do not result in an adverse outcome for younger members. Younger members who have pensionable pay and service that would result in a breach of the annual allowance would also benefit from the proposed change to the revaluation date. That is to say, though the change may on average benefit older members more, there is no disbenefit to younger members.

Other protected characteristics

For the protected characteristics of sex, disability, gender reassignment, pregnancy and maternity, race, religion or belief, and sexual orientation, we do not consider that changing the revaluation date will result in any direct adverse impact. We consider that any differential impact between these other characteristics would be a secondary effect of the differential effects on members of different ages.

For example, while, according to the 2020 LGPS EW valuation data, men have a higher average pay than women in the LGPS EW, the actual number of high paid men and women earning over £50,000 in LGPS EW is similar. Therefore, the number of men and women benefiting from the change may be similar. However, LGPS membership is approximately 70% female and there are more lower paid women than there are lower paid men. Thus, while the numbers of men and women benefiting from the change may be similar the proportion of men benefiting is higher.

Consultation questions

Respondents are invited to answer the following questions.

1. Do you agree or disagree that the annual revaluation date should change from 1 April to 6 April? Please explain why.
2. Do you agree that the policy aim for regulation 21 is delivered through the draft regulations?
3. Do you agree that the policy aim for regulation 23 is delivered through the draft regulations?
4. Do you agree that the policy aim for regulations 24 and 25 is delivered through the draft regulations?
5. Do you agree that the policy aim for regulation 27 is delivered through the draft regulations?
6. Do you agree that the policy aim for regulations 41, 42, 44, 45, 47 and 48 is delivered through the draft regulations?
7. Do you agree that the policy aim for regulation 43 and 46 is delivered through the draft regulations?
8. Do you agree that amending the definition of "revaluation adjustment" and the new definition of "revaluation date" in Schedule 1 delivers the policy aim?
9. Are there any further considerations and evidence that you think DLUHC should take into account when assessing any equality issues or adverse impacts arising as a result of the proposed changes?

TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 8

TEESSIDE PENSION BOARD REPORT

20 FEBRUARY 2023

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. REVIEW THE OUTCOME OF ACTUARIAL REPORTING AND VALUATIONS

5.1 As Members will be aware, the latest triennial valuation of the Fund (as at 31 March 2022) is currently in progress. Reports were brought to the last two Board meetings 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.

5.2 At present almost all Pension Fund employers have been provided with details of their draft valuation outcome, setting out the employer contribution rates they will be required to pay over the three year period commencing 1 April 2023. Although these are presented as 'draft' results, the outcome is unlikely to change unless some material discrepancy is identified in the data used to prepare the report, or if the employer proposes a realistic alternative contribution pattern that is acceptable to the Pension Fund and will achieve the same funding objective.

5.3 An example draft valuation outcome report together with a Briefing Note from the actuary which was also sent to employers is is enclosed at Appendix B.

5.4 As part of the communication process around the valuation, all employers were invited to an on-line Employer Forum held on 10 February 2023 where the actuary gave a presentation explaining more about the valuation process and outcomes and also took questions from attendees. A copy of the slides used at this presentation is enclosed at Appendix C. Employers are also encouraged to contact the Head of Pensions Governance and Investments if they want to discuss their valuation outcome.

5.5 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)

TEL NO: 01642 729024

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

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Teesside Pension Fund 2022 Actuarial Valuation

- Notification of draft employer results

Introduction

This schedule contains a summary of the results of the 2022 actuarial valuation of the Teesside Pension Fund ("the Fund"), specifically those relating to the Employer or Pool/Group named above. Its main purpose is to notify you (the Employer) of the contribution rates payable from 1 April 2023 to 31 March 2026 as well as your funding position on the valuation date. It also contains detailed technical information explaining the results and how they have changed since the previous valuation. This information may be of use to any professional advisors examining your valuation results. Please see the final section of this schedule for further information, and read these in conjunction with the Funding Strategy Statement (FSS) which you will receive from the Fund for consultation purposes.

Contribution rates

	Primary	Secondary		Total	
Employer contribution rates for year ending	**% of pay**	**% of pay**	**£**	**% of pay**	**£**
31 March 2023				15.7%	0
31 March 2024	19.2%	-3.5%	0	15.7%	0
31 March 2025	19.2%	-3.5%	0	15.7%	0
31 March 2026	19.2%	-3.5%	0	15.7%	0

The above contribution rates are the minimum rate required by the Fund, subject to further discussions and agreement with the Fund. In most circumstances you can pay additional contributions to improve your funding position but this should be referred to the actuary first. The Primary Rate includes an allowance of 0.6% of pay for administration expenses. Employer contribution rates are due in addition to employee contributions. The average employee contribution rate is 6.3% of pay.

The contribution rates payable from 1 April 2023 have been determined based on the following funding strategy and employer circumstances:

Funding strategy	Last valuation / Opening position	This valuation
Funding target (see FSS for details)	Ongoing (Scheduled Body / Subsumption)	Ongoing
Funding time horizon (years)	20	20
Likelihood of achieving funding target by end of horizon		75%
Investment strategy	Whole Fund	Whole Fund
Open / Closed to new entrants	Open	Open

The previous Fund actuary's assessment of the Likelihood of Success and of setting a suitable time horizon is not directly comparable. This funding strategy has been determined by the Administering Authority, taking into account the type of organisation the Employer is and the nature of its participation in the Fund. The approach to setting employer contribution rates, and the Employer's funding target, is explained further in the draft FSS. Further details on the Employer's investment strategy is included in the Fund's Statement of Investment Principles/Investment Strategy Statement.

Funding position

Your funding position as at 31 March 2022 is shown below, along with a summary of the assumptions and data underlying it.

Employer funding position (£000)	Last valuation / Opening position	This valuation (Ongoing)
Past service liabilities - Employees	7,827	7,155
Past service liabilities - Deferred pensioners	3,174	3,325
Past service liabilities - Pensioners	4,979	5,882
Past service liabilities - Total	**15,980**	**16,362**
Asset share	**15,358**	**20,307**
Surplus/(deficit)	**(622)**	**3,946**
Funding level	**96%**	**124%**

If you cease to participate in the Fund then your liabilities will be recalculated on a more prudent basis to reflect the fact that you won't be around in future to make any additional contributions which may be required. Using more prudent assumptions leads to a larger value being placed on the liabilities (see the draft FSS for details of these assumptions, please note that the low risk exit basis is subject to finalisation following the recent consultation). The table below shows the estimated funding position if you had ceased to participate in the Fund on the valuation date (the estimate position shown is an indicative risk-based cessation approach which is still under review).

Low-risk funding position (£000)	This valuation
Liabilities	20,933
Asset Share	20,307
Surplus/(deficit)	(626)
Funding level	97%

Assumptions

The financial and longevity assumptions underlying the funding positions disclosed are detailed below. Details of the demographic assumptions are available in the FSS.

Financial assumptions p.a.	Last valuation / Opening position	This valuation
Investment return (Ongoing)	4.4%	4.2%
Investment return (Low-risk)		3.0%
Salary increases	3.1%	3.7%
Benefit increases/revaluation	2.1%	2.7%

Longevity assumptions	Last valuation / Opening position	This valuation
Baseline longevity	SAPS (S2N)	2021 VitaCurves
Future improvements (Ongoing basis)	CMI 2018: A=0%, LTR=1.5%,Sk=7.5	CMI 2021: A=0.25%, W=0, LTR=1.5%, Sk=7
Future improvements (Low-risk basis)		CMI 2021: A=0.25%, W=0, LTR=1.75%, Sk=7

Based on the above longevity assumptions, and taking into account characteristics of the individual membership of the Employer, the average life expectancies are summarised below.

Life expectancy from age 65 31 March 2022	Ongoing	Low-risk
Current pensioners - male	20.9	21.1
Current pensioners - female	23.9	24.1
Future pensioners - male	21.9	22.4
Future pensioners - female	25.5	25.9

Figures for future pensioners are a weighted average of active and deferred members.

Membership Data

All the results in this schedule are based on the membership data summarised below which was supplied to us by the Fund for the purpose of the valuation.

Member	Membership data	Last valuation/Opening position	This valuation
Employee members	Number	108	87
	Total actual pay (£000)	2,492	1,976
	Total accrued pension (£000)	471	465
	Average age weighted by liability	53	52
Deferred pensioners	Number	130	130
	Total accrued pension (£000)	160	202
	Average age weighted by liability	53	52
Pensioners	Number	111	121
	Total accrued pension (£000)	309	399
	Average age weighted by liability	70	71

Change in funding position compared to last valuation/opening position

The following table shows a detailed breakdown of the change in your assets and liabilities over the period since the last valuation (or the date you joined the Fund, if this is later). This information may be of use to any professional advisors with an interest in your valuation results.

(£000)	Source of change	Assets	Liabilities	Surplus/(deficit)
Last valuation / Opening position		15,358	15,980	(622)
Cashflows	Employer contributions paid in	1,414		1,414
	Employee contributions paid in	404		404
	Benefits paid out	(1,575)	(1,575)	0
	Net bulk and individual transfers in/(out) [1]	9		9
	Other cashflows (e.g. expenses)	(1)		(1)
Expected changes in liabilities	Interest cost on benefits already accrued		2,288	(2,288)
	Accrual of new benefits		1,812	(1,812)
Membership experience vs expectations	Salary increases greater/(less) than expected		250	(250)
	Benefit increases greater/(less) than expected		(122)	122
	Early retirement strain (and contributions)	48	24	24
	Ill health retirement strain [2]		(52)	52
	Early leavers (more)/fewer than expected		0	0
	Pensioner deaths (more)/fewer than expected		125	(125)
	Commutation less/(greater) than expected		40	(40)
	Impact of bulk transfers		0	0
	Other membership experience		(2,534)	2,534
Changes in market conditions	Investment returns on the Employer's assets	4,650		4,650
	Change in future inflation expectations		1,687	(1,687)
Changes in actuarial assumptions	Change in demographic assumptions (excl. longevity)		(213)	213
	Change in longevity assumptions		(130)	130
	Change in salary increase assumption		52	(52)
	Change in discount rate		(1,270)	1,270
This valuation		20,307	16,362	3,946

1. *The impact of individual member transfers (in/out) on the liabilities is included in the Other membership experience item.*
2. *Payments in respect of ill health retirements are recorded under Employer contributions or Other cashflows above.*

Important information: addressee, purpose and professional notes

Hymans Robertson have prepared valuation results for all employers participating in the Teesside Pension Fund and provided those to the Administering Authority. This Notification of draft employer results schedule has been created on behalf of the Administering Authority of the Fund to be shared with the Employer named above. Its purpose is to notify the Employer of the principal results from the 2022 actuarial valuation, and allow the Employer to check that the membership and participation details reflect their circumstances.

The draft Funding Strategy Statement (FSS) will contain further information on the assumptions and methodology used to calculate employer contribution rates and funding position set out in this report.

Please note that this schedule does not constitute advice to the Employer or any other third parties and Hymans Robertson LLP accept no liability to the Employer or any other third parties. If the Employer is a member of a funding pool or group within the Fund, the contribution rates, funding level and membership data shown in this report relate to the pool/group as opposed to the individual employer (unless stated otherwise).

The contribution rates shown in this schedule should be considered draft until finalised in the Rates and Adjustments Certificate, due to be published by 31 March 2023. The other results may also be revised by that point, for example due to changes in data or assumptions.

The figures shown in this document have been rounded and therefore the sum of figures within a table may not appear to add up exactly.

If you have any questions on the FSS or the results in this schedule please contact the Fund in the first instance.

Technical Actuarial Standard (TAS) 100 has been complied with to a proportionate degree in the preparation of this report.

Prepared by

Julie Baillie FFA

Steven Law FFA

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HYMANS ROBERTSON

Briefing note

Local Government Pension Scheme 2022 actuarial valuations Employer results: Frequently Asked Questions

This briefing note has been prepared for the Administering Authorities of Hymans Robertson's English and Welsh LGPS clients who are undertaking an actuarial valuation in 2022. It is designed to help address questions we expect participating employers to ask when receiving valuation results.

Alongside this note, we have also prepared further additional resources:

- A video to help employers understand how contributions are calculated (How are your contributions set?)
- A video to help employers understand their valuation results (https://vimeo.com/758744777)
- The 2022 Valuation Hub (2022 LGPS Valuation Hub Page)

Questions

1 Funding positions

1.1 What are my 'assets' and how are they calculated?

1.2 What are my 'liabilities' and how are they calculated?

1.3 What is my 'funding position/level' and 'surplus/deficit'?

1.4 How important is my funding level?

1.5 Why has my funding position changed compared to the last valuation/my opening position?

1.6 How does my 2022 valuation funding position compare to the equivalent figures in my 2022 accounting FRS102/IAS19 results?

2 Contributions

2.1 How are my contributions calculated?

2.2 What is the difference between the 'primary rate' and 'secondary rate'?

2.3 My funding level is over 100% – does that mean I will pay no secondary contributions?

2.4 Why have my contributions changed compared to those I'm currently paying?

2.5 Can I pay any of my contributions in advance?

2.6 What happens if I can't afford the contributions that have been proposed?

2.7 What can I do if I want to leave the LGPS?

2.8 Where can I get advice on LGPS matters which is independent of the fund(s) I participate in?

Our responses

1 Funding positions

1.1 What are my 'assets' and how are they calculated?

Each employer's asset value is tracked separately so we know how much you already have to cover the cost of benefits earned by your employees and ex-employees. The asset share reflects the contributions you've paid in, the investment returns earned and the benefits paid out to your employees and former employees. The assets are invested in line with the fund's investment strategy. To help keep contributions affordable, this strategy seeks to generate returns by investing in assets such as shares, property, bonds etc, so investment returns can be volatile. Some funds invest assets differently for different employers depending on their circumstances, so your investment returns may not be the same as for every employer in the same fund.

1.2 What are my 'liabilities' and how are they calculated?

Your liabilities are an estimate made by the actuary of the total cost of all the benefits currently promised to your employees and ex-employees. This estimate depends on two key inputs: the membership data held by the Fund, which is ultimately based on data provided by you, and assumptions about the future, such as life expectancy and inflation. As most benefits will be paid many years in the future, the actuary calculates a value in today's money by estimating what the future return may be on the assets in the fund. Some employers may have liabilities calculated using a different, more prudent future return on assets depending on their circumstances.

A summary of the membership data used to calculate your liabilities can be found in the valuation results schedule whilst further information on the assumptions is available in the draft Funding Strategy Statement.

1.3 What is my 'funding position/level' and 'surplus/deficit'?

'Funding position' or 'funding level' are summary indicators of how well the benefit payments currently promised to your employees and ex-employees ('liabilities') are covered by your assets. A funding level is the ratio of assets to liabilities. An employer with a funding level that is greater than 100% will have more assets than liabilities and vice versa.

If your asset share is less than your liability value i.e. the funding level is less than 100%, you will have a 'deficit'. If your assets exceed your liabilities you have a 'surplus'. The surplus or deficit is the asset value minus the liability value.

1.4 How important is my funding level?

Some employers will eventually stop participating in the LGPS, for example at the end of a contract or when their last employee leaves. If you are in this situation then the funding level and the surplus/deficit are very important because when you leave the fund you need to be exactly 100% funded. In general, when you stop participating in the fund, if the assets are less than the liabilities you will need to pay off the deficit, and if the assets exceed the liabilities you may in some circumstances receive the surplus as a payment from the fund.

However, most employers in the LGPS continue to offer membership to new employees and participate in the Fund indefinitely. Therefore, these employers will never reach a point where they will leave. If you are in this situation then you will never have to pay off the deficit in one go, and the funding level is of less importance. It is desirable to be in a strong funding position, but it is not essential to be exactly 100% funded.

Whatever situation you are in, it is important to remember that the funding position is a snapshot on a single date, it will vary from day to day as asset and liability values change in line with financial market movements.

1.5 Why has my funding position changed compared to the last valuation/my opening position?

Every employer's circumstances are different but the most significant factors affecting your funding position are likely to be:

- Investment returns on your assets. The fund saw very strong investment returns over the last few years, leading to a large increase in asset values.
- Contributions paid in by you and your members. These are likely to be particularly significant for new employers like academy schools.
- Accrual of new benefits – i.e. the cost of new benefits earned by your employees since the previous valuation or, if you are a new employer, when you joined the fund.
- Changes in future inflation assumptions. Based on current market expectations, the actuary expects inflation to be higher in future than was assumed at the previous valuation. This increases the estimate of the liabilities as it means future benefit payments are expected to be higher.
- Change in the future return on assets. The actuary updates their assumptions at each valuation, which affects the value placed on the liabilities. See answer 1.2 for further details.

1.6 How does my 2022 valuation funding position compare to the equivalent figures in my 2022 accounting FRS102/IAS19 results?

The assets and liabilities reported at the 2022 valuation will differ from the assets and obligations reported in your 2022 FRS102/IAS19 report (note that 'obligations' is just the accounting term for 'liabilities'). There are three main reasons for this:

- Date – your accounting numbers may be at a different date (e.g. 31 July or 31 August), so they will be based on different investment returns and market conditions
- Data – your 2022 accounting figures were based on membership data provided for the 2019 valuation of the fund (or the date you joined the fund as a new employer, if later). The accounting obligations do not capture changes to your employees' details which do not match the actuary's assumptions. The difference will be more prominent if you have had major events such as an ill-health retirement or a significant number of individual transfers in or out. Your 2023 accounting numbers will be based on the data provided for the 2022 valuation.

- Assumptions – the financial assumptions used for the valuation results are set by the fund actuary, with agreement from fund officers and the Pensions Committee. The equivalent assumptions for accounting purposes are set in line with the relevant accounting standard (FRS102 or IAS19). These differences, particularly in the discount rate, can lead to large differences between the valuation liabilities and the accounting obligations. At the moment the difference in assumptions means that accounting obligations are typically much greater than valuation liabilities (all else being equal).

2 Contributions

2.1 How are my contributions calculated?

Employer contribution rates are calculated for each employer individually, based on your membership, asset share and circumstances. In every case, the long-term target is for your liabilities to be at least 100% funded at the end of a specified time horizon. Because the future is unknown we can never guarantee that a given contribution rate will achieve this target. Instead, the actuary models thousands of possible future scenarios and calculates the contribution rate which achieves the long-term target in a given proportion of scenarios. The higher the proportion, the more certain we can be that the contributions will be enough.

You will see the parameters that have been used to set your contribution rate in the results schedule and in the Funding Strategy Statement. The key parameters are:

- **Funding target**: usually 100% funded on a given basis which depends on the nature of your participation in the fund. Open, long-term employers are usually funded on the ‘ongoing’ basis. If you will eventually leave the Fund without another employer guaranteeing your liabilities, you may be funded on a more prudent basis (known as the ‘low-risk exit’ basis) and pay higher contributions (all else being equal).

- **Funding time horizon**: depends on your participation in the fund. Open, long-term employers will have longer horizons, whilst other employers will have time horizons based on their individual circumstances e.g. when their contract is due to finish.

- **Required likelihood of achieving target**: a percentage less than 100%, usually between 66% and 80%. This percentage represents how likely it is that the contributions will achieve the target at the end of the horizon. A higher percentage results in higher contributions. The percentage is greater than 50% in order to be prudent. In other words, we have to set a contribution that is “more likely than not” to achieve the funding target.

  The Fund will require different likelihoods for different employers depending on your circumstances. If you are guaranteed by another employer, pooled with a Local Authority employer or can provide security (e.g. a bond or a charge on assets) the fund may require a lower likelihood of success, leading to lower contributions (all else being equal).

Further detail on how your fund sets contribution rates, including any special arrangements for specific types of employer, is included in the Funding Strategy Statement. All employers in the fund have been consulted on this document as part of the 2022 valuation process.

2.2 What is the difference between the 'primary rate' and 'secondary rate'?

The primary rate is the contribution rate to cover the cost of new benefits accruing in future according to the methodology described in answer 2.1. Because the benefits earned by your employees are proportional to their pay, the cost of these benefits is also proportional to pay. For this reason the primary rate is always expressed as a % of pay.

The primary rate is independent of the value of your assets and liabilities, it is solely related to benefits building up in future.

Secondary contributions are paid in addition to the primary rate and are in respect of funding benefits earned up to the valuation. If you are in a weak funding position, secondary contributions will be higher than if you are in a strong funding position (all else being equal). Some employers with very strong funding positions may even have a zero or negative secondary rate. Your total contribution rate can never be less than zero.

2.3 My funding level is over 100% – does that mean I will pay no secondary contributions?

Not necessarily. The funding level is a snapshot in time and fluctuates from day to day depending on investment returns, contributions paid, membership details etc. Although you were over 100% funded on 31 March 2022, it does not mean you are still fully funded, and nor it does not mean you will be fully funded at the end of your time horizon. You may therefore have secondary contributions to pay if you are over 100% funded at the valuation date. Likewise, you may even have a negative secondary contribution if you are under 100% funded. The result depends on how your funding position is expected to evolve in the future.

2.4 Why have my contributions changed compared to those I'm currently paying?

As with your funding position, contribution rates are calculated individually for each employer so the change compared to the 2019 valuation will depend on lots of factors such as changes to your membership data or parameters used to set your contributions. Funding positions are also generally better in 2022 than in 2019 due to strong investment returns as mentioned under answer 1.5. A stronger funding position will lead to lower (or even negative) secondary contributions but has no effect on primary contributions.

2.5 Can I pay any of my contributions in advance?

Yes, but you need to discuss with the fund in the first instance and also check with your auditor around the accounting treatment of such an action. Note that this option may not be available to all employers.

2.6 What happens if I can't afford the contributions that have been proposed?

If you have concerns about affordability you should discuss with the fund as soon as possible. The fund is different to other public sector pension schemes in that there is greater flexibility around contribution rates. For example, you may be able to negotiate a reduced rate in return for offering security such as a bond or a charge on assets.

If contributions are still unaffordable despite this then you may be able to consider leaving the LGPS. See answer 2.7 for further details. Some types of employer may be legally required to offer LGPS membership to their employees so this option is not open to everyone.

2.7 What can I do if I want to leave the LGPS?

This is a complex decision with implications extending beyond simply the cost of contributions. You may face legal or contractual barriers, you will still need to offer a pensions arrangement to your staff, and you will need to settle any deficit remaining in the LGPS fund(s) in which you participate. If you do wish to consider this, we would advise you to seek professional advice.

2.8 Where can I get advice on LGPS matters which is independent of the fund(s) I participate in?

Hymans Robertson has a dedicated team of LGPS experts for employers looking for advice that is independent from their fund. Please contact employersinLGPS@hymans.co.uk for further details.

Teesside Pension Fund

2022 valuation – employer forum

Julie Baillie FFA

10 February 2023

What we will cover today

1. Background to the 2022 valuation
2. Inputs at 2022
3. Models
4. 2022 valuation results

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Julie Baillie
julie.baillie@hymans.co.uk

Morven Galloway
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How the Fund works

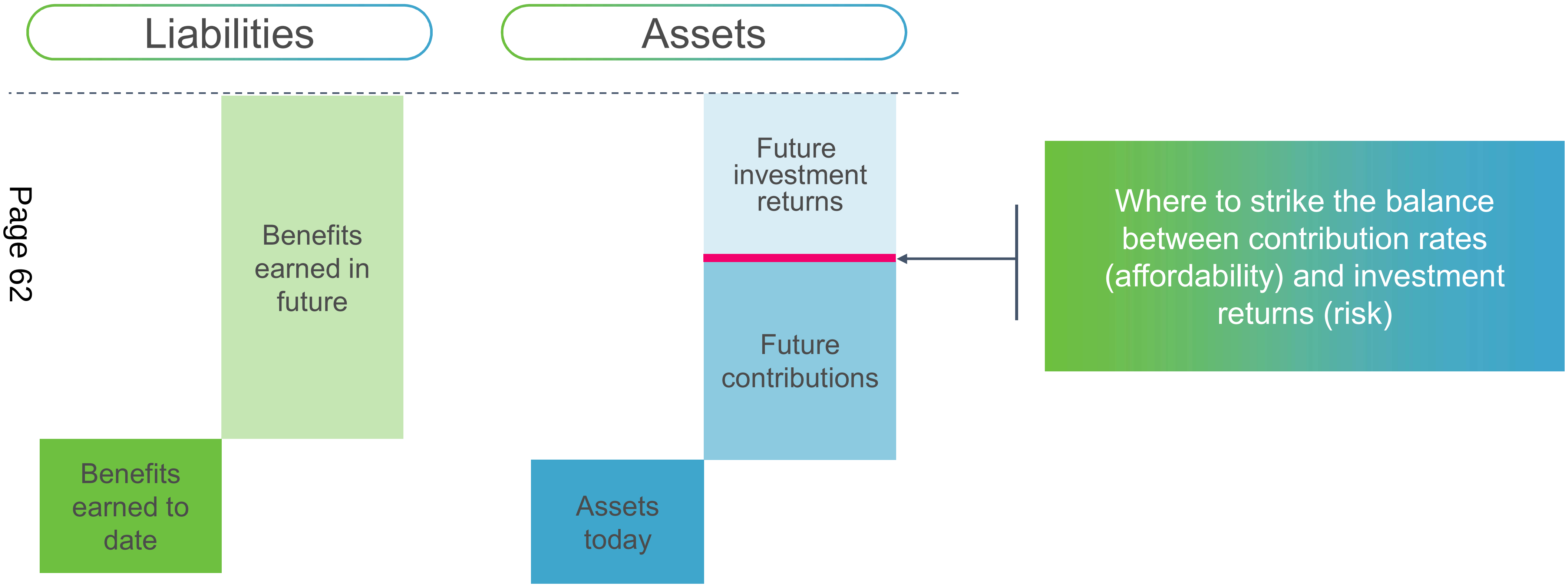
Collect money
(contributions)

Invest money
(its assets)

Pay money out
(benefits)

Contributions and investment returns fund all the benefits

Key funding decision



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Why we do a valuation?

- Calculate employer contribution rates
- Compliance with legislation
- Analyse actual experience vs assumptions
- Review Funding Strategy Statement
- Part of continual ‘health check’ on fund solvency

The valuation is a key risk management for the fund

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How we do the valuation

Inputs

Data for each member

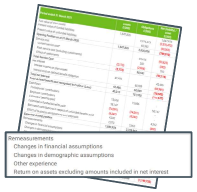
Financial and demographic assumptions

Funding and investment strategy

LGPS benefit structure

Actuary's models

Primary outputs



Individual employer results schedule

Updated Funding Strategy Statement

Final valuation report

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2022 valuation timetable

Q1 2022 – Q2 2022
Pre-valuation work:
- Planning
- Data cleansing
- Review of high-level funding & investment strategy
- Discussion of stabilisation mechanism for some employers

Q2 2022 – Q3 2022
Data cleansed and submitted to actuary
Review of assumptions
Funding Strategy Statement review

Q4 2022
Initial results & discussions with Officers

Q1 2023
Employer results issued to employers
Employer Forum & consultation period
Funding Strategy Statement consultation

Q1 2023
Funding strategy statement finalised
Final valuation report signed off by 31 March 2023

1 April 2023
New employer contributions start to be paid

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Inputs at 2022

Membership data as at 31 March 2022 (whole Fund)

High quality membership data underpins everything
Check your own data summary – p4 of results schedule

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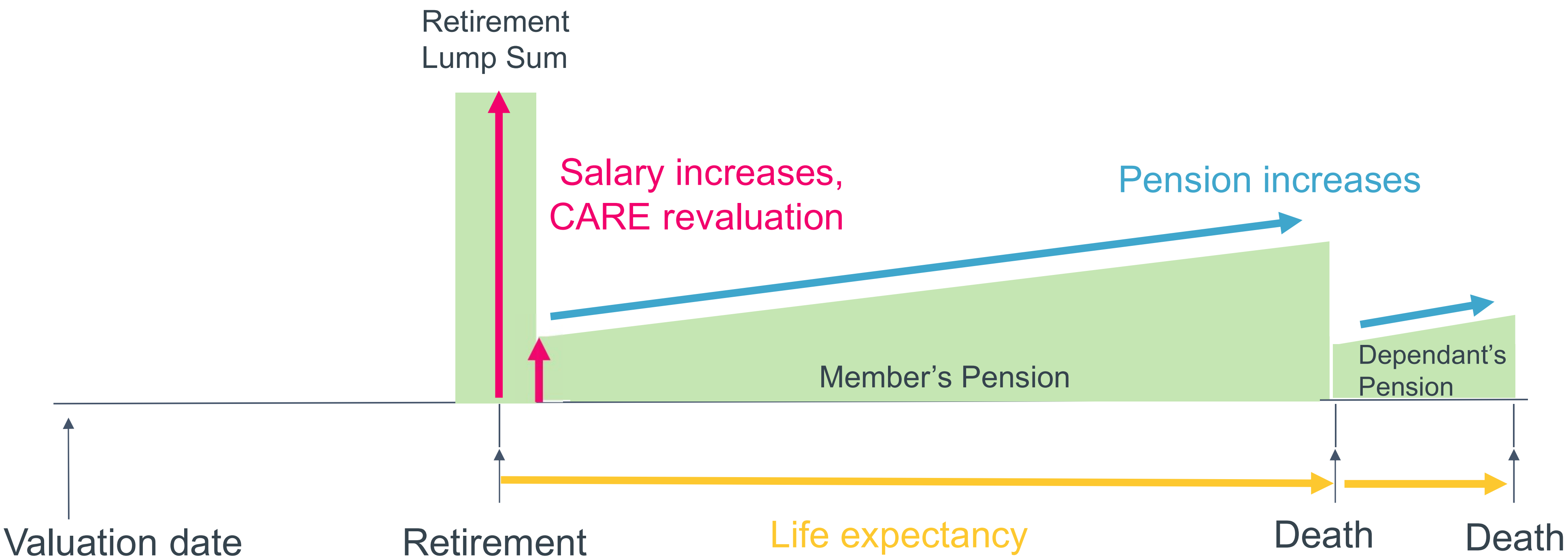
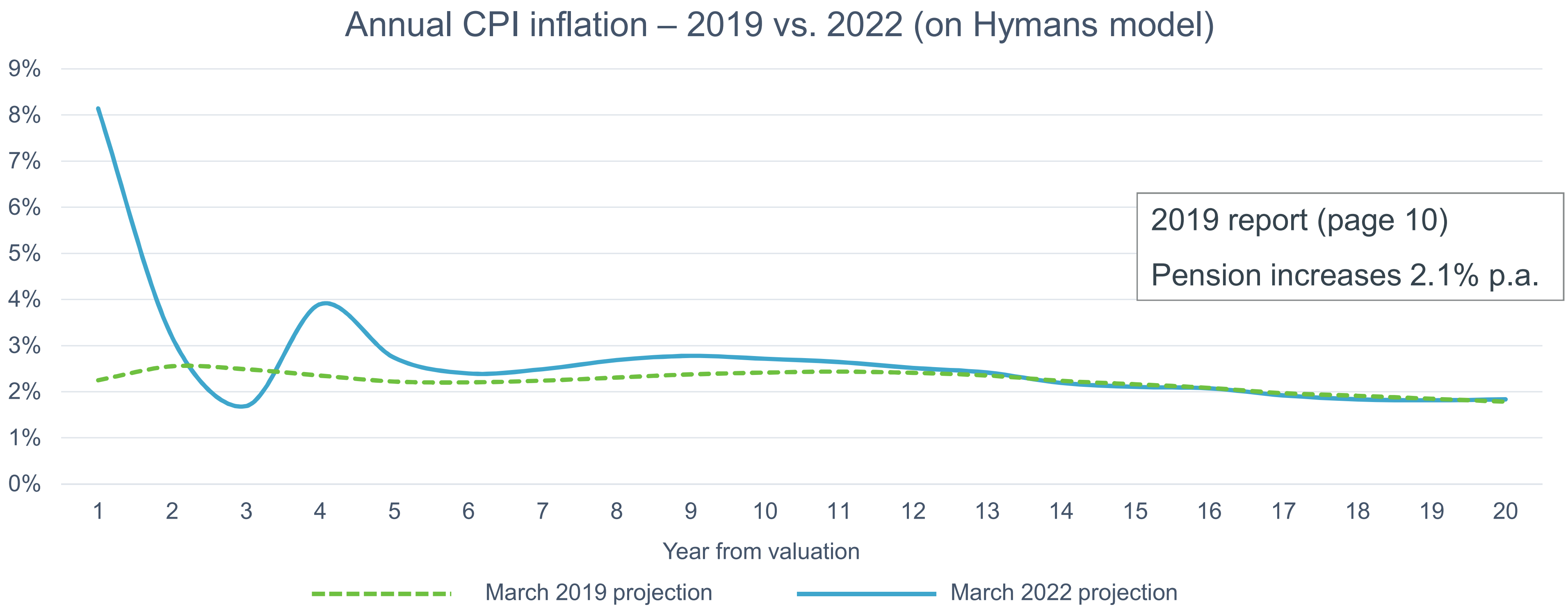
Assumptions – why they are needed



No significant changes in financial assumptions, except for inflation…

CPI inflation – 2019 vs. 2022



Average level of future inflation: 2019 = 2.3% pa (Hymans), 2022 = 2.7% pa

Source 2022: Hymans Robertson ESS model

Focus on life expectancy

- Observed life expectancy varies significantly between members

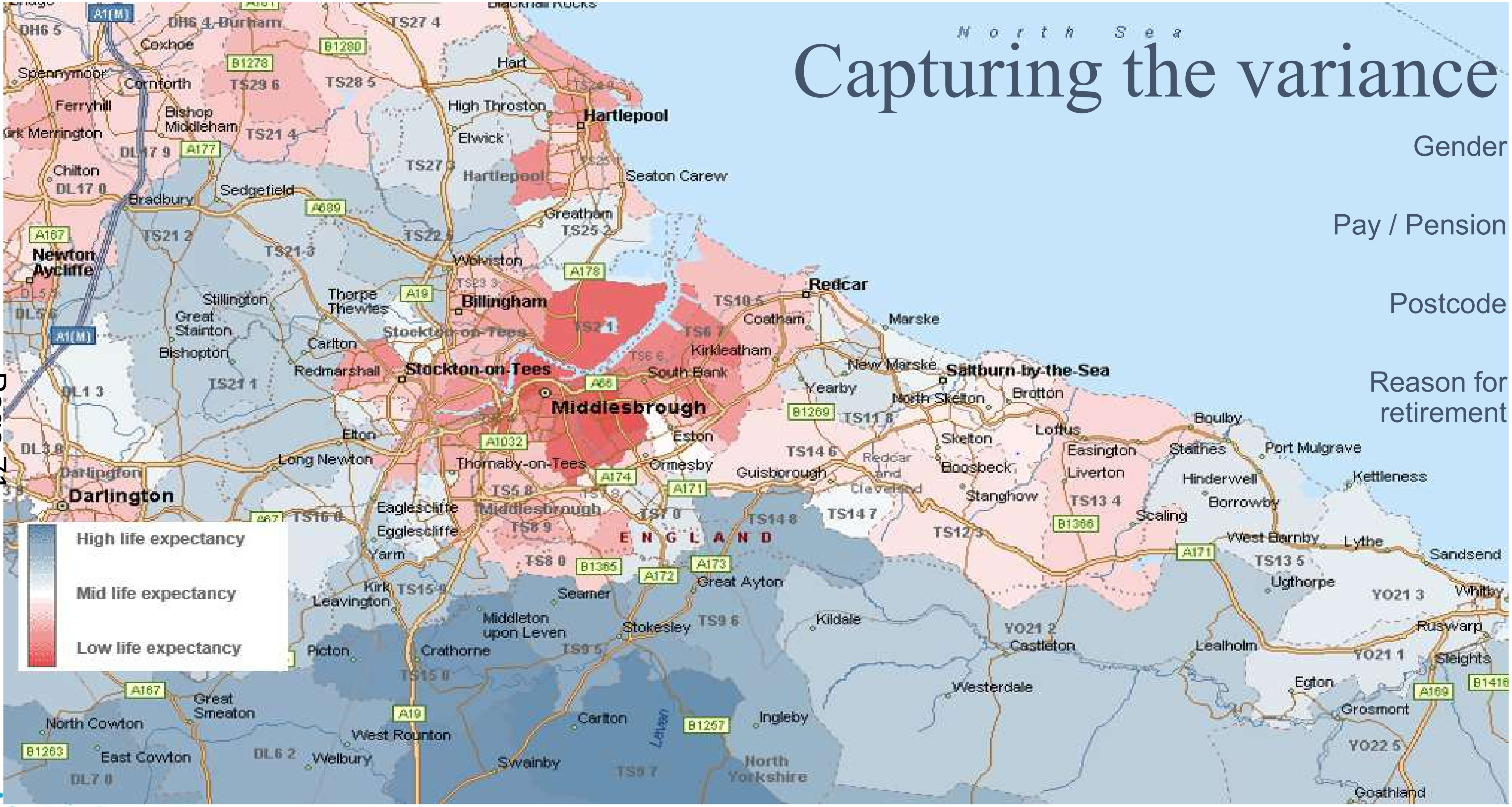
Unhealthy lifestyle postcode	4½ - 5 yrs	Healthy lifestyle postcode
Low affluence	2 - 3 yrs	High affluence
Ill health retirement	2½ - 3½ yrs	Normal health retirement
Manual worker	<½ yr	Non-manual worker

Life expectancy from 65:
c.13 years

Life expectancy from 65:
c.23 years

Very important to capture this variance in the life expectancy assumption

Capturing the variance



Gender

Pay / Pension

Postcode

Reason for retirement

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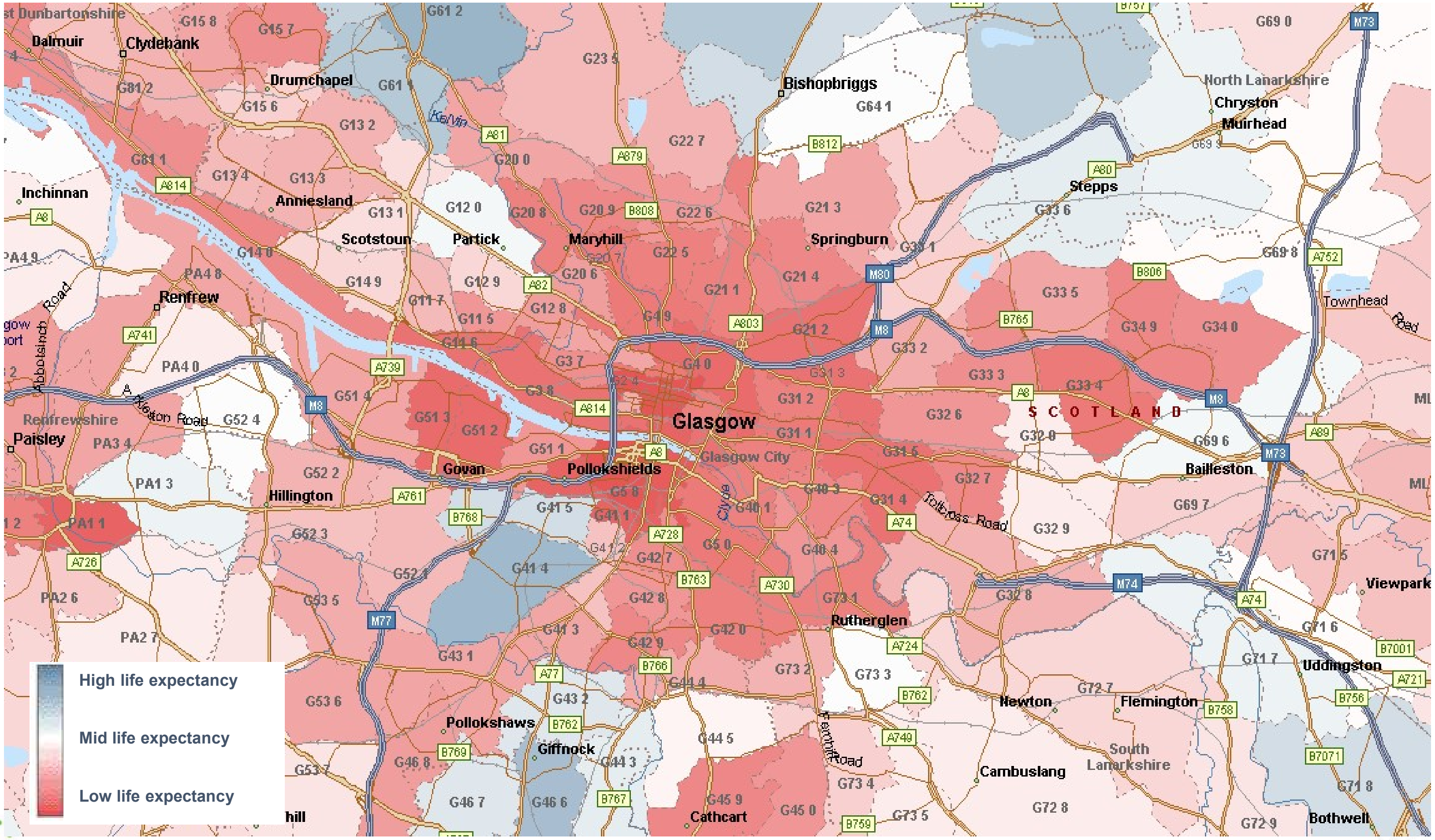
If only this was a weather heat map…



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Covid-19 and life expectancy assumption

Lower longevity improvements

Short term risk of COVID-19
There is a risk that we see further waves of infection as social distancing measures are relaxed/removed

Long term risk of COVID-19
Disease could continue to be a risk without maintaining an effective vaccine.

Impaired long-term health
The long-term health of those who were infected with COVID-19 but survived the virus might be damaged.

Disruption to non-COVID care
Deterioration of patients with non-coronavirus conditions due to delays in treatment (e.g. cancer)

Global recession
A global recession may impact future public sector spending in health care.

Higher longevity improvements

Survivorship bias
The average health of the surviving population could be higher in the years following the outbreak.

Reduced circulation of flu
Change in social behaviour (e.g. increased handwashing) may reduce prevalence of flu and other infectious diseases in future.

Reduction in air pollution
Change in social behaviour may result in the reductions to air pollution persisting.

Reduction in smoking
Disease may have encouraged existing smokers to stop.

Health/social care funding increase
Issues with funding unearthed during the pandemic may be more likely to be addressed.

Insufficient evidence to justify change in life expectancy assumption

Funding strategy– what's changed?

Similarities to the 2019 valuation	Differences to the 2019 valuation

• Risk based approach
  • Uses "likelihood of success"
• Contribution rate for each employer
  • Some individual, some pooled
• Uses financial and demographic assumptions
  • At valuation date i.e. 31 March 2019
• 2019 FSS
  • Drafted by Aon
	• Setting time horizons
	  • Maximum reduced from 25 years to 20 years
	• Return of surplus
	  • Returned over time horizon
	• Some assumptions not directly comparable
	  • Actuaries use different models
	• 2022 FSS
	  • Drafted by Hymans

Strategy – update at 2022

2022 valuation funding strategy

Employer type	Funding target	Standard Time horizon	Minimum Likelihood of success	Stabilised contributions
Local Authorities	Ongoing	20	75%	Yes
Police and Fire	Ongoing	20	75%	Yes
Academies	Ongoing	20	75%	Yes
Colleges	Ongoing	20	75%	Yes
Town & Parish Councils	Ongoing	20	75%	Yes
Transferee Admission Bodies	Ongoing	Employer specific	75%	No
Community Admission Bodies	Employer specific	Employer specific	75%	No

Rates are subject to Fund discretion and employer circumstances

Benefit structure - McCloud

- Extension of ‘best-of’ underpin for service between 2014 & 2022
- Given the ‘best-of’ nature, some members may see an increase in benefits
- At 2022, more certainty about the format of the remedy in LGPS
- DLUHC have ‘recommended’ how funds allow for McCloud at the 2022 valuation
- Teesside Pension Fund will follow recommendation and build it into liability calculations

Overall cost impact small (c0.2% of liabilities), but will vary by employer

Models

(this will be quick, we promise!)

Risk-based valuation approach

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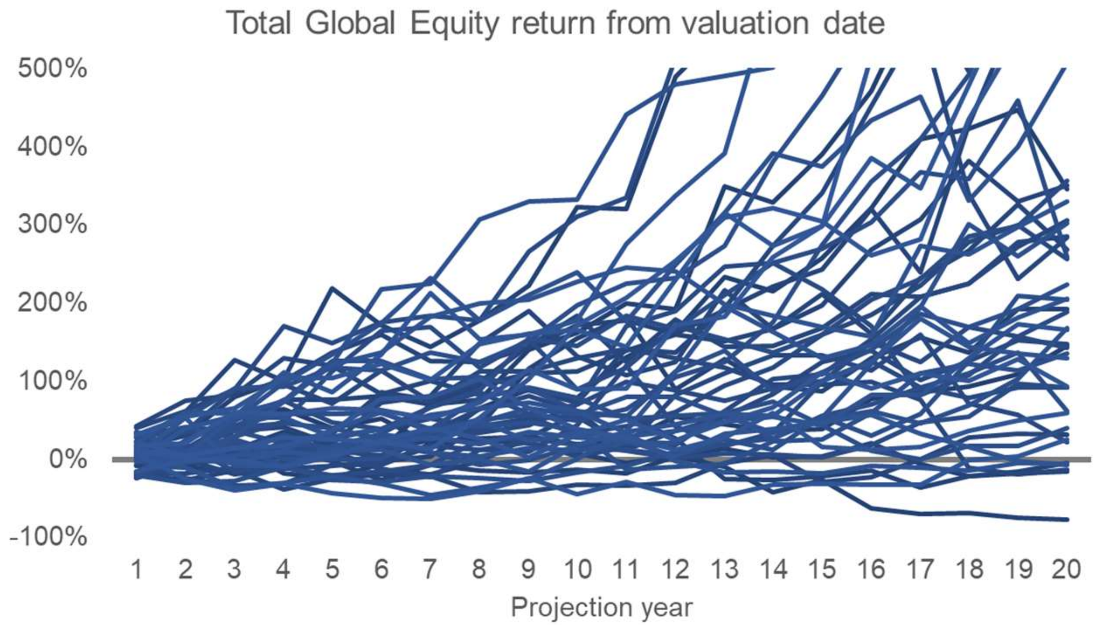
- Future investment returns and inflation are uncertain and volatile
- Use a valuation approach which reflects the real-world
- Capturing uncertainty allows users to better understand risk in the funding plan
- Model 5,000 different future economic scenarios



Similar evolution to weather forecasts!

Source: Hymans Robertson ESS model

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Investments and impact on the valuation

Asset allocation based on the strategy set out in the Fund's Investment Strategy Statement, dated April 2022.

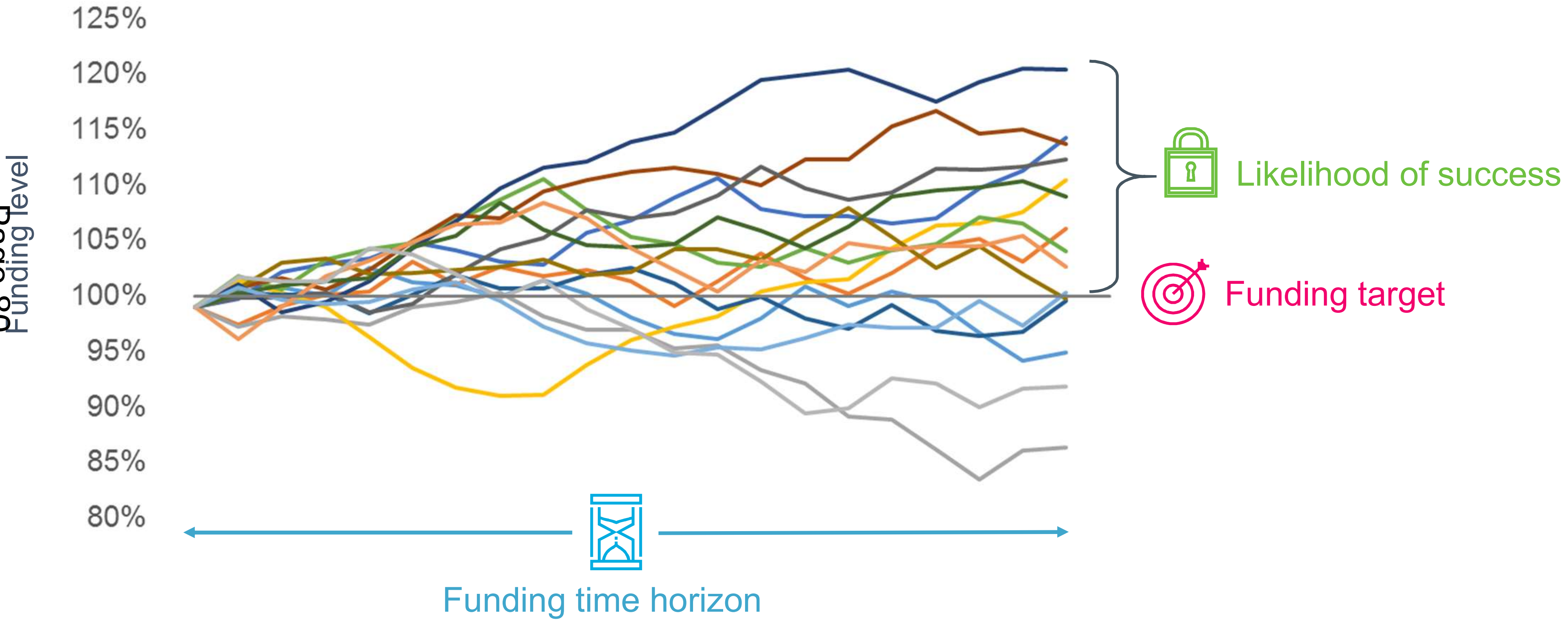
Mix of allocated assets

- Global equities
- UK equities
- Property
- Infrastructure
- Bonds

Asset class	Allocation
UK equities	10.0%
Global equities (unhedged)	40.0%
EM equities (unhedged)	5.0%
Property	13.5%
Private Equity	6.5%
Index linked gilt (24 yr maturity)	3.0%
A Credit (4 yr maturity), duration hedged	4.0%
Infrastructure equity (unlisted)	10.0%
Asset Backed Securities	5.0%
Multi Asset Credit (sub investment grade)	1.0%
Cash	2.0%
Total	**100.0%**

Contributions and investment returns are both needed to pay future benefits

Setting risk-based contribution rates



Set contribution rate to have sufficiently high likelihood of meeting the funding target at the end of the time horizon

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2022 valuation results (outputs)

Single reported 2022 funding position

- Funding position has improved since 2019
- Important to remember limitations with funding level
  - It only considers past service
  - It is a snapshot on one particular day, it will fluctuate

Valuation Date	31 March 2022	31 March 2019
Past Service Liabilities	**(£m)**	**(£m)**
Employees	1,532	1,223
Deferred Pensioners	769	627
Pensioners	2,050	1,711
Total Liabilities	**4,351**	**3,561**
Assets	**5,042**	**4,088**
Surplus/(Deficit)	**691**	**527**
Funding Level	**116%**	**115%**

Numbers may not add up due to rounding

Funding level improvement lower than LGPS peers*

* 2022 valuation results - early insights - Hymans Robertson

What's changed since 2019

Expected development

Change in the surplus/deficit position	Assets	Liabilities	Surplus / Deficit
	£m	£m	£m
Last valuation at 31 March 2019	**4,088**	**3,561**	**527**
Cashflows			
Employer contributions paid in	202	-	202
Employee contributions paid in	90	-	90
Benefits paid out	(450)	(450)	0
Net transfers into / out of the Fund			
Other cashflows (e.g. Fund expenses)	(22)	-	(22)
Expected changes			
Expected investment returns	510	-	510
Interest on benefits already accrued	-	491	(491)
Accrual of new benefits	-	362	(362)
Expected position at 31 March 2022	**4,418**	**3,964**	**454**

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Impact of actual events

Change in the surplus/deficit position	Assets	Liabilities	Surplus / Deficit
	£m	£m	£m
Expected position at 31 March 2022	**4,418**	**3,964**	**454**
Events between 2019 and 2022			
Salary increases less than expected	-	(46)	46
Benefit increases less than expected	-	(28)	28
Early retirement strain (and contributions)	11	13	(2)
Ill health retirement strain	-	(4)	4
Early leavers more than expected	-	0	0
Commutation less than expected	-	7	(7)
McCloud remedy	-	10	(10)
Other membership experience	-	(34)	34
Higher than expected investment returns	612	-	612
Changes in future expectations			
Investment returns	-	145	(145)
Inflation	-	379	(379)
Salary increases	-	11	(11)
Longevity	-	(65)	65
Other demographic assumptions	-	(2)	2
Actual position at 31 March 2022	**5,042**	**4,351**	**691**

Numbers may not add up due to rounding

Investment returns and future inflation, key drivers at 2022

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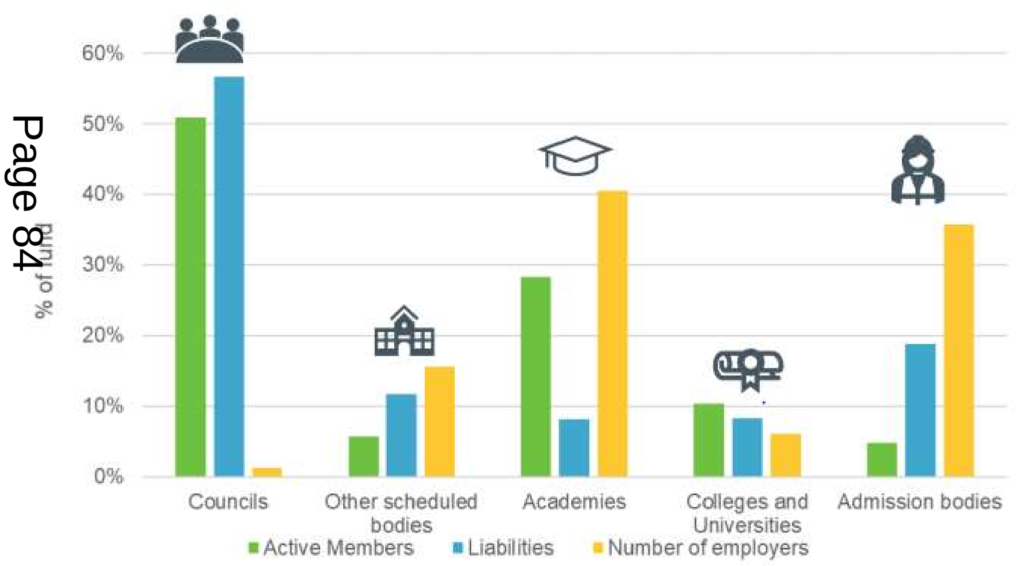
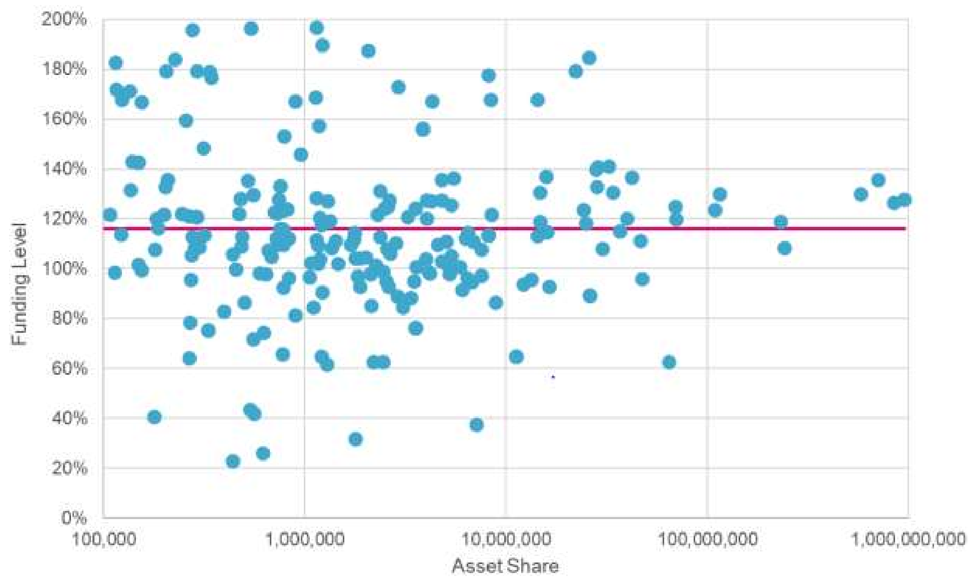
* We do not collect the level of detail necessary to value the impact on the liabilities as a result of transfers in/out

Employer-level results

Fund employers by type



Employer funding level vs asset share



Funding is carried out at individual employer level

Funding theme at 2022 valuation

Funding position + secondary contributions

Primary contributions

Change from 2019

Likely see an improvement in funding position and lower secondary contributions...

…but primary rates don't benefit from asset performance and may see upward pressure due to inflation pressures

Net impact will vary by employer, depending on funding profile

Your own contribution rates from 1 April 2023

Example employer

	Primary	Secondary		Total	
Employer contribution rates for year ending	% of pay	% of pay	£	% of pay	£
31 March 2023				17.5%	0
31 March 2024	19.7%	-2.2%	0	17.5%	0
31 March 2025	19.7%	-2.2%	0	17.5%	0
31 March 2026	19.7%	-2.2%	0	17.5%	0

The above contribution rates are the minimum rate required by the Fund. In most circumstances you can pay additional contributions to improve your funding position but this should be referred to the actuary first. The Primary Rate includes an allowance of 0.6% of pay for administration expenses. Employer contribution rates are due in addition to employee contributions. The average employee contribution rate is 5.9% of pay.

Outlined on p1 of your own results schedule

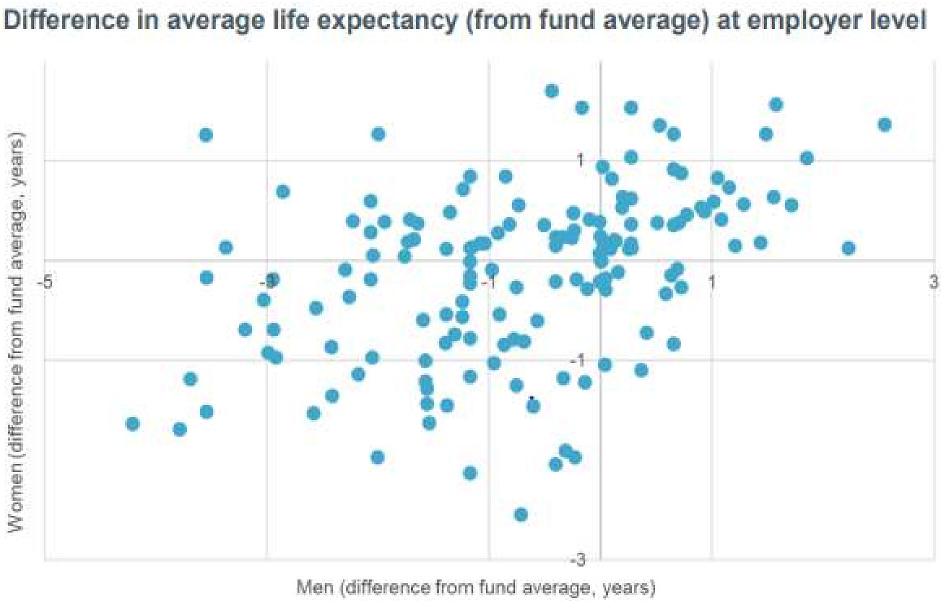
Other factors causing diversity in results

Funding profile
Balance between past and future service matters at 2022

Membership experience
Events such as ill-health retirements, salary increases will affect your funding position

Membership profile
Differences such as age and gender will affect the contribution rate

Contributions being paid
Higher contributions will result in a larger funding level improvement

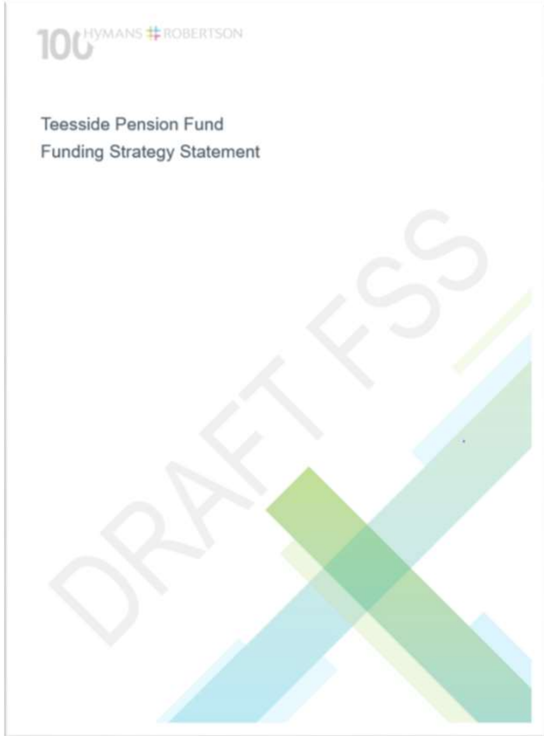


No two employers are the same

HYMANS ROBERTSON

Funding Strategy Statement review

- No material changes in funding strategy at 2022 valuation, but streamlined for many employers
- Used the opportunity to review structure and layout of the FSS
- Improve accessibility and navigation for stakeholders
- Updated FSS for consultation with all employers



Please read, understand what it means for you and let the fund know any thoughts

Next Steps

Q1 2022 – Q2 2022
Pre-valuation work:
- Planning
- Data cleansing
- Review of high-level funding & investment strategy
- Review of stabilisation mechanism for precepting employers

Q2 2022 – Q3 2022
Data cleansed and submitted to actuary
Review of assumptions
Funding Strategy Statement review

Q4 2022
Initial results & discussions with Officers

Q1 2023
Employer results issued to employers
Employer Forum & consultation period
Funding Strategy Statement consultation

Q1 2023
Funding strategy statement finalised
Final valuation report signed off by 31 March 2023

1 April 2023
New employer contributions start to be paid

What you need to do

Read the results schedule

Check the data is correct, understand your current funding position and the rate that will come into payment from 1 April 2023

Review the updated Funding Strategy Statement

Understand how the fund's strategy applies to your participation in the fund

Talk to the fund

Ask any questions and let them know about any possible changes in circumstances

HYMANS ROBERTSON

Summary of 2022 valuation

1 Funding position

Past service funding position has improved since 2019

2 Reasons for change

Strong investment returns more than offset higher inflation

3 Contribution rates

Primary rate: upward pressure
Secondary rates: some relief
Overall impact will vary between employers

Please contact the fund if you have any questions about your results

2022 valuation and 2023 accounting

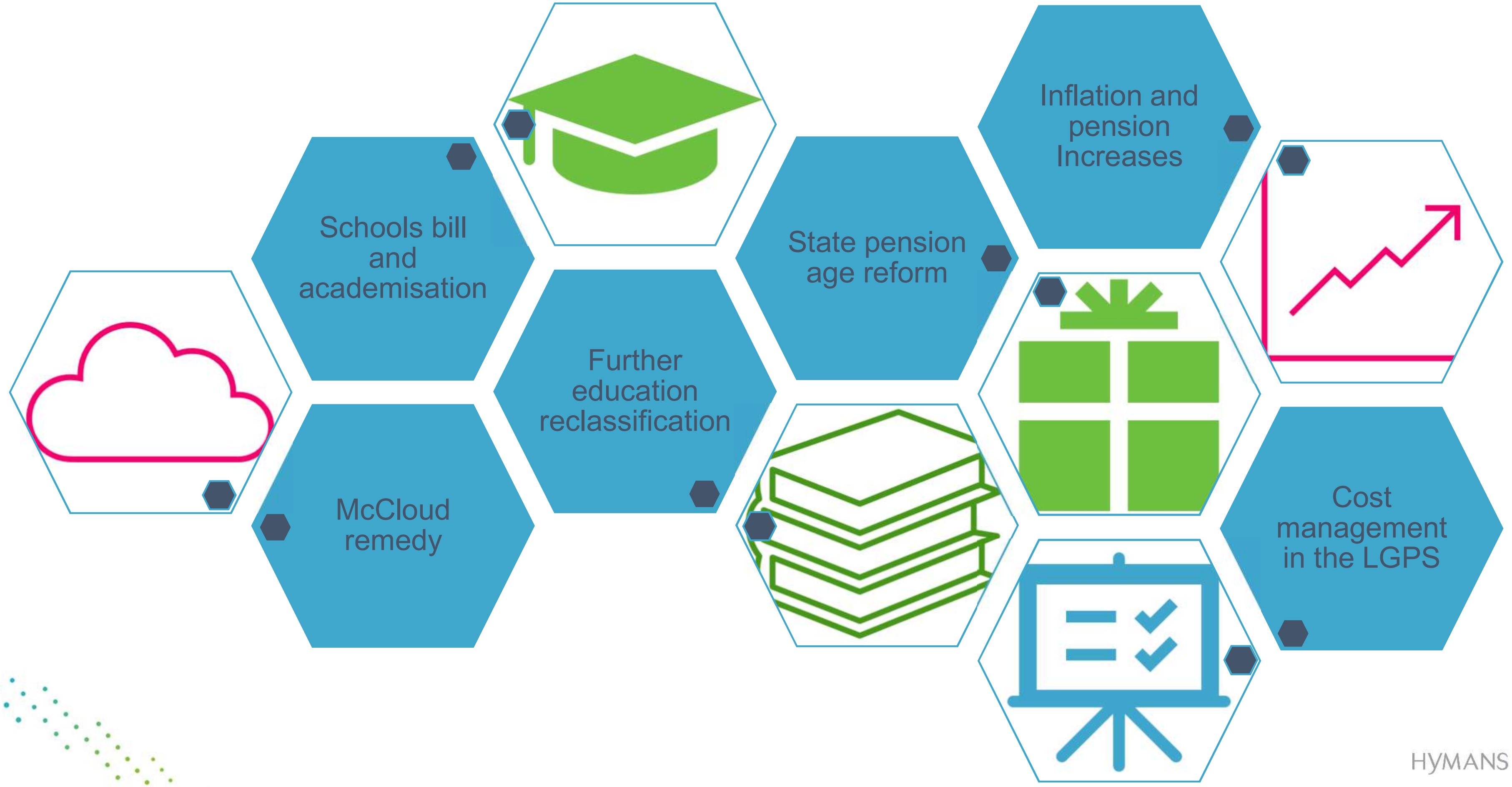
Accounting reports now roll forward from 2022 valuation positions

- Updated membership data
- Updated demographic and mortality assumptions
- Salary increase assumption remains at CPI+1%
- Discount rate determined by accounting standard
- Expect "experience" items under remeasurements.

Remeasurements			
Changes in financial assumptions		(1,415)	1,415
Changes in demographic assumptions		(7)	7
Other experience	-	4	(4)
Return on assets excluding amounts included in net interest	(154)		(154)
Total remeasurements recognised in Other Comprehensive Income (OCI)	**(154)**	**(1,418)**	**1,264**

Accounting assumptions ultimately the responsibility of the employer

Current issues and future developments



HYMANS # ROBERTSON

Thank you

TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 9

TEESSIDE PENSION BOARD REPORT

20 FEBRUARY 2023

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)

TEL. NO.: (01642) 030643

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XPS Administration

Teesside Pension Fund

Performance Delivery Report

2022-2023

Contents

Regulations and Guidance

New LGPS Minister

Lee Rowley MP was appointed Parliamentary Under Secretary of State in the Department for Levelling Up, Housing and Communities on 7 September 2022. It has now been confirmed that he has taken over ministerial responsibility for the LGPS.

SAB statement on employer contributions

At its meeting on 10 October 2022, the SAB discussed emerging results from the current round of triennial local fund valuations. The Board understands and recognises the extremely challenging position for local government finance. However, it asks administering authorities and other Scheme employers to have regard to the desirability of long-term stability in pension contributions when considering whether reductions in employer contributions are desirable as a result of an improved funding position. The SAB statement on employer contributions gives more detail about the Board's discussions and the reasons behind making the statement. The statement can be found at https://lgpsboard.org/images/Other/October2022_SAB_statement_on_employer_contributions.pdf

HMRC Tax consultation under McCloud remedy

On 24 November 2022, HMRC launched a consultation on how pension tax will apply to members protected by the McCloud remedy. On 06/01/2023 the LGA published their response to HMRC's consultation on how pensions tax will apply to members protected by the McCloud remedy. The response it mostly technical but does comment on the timing of the consultation in terms of the lateness in confirming policy in this area and consulting over the festive period. The response can be found at https://lgpslibrary.org/assets/cons/nonscheme/20221124_McCloud_tax_CR.pdf

Autumn Statement 2022

The Chancellor of the Exchequer delivered his Autumn Statement to Parliament on 17 November 2022. Pensions policies rumoured in advance of the statement such as changes to tax relief and the removal or suspension of the State Pension triple lock did not emerge. The statement confirmed.

- The State Pension triple lock was maintained and working age benefits will increase in line with inflation in April 2023. Next year's increase will be 10.1 percent.
- No changes to the Annual or Lifetime Allowance Thresholds

The Pensions Dashboards Regulations 2022

On 21 November 2022, the Department for Work and Pensions made The Pensions Dashboards Regulations 2022 – the Regulations. They came into force on 12 December 2022. The Regulations set out requirements for relevant occupational pension schemes to connect to pensions dashboards, and what organisations must do to provide a qualifying pensions dashboard service.

Chancellor announces the 'Edinburgh Reforms'

On 9 December, the Chancellor of the Exchequer announced a set of reforms to drive growth and competitiveness in the financial services sector. In the statement, the Chancellor also confirmed that the Government will consult on:

- • new guidance to the LGPS on asset pooling in early 2023
- • requiring LGPS funds to ensure they are considering investment opportunities in illiquid assets such as venture and growth capital, as part of a diversified investment strategy.

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. The Department for Education (DfE) is in the process of identifying affected members. Officials from DfE will, in some cases, need to confirm the employment status of members during the remedy period with their employer. They plan to start this process in January 2023 and will be contacting relevant schools.

Treasury Direction - McCloud

On 14 December 2022, HM Treasury (HMT) made the Public Service Pensions (Exercise of Powers, Compensation and Information) Directions 2022. They came into force on 19 December 2022 and apply to England, Northern Ireland, Scotland and Wales. The Directions set out how certain powers in the Public Service Pensions and Judicial Offices Act 2022 must be exercised. The Act gives relevant government departments powers to rectify McCloud discrimination. For the L G P S, the Directions apply to the following powers in the Act:

- Section 82: an administering authority's power to pay compensation
- Section 83: the power to make regulations compensating members by paying additional LGPS benefits 6
- Section 84(1)(a): the power to make regulations setting out how interest should be calculated and paid on amounts due to the McCloud remedy, and
- Section 84(1)(B): the power to make regulations setting out the process to follow for paying amounts due to the McCloud remedy.

The making of the Directions now allows relevant departments to start consulting on regulations exercising these powers

Maintaining LDI resilience

On 30 November 2022, T P R published a statement on maintaining liability-driven investment (L D I) resilience. The statement is aimed at defined benefit trustees and advisers. It sets out recommended actions in light of recent events in the gilt markets. The statement can be found at https://www.thepensionsregulator.gov.uk/en/document-library/statements/maintaining-liability-driven-investment-resilience

2023/24 employee contribution bands

Bands effective from 1 April 2023 have been released. These are calculated by increasing the 2022/23 employee contribution bands by the September 2022 CPI figure of 10.1 per cent and then rounding down the result to the nearest £100. These will be circulated to employers in due course

Consultation on changes to the SAB's cost management process (C M P)

On 30 January 2023, the Department for Levelling Up, Housing and Communities launched a consultation on changes to the Scheme Advisory Board's (SAB) CMP. The consultation closes on 24 March 2023. The consultation can be found at https://www.gov.uk/government/consultations/local-government-pension-scheme-changes-to-the-scheme-advisory-board-cost-management-process

Automatic enrolment trigger remains the same

On 26 January 2023, DWP published its review of the automatic enrolment thresholds for 2023/24. 6 The Pensions Act 2008 requires DWP to annually review various thresholds relevant for automatic enrolment rules. The earnings trigger remains at £10,000 for 2023/24.

Update on McCloud data issues guidance

The LGA are currently working on guidance to assist administering authorities with McCloud data issues. The guidance will set out what options administering authorities in England and Wales may consider if they are unable to collect the data needed to implement the McCloud remedy. It will cover both missing data and data the authority is not confident is accurate. The Scheme Advisory Board (England and Wales) hope to publish the guidance by the end of February 2023.

02 **Membership Movement**

	Actives		Deferred		Pensioner		Widow/Dependent	
Q3 2022/23	25,868	▲	27,002	▲	23,468	▲	3,311	▲
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	▲

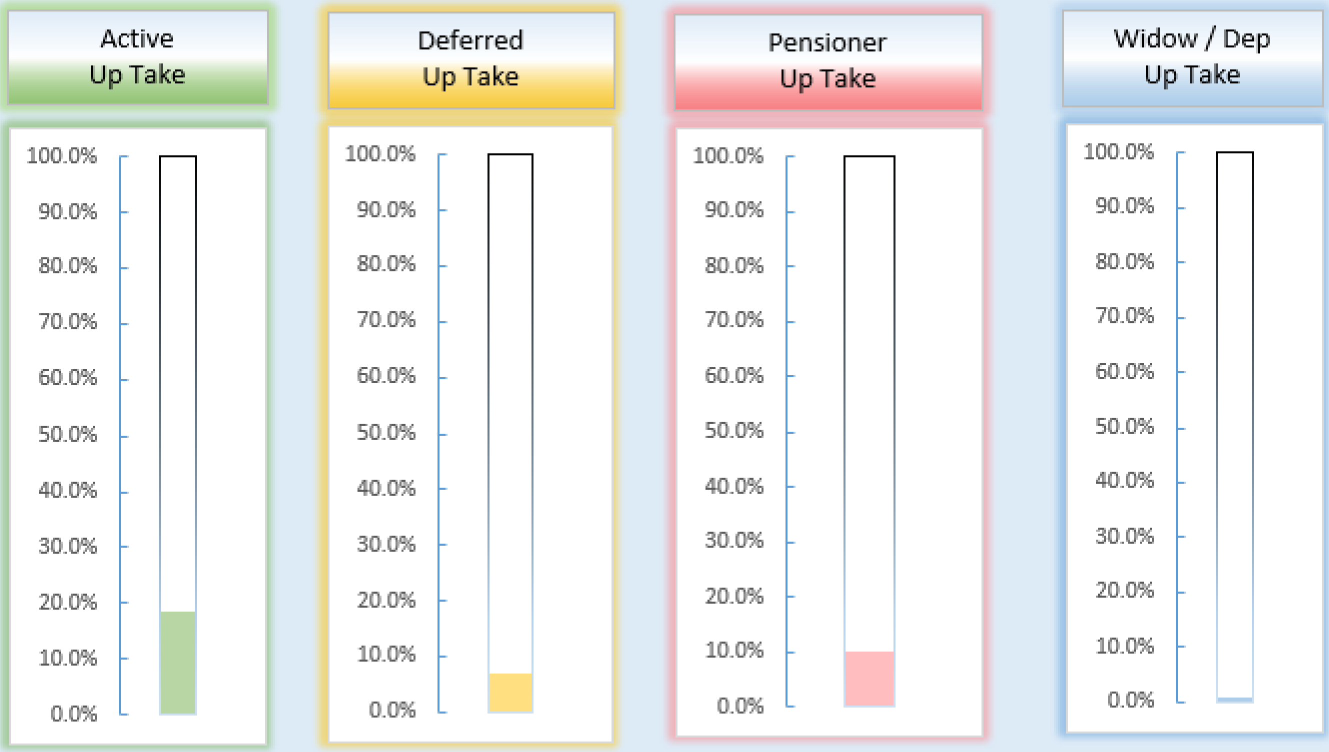
03 Member Self Service

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 3	REGISTERED	ACCOUNT DISABLED	ACTIVATION LINK SENT	NOT REGISTERED	TOTAL	Percentage Uptake
Actives	3,866	59	666	21,324	**21,324**	**18.4%**
Deferred	1,457	16	264	21,629	**21,629**	**6.8%**
Pensioner	2,114	59	213	21,164	**21,164**	**10.3%**
Widow/Dep	25	1	3	3,305	**3,305**	**0.8%**
Total	**7,462**	**135**	**1,146**	**67,422**	**67,422**	**11.3%**



04 Pension Regulator Data Scores

Common Data

Data Item	Teesside Pension Fund		
	Max Population	Total Fails	% OK
NINo	81,071	182	99.78%
Surname	81,071	0	100.00%
Forename / Inits	81,071	0	100.00%
Sex	81,071	0	100.00%
Title	81,071	164	99.80%
DoB Present	81,071	0	100.00%
Dob Consistent	81,071	0	100.00%
DJS	81,071	0	100.00%
Status	81,071	0	100.00%
Last Status Event	81,071	663	99.18%
Status Date	81,071	1,804	97.77%
No Address	81,071	427	99.47%
No Postcode	81,071	587	99.28%
Address (All)	81,071	4,887	93.97%
Postcode (All)	81,071	4,946	93.90%
Common Data Score	**81,071**	**3,317**	**95.91%**
Members with Multiple Fails	**81,071**	**485**	**99.40%**

Scheme Specific Data

In readiness for the pensions dashboard, there is a minimum requirement pension schemes bust be able to demonstrate against as required and defined by the Pensions Regulator. This standard is available to XPS through a product used by our central team and we are currently undertaking a data mapping exercise in order to be able to carry out the necessary tests. Once this work has been completed, we will be able to report a data score in accordance with the Pensions Regulator standards.

Public sector pension schemes need to be able to connect to the Dashboard by October 2024, so in advance of this, the scheme data must be tested and where necessary, brought up to the requisite standards required

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

Interest in employer and member training has increased and the EL team have been delivering sessions in person on both the Scheme and Pensions Tax along with our Employer Health Checks. Feedback has been excellent and we are currently in the process of arranging more sessions in the future. The Year End Submission documentation was sent early to all employers at the beginning of February and confirms the submission deadline of 15/05/2023. In addition to the standard guides a virtual drop in session is proposed if uptake is positive, in order to offer clarification and training on the submission requirements.

I-Connect

Our Employer Services solution, i-Connect simplifies, data interactions between employers and the Teesside Pension Fund within a highly secure environment. Using data taken directly from the payroll system, i-Connect automatically identifies new joiners, opt-outs, and leavers, seamlessly generating an extract for submission.

Reducing the cost and risk associated with processing pension data, i-Connect automates the submission of data to the Teesside Pension Fund in a single solution, improving the flow of data and minimizing manual intervention. All employers were contacted in early January to offer our I-Connect service.

The response has been positive with over 15 payroll providers responding covering multiple employers including Middlesbrough and Redcar and Cleveland Councils. We are currently arranging an onboarding schedule and should have our first payrolls live by early March.

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**
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	2.00%	2	1
Jul-22	2	142	1.00%	0	2
Aug-22	4	140	3.00%	1	3
Sep-22	2	140	1.00%	0	2
Oct-22	8	139	6.00%	8	0
Nov-22	2	140	1.00%	1	1
Dec-22	3	140	2.00%	3	0

05 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	701	698	3	100%
December	475	475	0	100%
Quarter 3	**1,904**	**1,901**	**3**	**100%**
January				
February				
March				
Quarter 4				
Year - Total	**4,550**	**4,547**	**3**	**100%**

06 **Completed Cases by Month**

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		

November 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%	4.03	309	0	309	309
Transfer Values - To complete the process within one month of the date of receipt of the request for payment.	Monthly	20	98.50%	100%	9	33	0	33	33
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	39	0	39	39
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	99.1%	7	320	3	320	317
Pension costs to be recharged monthly to all employers.	Monthly		98.75%	100%	N/A	N/A	N/A		
Annual benefit statements shall be issued on a rolling basis ensuring that a scheme member shall receive a statement once a year.	Annual	April	98.75%	0%	N/A	N/A	N/A		
Payment of lump sum retiring allowance - Payment to be made within 6 working days of payment due date and date of receiving all the necessary information.	Monthly		98.75%	100%	N/A	N/A	N/A		
Pay eligible pensioners a monthly pension on the dates specified by the Council.	Monthly		100%	100%	N/A	N/A	N/A		
All calculations and payments are correct.	Monthly		98.75%	100%	N/A	N/A	N/A		

December 2022

Standard Refernce No.	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	Comments
F64	All new entrant processed within twenty working days of receipt of application.	Monthly	20	98.50%	100.00%	4.48	186	0	186	186	
F65	Transfer Values - To complete the process within one month of the date of receipt of the request for payment.	Monthly	20	98.50%	100%	7	28	0	28	28	
F67	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	17	0	17	17	
F68 & F72	Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	5	244	0	244	244	
F78	Pension costs to be recharged monthly to all employers.	Monthly		98.75%	100%	N/A	N/A	N/A			
F83	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			
F86	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			
F87	Pay eligible pensioners a monthly pension on the dates specified by the Council.	Monthly		100%	100%	N/A	N/A	N/A			
F88	All calculations and payments are correct.	Monthly		98.75%	100%	N/A	N/A	N/A			

January 2023

KEY PERFORMANCE REQUIREMENTS (KPR)	MONITORING PERIOD (Annually, Quarterly, Monthly, Half Yearly)	KPR Days	MINIMUM PERFORMANCE LEVEL (MPL)	ACTUAL PERFORMANCE LEVEL (APL)	Average Case Time (days)	Number of Cases	Over target	TOTAL (cases)	Within Target	Comments
All new entrant processed within twenty working days of receipt of application.	Monthly	20	98.50%	100.00%	4.67	159	0	159	159	
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	29	0	29	29	
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	26	0	26	26	
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	5	295	0	295	295	
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			

07 **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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