

TEESSIDE PENSION BOARD

Date: Monday 11th September, 2023
Time: 2.00 pm
Venue: Spencer Room

AGENDA

1. Welcome, Introductions and Evacuation Procedure
2. Apologies for Absence
3. Declarations of Interest
To receive any declarations of interest.
4. Appointment of Chair and Deputy Chair 3 - 16
5. Minutes - Teesside Pension Board - 17 April 2023 17 - 20
6. Minutes - Teesside Pension Fund Committee - 15 March 2023 21 - 28
7. Teesside Pension Fund Committee - 28 June 2023
Verbal Report
8. Pooling Consultation 29 - 60
9. Update on Work Plan Items 61 - 74
10. XPS Administration Report 75 - 94

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

Charlotte Benjamin
Director of Legal and Governance Services

Town Hall
Middlesbrough
Friday 1 September 2023

MEMBERSHIP

Councillors Dunbar, Massey and N Walker
P Thompson (Vice-Chair), J 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 FUND

Administered by Middlesbrough Council

AGENDA ITEM 4

TEESSIDE PENSION BOARD REPORT

11 SEPTEMBER 2023

INTERIM DIRECTOR OF FINANCE – DEBBIE MIDDLETON

Appointment of Chair and Deputy Chair

1. PURPOSE OF THE REPORT

- 1.1 The purpose of the report is to ask the Members of the Teesside Pension Board (the Board) to confirm the appointment of the Deputy Chair as Chair of the Board, and to ask the newly appointed Chair to appoint a new Deputy Chair from the employer representatives.

2. RECOMMENDATION

- 2.1 That the Board confirms the appointment of the Deputy Chair as Chair of the Board and that the Chair appoints a new Deputy Chair from the Board's three employee representatives.

3. FINANCIAL IMPLICATIONS

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

4. APPOINTMENT OF DEPUTY CHAIR

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

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

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

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

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

The Teesside Pension Board’s full terms of reference is attached at Appendix A for reference.

4.2 Following the local elections in May the previous Board Chair was not re-elected and so had to stand down from the Board. Under Board’s Terms of Reference, the current Deputy Chair is due to become Chair two years after their appointment as Deputy Chair – this would be on 21 February 2024. It is reasonable to bring this rotation forward to now, to avoid having a newly appointed scheme employer representative become Chair for a period of only five months. The current Deputy Chair has agreed to this proposal but consent from the Board is required as well.

4.3. Once the role of Chair is confirmed, the role of Deputy Chair can be filled (from the scheme employer representatives). Under the Board’s Terms of Reference a “Deputy Chair will be appointed from the appropriate representatives (i.e. employer or scheme member depending on the rotation) by the new Chair of the Pension Board. The Deputy Chair will then take over as Chair after a period of two years”

4.4 The following table sets out the current Board membership showing their expected terms of office. Under the Board’s Terms of Reference there is scope for the period of membership to be extended by up to two years and it is also possible for Board members to be appointed to serve additional terms:

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

28. A Board member may be appointed for further terms of office...”

Teesside Pension Board Member	Scheme Member or Scheme Employer Representative?	Date of first meeting after appointment	End of four-year term
Paul Thompson	Scheme Member	19 July 2021	19 July 2025
Jeff Bell	Scheme Member	21 February 2022	21 February 2026
June Stubbs	Scheme Member	14 November 2022	14 November 2026
Cllr Nicky Wallker	Scheme Employer	11 September 2023	11 September 2027
Cllr Christopher Massey	Scheme Employer	11 September 2023	11 September 2027
Cllr Martin Dunbar	Scheme Employer	11 September 2023	11 September 2027

5 NEXT STEPS

5.1 The Chair’s term of office is for two years. Once appointed, the Deputy Chair will become Chair once the current Chair’s two-year term of office is complete.

CONTACT OFFICER: Nick Orton – Head of Pensions Governance and Investments
 TEL NO.: 01642 729040

TEESSIDE PENSION BOARD OF MIDDLESBROUGH COUNCIL TERMS OF REFERENCE

Introduction

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

Interpretation

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

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

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

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

Authority of the Teesside Pension Fund.

Statement of purpose

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

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

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

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

Duties of the Board

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

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

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

Establishment

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

Membership

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

(a) Three Employer Representatives; and

(b) Three Scheme Member Representatives.

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

Employer representatives

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

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

15. Substitutes shall not be appointed.

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

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

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

Scheme member representatives

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

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

19. Substitutes shall not be appointed.

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

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

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

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

Appointments

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

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

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

- (a) The role of Chair will be rotated every two years with the Deputy Chair. Each of the posts will be held by one employer representative and one scheme member representative.
- (b) The existing Deputy Chair will become the Chair at the point of rotation.
- (c) A new Deputy Chair will be appointed from the appropriate representatives (i.e. employer or scheme member depending on the rotation) by the new Chair of the Pension Board. The Deputy Chair will then take over as Chair after a period of two years.

Duties of chair

24. The Chair of the Board shall:

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

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

Notification of appointments

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

Terms of Office

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

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

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

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

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

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

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

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

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

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

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

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

Conflicts of interest

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

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

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

Knowledge and understanding (including Training)

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

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

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

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

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

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

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

Meetings

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

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

Quorum

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

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

Decision making and voting

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

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

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

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

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

Board administration and recommendations to the Pension Committee

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

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

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

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

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

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

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

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

Public access to Board meetings and information

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

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

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

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

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

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

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

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

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

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

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

(d) As part of the Governance Policy.

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

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

Expenses and allowances

61.

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

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

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

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

Budget

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

Core functions

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

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

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

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

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

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

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

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

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

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

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

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

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

Administering Authority Consents

68. The Teesside Pension Board shall not:

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

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

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

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

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

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

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

Reporting

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

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

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

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

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

TEESSIDE PENSION BOARD

A meeting of the Teesside Pension Board was held on Monday 17 April 2023.

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

ALSO IN ATTENDANCE: G Hall, XPS

OFFICERS: S Lightwing, N Orton and W Brown

APOLOGIES FOR ABSENCE: None received.

22/36 **WELCOME AND EVACUATION PROCEDURE**

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

22/37 **DECLARATIONS OF INTEREST**

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

22/38 **MINUTES - TEESSIDE PENSION BOARD - 20 FEBRUARY 2023**

The minutes of the meeting of the Teesside Pension Board held on 20 February 2023 were taken as read and approved as a correct record.

22/39 **TEESSIDE PENSION FUND COMMITTEE - 15 MARCH 2023**

The Head of Pensions Governance and Investments provided a verbal update on agenda items considered at a meeting of the Teesside Pension Fund Committee held on 15 March 2023.

The latest Investment Activity Report detailed that the cash position at the end of December 2023 had reduced to 8%. Cash was gradually being spent on illiquid investments including private equity and infrastructure, which typically took around 4 years to invest in. The Fund had also purchased two new properties at a combined cost of £53 million. The equity weighting of the portfolio was 60%, against a target of 55%, which was much closer than it had been previously.

With regard to investments generally, a Member had queried the Fund's investments in tobacco. The Fund did not have any rules regarding not investing in tobacco. It was a legal product and an asset class that the Fund could invest in. The Head of Pensions Governance and Investments had agreed to ascertain what exposure the Fund had to tobacco companies and how it had changed over the years.

Reports from the external managers: Border to Coast and State Street were presented. In relation to the three equity funds managed by Border to Coast, two funds were on track and had been performing well and delivering 1% above the benchmark. However the Emerging Markets Fund was below target and below the benchmark. Several reasons were provided for this including investments in Russia and China. The State Street funds were passive and had tracked an index as expected.

Two Internal Audit reports had been presented and both had provided substantial assurance.

The Funds' Advisors had provided their views on the investment markets and suggested that the Fund should think about investing in Bonds as well as equities and protection assets.

Equities could be sold in a controlled way if the Fund needed additional cash.

The usual property update was provided by CBRE and Border to Coast also gave a presentation in relation to the Pool which was launched 5 years ago.

Border to Coast were in the process of setting up a project team to develop information and discuss ways to meet future challenges.

AGREED that the information provided was received and noted.

22/40

PENSION FUND BUSINESS PLAN

A report of the Interim Section 151 Officer was presented to provide Members with the Pension Fund Business Plan 2023/26. Members were requested to note the Business Plan including the 2023/24 Pension Fund Budget.

The 2023/24 forecast income and expenditure was set out in the Business Plan and summarised at paragraph 3.1 of the submitted report.

In order to comply with the recommendations of the Myners Review of Institutional Investment it was agreed that an annual Business Plan should be presented to the Pension Fund Committee for approval. The Business Plan should contain financial estimates for the Fund, including the budgeted costs for investment and management expenses.

The Teesside Pension Fund Business Plan was designed to set out how the Pension Fund Committee operated, what powers were delegated and to provide information on key issues. The Business Plan sat alongside the Fund's other governance documents, which set out the delegated powers and responsibilities of officers charged with the investment management function.

A copy of the Business Plan for 2023/26 which was approved by the 15 March 2023 Pension Fund Committee was attached at Appendix 1 to the submitted report. The Business Plan included:

- The purpose of the Fund, including the Teesside Pension Fund Service Promise (see Appendix A);
- The current governance arrangements for the Fund;
- The performance targets for the Fund for 2023/24, and a summary of the performance for 2022/23 (latest available) (see Appendix B);
- The arrangements in place for managing risk and the most up to date risk register for the Fund (see Appendix C);
- Membership, investment and funding details for the Fund;
- An estimated outturn for 2022/23 and an estimate for income and expenditure for 2023/24 (see Appendix D and page 21 of Appendix 1); and
- An annual plan for key decisions and a forward work programme for 2023/26 and an outline work plan for 2023–2026.

Responding to a query, the Head of Pensions Governance and Investment clarified that the Fund relied on the Actuary in relation to risk management of inflation. The expectation was that the current inflation level of around 10% would fall back in the longer term. If this did not happen, the Actuary would consider the position at the next actuarial valuation and whether Employers' contributions need to be increased.

AGREED that the Business Plan including the 2023/24 Pension Fund Budget was received and noted.

22/41

TEESSIDE PENSION BOARD ANNUAL REPORT 2022/2023

The Head of Pensions Governance and Investment presented the Board's Annual Report 2022/2023.

The Report provided a summary of work undertaken by the Board throughout the year.

Board Members were invited to suggest topics for the Work Plan for the next year.

AGREED that the Annual Report 2022/2023 was received and noted.

22/42

UPDATE ON WORK PLAN ITEMS

A report of the Interim Section 151 Officer was presented to provide information on items scheduled in the work plan for consideration at the meeting.

Under the Local Government Pension Scheme (LGPS) Regulations 2013, Administering Authorities were required to prepare, maintain and publish: “a written statement setting out its policy concerning communications with:

- (a) members;
- (b) representatives of members;
- (c) prospective members; and
- (d) Scheme employers.”

The statement should set out the Administering Authority’s policy on:

“(a) the provision of information and publicity about the Scheme to members, representatives of members and Scheme employers;

(b) the format, frequency and method of distributing such information or publicity;

And

(c) the promotion of the Scheme to prospective members and their employers.”

The statement should be revised and published following a “material change” in the policy.

The Pension Fund’s communications policy was published on the Pension Fund website and a copy was enclosed at Appendix B to the submitted report. The policy was last updated and approved by the Pension Fund Committee in December 2021 and was due to be reviewed every three years.

The Communication Policy listed different communication methods for different stakeholders and the details were provided at paragraph 7.1 of the submitted report.

Examples of the following sample scheme member and employer communications were included in Appendix C to the submitted report:

- Annual Benefit Statement for an active member.
- Annual Benefit Statement for a deferred member.
- Retirement options letter.
- Employer Bulletin (on revised contribution bands).
- Expression of Wish Form.
- Pension Commencement Letter.
- Pensions Savings Statement (issued to active members who have exceeded or are likely to exceed the HMRC annual allowance for pensions saving).

AGREED that the information provided was received and noted.

22/43

31 MARCH 2022 FINAL ACTUARIAL VALUATION REPORT

A copy of the final valuation report had been published at the end of March 2023 and was presented to the Board for information.

The valuation set the employer contribution rates for scheme employers for the three year period starting 1 April 2023.

The valuation outcome at a whole Fund level had been positive, with the funding level improving slightly from around 115% to around 116%, largely because of investment returns significantly above the level forecast at the last valuation. Although the value of the Fund had increased by around £1 billion or 25% in the three years since the last valuation, an increase to the expected future inflation rate and a reduction in expected future investment returns had

meant the value of liabilities and the future cost of providing scheme benefits had also increased significantly.

The main tax-raising employers in the Fund would see an increase in their employer contribution rate for the three years up to the next valuation. At the end of the three years their employer rates would have increased by 1.5% of pensionable pay. It was highlighted that these employers would still be paying some of the lowest employer contribution rates in the LGPS nationally, partly as a consequence of the Fund's ongoing funding surplus. As at the last valuation, prudence was being applied by the Fund by reducing expectations of the level of future investment returns.

The valuation report had been published on the Fund website, with a link circulated to all employers and other relevant parties including Committee and Teesside Pension Board Members.

AGREED that the report was received and noted.

22/44

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 following issues were highlighted:

The Lifetime Allowance had been capped and XPS were updating their systems to accommodate this change.

The CARE Evaluation had now been pushed back in the tax year to 6 April. This was so that annual allowances would not be applied to the benefit increase for 2023.

Membership movement was similar to the last quarter.

It was confirmed that the next At Ease newsletter would be published in June.

AGREED that the information provided was received and noted.

22/45

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

None.

TEESSIDE PENSION FUND COMMITTEE

A meeting of the Teesside Pension Fund Committee was held on Wednesday 15 March 2023.

PRESENT: Councillors D Coupe, (Chair), J Beall, (Stockton On Tees Council) A Bell, R Creevy, (Hartlepool Council), T Furness, S Hill, J Hobson, E Polano (Vice-Chair), J Rostron (Vice Chair)
Ms J Flaws, Mr B Foulger and Mr T Watson

ALSO IN ATTENDANCE: W Bourne (Independent Adviser)
D Green (Hymans Robertson)
A Owen (CBRE)
M Kerr (Border to Coast)
P Mudd (XPS)
M Rutter (EY)

VIRTUAL ATTENDANCE: P Moon (Independent Adviser)

OFFICERS: S Lightwing, N Orton, W Brown and P Mudd

APOLOGIES FOR ABSENCE: were submitted on behalf of Councillors D McCabe, G Nightingale (Redcar and Cleveland Council) and G Wilson

22/53 WELCOME, INTRODUCTIONS AND EVACUATION PROCEDURE

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

22/54 DECLARATIONS OF INTEREST

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

22/55 MINUTES - TEESSIDE PENSION FUND COMMITTEE - 14 DECEMBER 2022

The minutes of the meeting of the Teesside Pension Fund Committee held on 14 December 2022 were taken as read and approved as a correct record.

22/56 INVESTMENT ACTIVITY REPORT

A report of the Director of Finance was presented to inform Members of the 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.

At the June 2018 Committee it was agreed that a maximum level of 20% of the Fund would be held in cash. The cash level at the end of December 2022 was 8.37%.

Investment in direct property would continue on an opportunistic basis where the property had good covenant, yield and lease terms. The Fund had purchased two properties in the quarter at a total cost of £53 million.

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. £89 million was invested in the quarter.

Appendix A to the submitted report detailed transactions for the period 1 October 2022 to 31 December 2022. There were net purchases of £144 million in the period, compared to net sales of £162 million in the previous reporting period.

As at 31 December 2022, the Fund had £414 million invested with approved counterparties. This was a decrease of £189 million over the last quarter. Appendix B to the submitted report showed the maturity profile of cash invested as well as the average rate of interest obtained on the investments for each time period.

The total value of all investments as at 31 December 2022, including cash, was £4,953 million, compared with the last reported valuation as at 31 March 2022, of £4,812 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 31 December 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.

It had been agreed by the Pension Fund Advisers and Fund Officers that there would be no changes to the Strategic Asset Allocation following the Actuarial Valuation. However it was acknowledged that work would continue to ensure the Fund's assets were more closely aligned to the strategic asset allocation. It was also acknowledged that there might be times in the short to medium term where the strategic allocation to a particular asset class was above the long term target. In any such case it should remain within the maximum level set out in the table at paragraph 8.2 of the submitted report.

At the end of 31 December 2022 the Fund's equity weighting was 60.2% compared to 58.3% at the end of September 2022. There were no plans to purchase or sell equities at this time. A summary of equity returns for the quarter 1 October 2022 to 31 December 2022 was shown at paragraph 8.4 of the submitted report.

To date the Fund had agreed three Local Investments. The Committee considered two further local investment proposals at its October 2022 and December 2022 meetings, and agreed that due diligence should be carried out in relation to those proposals.

As at 28 February 2023 total commitments to private equity, infrastructure, other alternatives and other debt were approaching £1,675 million and a breakdown of that figure was included at paragraph 8.8 of the submitted report.

A Member requested information in relation to the Fund's exposure to tobacco companies in BCP and State Street.

ORDERED as follows:

1. That the report was received and noted.
2. Information detailing to the Fund's exposure to tobacco companies in Border to Coast and State Street would be provided.

22/57

EXTERNAL MANAGERS' REPORTS

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

As at 31 December 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 28% of this commitment invested so far. In addition, a commitment to invest £80 million over a three year period to the Border to Coast Climate Opportunities Fund had been made. 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 11 of the meeting.

The Border to Coast report showed the market value of the portfolio as at 31 December 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 2.06% above benchmark over the last year, nearly meeting its 1% overachievement target. The Overseas Developed Markets Equity Fund had achieved returns of 2.02% 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 and year to 31 December 2022 below target and below benchmark.

State Street had a passive global equity portfolio invested across four different region tracking indices appropriate to each region. The State Street report (attached at Appendix B to the submitted report) showed the market value of the State Street passive equity portfolio and the proportions invested in each region as at 31 December 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.

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

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. Amongst other information, the report 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.

22/58

DRAFT ACTUARIAL VALUATION REPORT AS AT 31 MARCH 2022

A report of the Director of Finance was presented to provide Members with a copy of the draft actuarial valuation report as at 31 March 2022. The draft actuarial valuation report was provided at Appendix A to the submitted report. The final valuation report would be published at the end of March 2023 and would set the employer contribution rates for scheme employers for the three year period starting 1 April 2023. The Actuary was present at the meeting and provided additional commentary.

Almost all scheme employers had already been provided details of how the valuation outcome would affect them, including details of their expected future employer contribution rate for the three year period from 1 April 2023. At the time of writing the report a small number of employer results were still being finalised - this might affect entries in the Rates and Adjustments certificate included within the report and the whole fund rate disclosed throughout the report. The actuary had confirmed they did not expect any changes to be significant or to

materially impact the draft report as presented.

The valuation outcome at a whole Fund level had been positive, with the funding level improving slightly from around 115% to around 116%, largely because of investment returns significantly above the level forecast at the last valuation. Although the value of the Fund had increased by around £1 billion or 25% in the three years since the last valuation, an increase to the expected future inflation rate and a reduction in expected future investment returns had meant the value of liabilities and the future cost of providing scheme benefits had also increased significantly.

The main tax-raising employers in the Fund would see an increase in their employer contribution rate for the three years up to the next valuation. At the end of the three years their employer rates would have increased by 1.5% of pensionable pay. It was highlighted that these employers would still be paying some of the lowest employer contribution rates in the LGPS nationally, partly as a consequence of the Fund's ongoing funding surplus. As at the last valuation, prudence was being applied by the Fund by reducing expectations of the level of future investment returns.

The actuary would continue to work to complete the remaining individual employer outcomes and they would be issued as they were finalised. The final valuation report would be completed by 31 March 2023 and published on the Fund website, with a link circulated to all employers and other relevant parties including Committee and Teesside Pension Board Members.

ORDERED that the report was received and noted.

22/59

REVISED FUNDING STRATEGY STATEMENT

A report was presented, the purpose of which was to ask Members to approve a revised Funding Strategy Statement (FSS), a copy of which was attached at Appendix A to the submitted report.

The Fund actuary presented a report to the Committee at its meeting on 21 October 2022, setting out proposals to consult with the Pension Fund Employers on changes to the Funding Strategy Statement.

The revised FSS was in a more accessible format and took into account the changing regulations and environment the Fund worked in and also reflected the updated approach to funding working with the new Fund actuary (Hymans Robertson).

The most significant changes to the FSS included:

- **Review of funding assumptions and approach**
The actuary had 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 revised approach and assumptions were incorporated into the updated FSS.
- **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 had stress-tested the results under additional climate scenarios. The updated FSS included this ongoing work.
- **Risk-based exit valuation approach**
The Fund had reviewed the approach to cessation valuations that were carried out when an employer left the Fund. The previous approach was closely tied to gilt yields on a particular day, an approach which introduced much volatility into cessation valuations over time. The revised approach was instead 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.

Concern was raised in relation to employees who were transferred via TUPE regulations where the new employer might subsequently decide to leave the Fund. It was clarified that

employees who transferred to an admission body would have all the protections and that protection would follow them. The changes to the FSS would streamline some of those issues so that there would be less incentive for Employers to leave the Fund and no gain in the future.

All Fund employers were sent a copy of the revised draft FSS as part of the consultation process. A small number of employers responded, with one providing a detailed response. After careful consideration, it was felt no changes were required to the draft FSS following the consultation.

Once approved, the revised FSS would be published on the Fund's website.

ORDERED as follows that the:

1. Report was received and noted.
2. Revised Funding Strategy Statement was approved.

22/60

PENSION FUND BUSINESS PLAN 2023-26

The Head of Pensions Governance and Investment presented the annual Business Plan for the Fund.

The 2023/2024 forecast income and expenditure was set out in the Business Plan and summarised at paragraph 3.1 of the report.

A copy of the Business Plan for 2023/25 was attached at Appendix 1 to the submitted report and included:

- The purpose of the Fund, including the Teesside Pension Fund Service Promise (see Appendix A);
- The current governance arrangements for the Fund;
- The performance targets for the Fund for 2023/24, and a summary of the performance for 2022/23 (latest available) (see Appendix B);
- The arrangements in place for managing risk and the most up to date risk register for the Fund (see Appendix C);
- Membership, investment and funding details for the Fund;
- An estimated outturn for 2022/23 and an estimate for income and expenditure for 2023/24 (see Appendix D and page 21 of Appendix 1); and
- An annual plan for key decisions and a forward work programme for 2023/26 and an outline work plan for 2023 – 2026.

A Member requested a comparison between the previous management costs for the Fund and the costs since pooling. The Head of Pensions Governance and investment commented that it would be difficult to produce a comparison as the asset classes and style of investing had changed with pooling.

ORDERED as follows that the:

1. Report was received and noted.
2. Business Plan including the 2023/24 Pension Fund budget was approved.
3. A comparison of previous and present Fund management costs would be provided.

22/61

INTERNAL AUDIT REPORTS

A report of the Director of Finance was presented to provide Members with the outcome of two recent internal audit reports.

Middlesbrough Council's Internal Auditor, Veritau, carried out two planned audits of the Pension Fund's activities during the 2022/23 financial year, one covering investments and one covering administration. The reports and recommendations in respect of both audits were attached at appendices A and B to the submitted report.

Both audits had an overall audit opinion of "Substantial Assurance" and concluded that a sound system of governance, risk management and control existed, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

ORDERED that the internal audit reports were received and noted.

22/62

BORDER TO COAST PRESENTATION

The Committee received a presentation from the Customer Relationship Manager from Border to Coast which in relation to the following:

- Strategic Plan.
- Investments Summary.
- Equity Fund Performance.
- Alternatives Update.

It was five years since the launch of Border to Coast and the core building blocks that partner funds needed to implement their investment strategies were in place. One of the key focus alongside building investment solutions was ensuring resilience by having the appropriate financial approach, employees and improving processes, technology and data. Economic conditions were difficult for organisations, there was greater regulation and an ever changing political landscape.

Details of BCP's key launches over the next three years were included on slide 6 of the presentation and other capabilities such as currency hedging were also being explored.

A new Stewardship Manager had been employed and a dedicated Climate Change Manager would also be joining BCP. The organisation continued to look for new talent.

A details overview of performance was provided and it was noted that whilst it was still too early to evaluate the success of private market strategies, three years in, every £1 invested now had a value of £1.38. Expectations to this point had been exceeded.

In relation to the recent collapse of the Silicon Valley Bank it was confirmed that BCP had no direct exposure.

ORDERED that the information provided was received and noted.

22/63

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.

William Bourne stated that inflation was slowly coming down due to central banks raising rates and stopping quantitative tightening. Japan, China and the UK had been pushing money into the system. However in the US Bond market the yield curve was inverted, which was a good indicator there was going to be a recession. It was less likely that interest rates would be raised as much as previously thought, due to the social aspects of a potential recession.

With regard to Bonds, they were now yielding about a 4% positive return and the Fund needed to consider this investment opportunity going forward.

Peter Moon commented on the Silicon Valley Bank collapse adding that despite the rapid action of the authorities there was still some concern for financial sectors.

Whilst the Fund's investment policy was potentially too growth orientated it was a struggle to find safe protection assets that will provide the required returns. The Fund should stay with its current policy in terms of weightings and cash and use equities to finance any excess demands on cash over time.

ORDERED that the information provided was received and noted.

22/64

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.

Following valuation falls in Quarter 4 last year, the real estate market looked more positive. There were relatively low levels of activity in January 2023 and investors were attracted to lower pricing. Currently there were stable yields in industrial, stronger in retail, and stable in supermarkets. A more positive outlook was founded on the prime end of markets although there was activity in all sectors. Offices, high street shops and offices were all trending weaker compared with end of last year.

£3.2 billion had been invested in commercial property in January which was 64% down on the five year average. Although more investors were feeling more confident about investing in industrial and retail warehouse sectors, there was a perception that it had bottomed out. With realistic pricing and less competition, UK institutions were also looking more favourably on UK real estate and increased activity was anticipated in Quarter 2. It was likely that 2023 would be a year of two halves in terms of transactions. Increased competition for the lowest risk assets would see lower yield compression in the coming months.

There had been no sales during the period but the Fund had completed the purchase of two new assets in Quarter 4 of 2022.

The total Collectable Arrears on the entire portfolio was £256,995 as at 23 February 2023. This had now reduced to £206,000. One of the tenants in arrears was due to sign a new lease next week and their arrears would be cleared at the same time.

The Fund's Real Estate Loan Portfolio currently had two committed loans total £35 million. All existing loans were performing in line with the loan agreements. All were covenant compliant and all interest and amortisation payments had been made on time.

ORDERED that the report was received and noted.

22/65

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.

The following issues were highlighted:

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

On 20 February 2023, H M Treasury (HMT) published a written ministerial statement confirming the rates of annual revaluation, earnings and pensions increase (PI) due to apply in April 2023 on 10.1%.

On 10 February 2023, the Department for Levelling Up, Housing and Communities (D LUHC) published a consultation and draft regulations on changing the annual revaluation date in the

LGPS. If laid, the regulations would take effect from 31 March 2023. The proposed change in the revaluation date sought to bring in line the inflationary increases between the opening value of pension benefits and the annual CARE revaluation to remove the imbalance. Previously due to low inflation levels this imbalance has been low however due to this years unprecedented September CPI of 10.1% and imbalance of 7% this would see many more pension scheme members breach the Annual Allowance under current regulations. The outcome of the consultation was awaited.

There had been a reset on the dates for the Pensions Dashboard although this had not yet been confirmed. XPS had improving data quality for readiness and would continue as though the timescales had not moved. In readiness for the pensions dashboard, there was a minimum requirement pension schemes must be able to demonstrate against as required and defined by the Pensions Regulator. This standard was available to XPS through a product used by the central team and were currently undertaking a data mapping exercise in order to be able to carry out the necessary tests. Once this work had been completed, XPS would be able to report a data score in accordance with the Pensions Regulator standards.

With regard to Membership movement there had been increases in the numbers of Actives, Deferred and Pensioner members. There was a positive increase in cash flow from the Actives but more pensions in payment.

On the Completed Cases Overview, an error was highlighted in the column showing Cases Completed Outside Target. There were 3 cases and the Therefore the November monthly percentage was 98.4% and the average over the quarter was 99.6 %.

ORDERED that the report and information provided was received and noted.

22/66 **ANY OTHER URGENT ITEMS WHICH IN THE OPINION OF THE CHAIR, CAN BE CONSIDERED**

The Chair thanked Members, Officers and Advisors for their contributions to the Committee during the last four years.

22/67 **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.

22/68 **BORDER TO COAST STRATEGY UPDATE**

The Committee received a Strategy Update from Border to Coast.

ORDERED that the report was received and noted.

22/69 **LOCAL INVESTMENT UPDATE**

The Committee received an update on due diligence that had been completed regarding a local investment.

ORDERED that the proposed local investment was not progressed.

TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 8

TEESSIDE PENSION BOARD REPORT

11 SEPTEMBER 2023

INTERIM DIRECTOR OF FINANCE – DEBBIE MIDDLETON

Pooling Consultation

1. PURPOSE OF THE REPORT

1.1 The purpose of the report is to:

- Advise the Members of the Teesside Pension Board (the Board) of an ongoing government consultation: “Local Government Pension Scheme (England and Wales): Next steps on investments” which sets out a proposed direction of travel in relation to investment pooling on the Local Government Pension Scheme (LGPS).
- Explain the process being followed in relation to the Pension Fund and Border to Coast Pensions Partnership (‘Border to Coast’) responding to the consultation.
- Outline the main points the Pension Fund is likely to make in response to the consultation.

2. RECOMMENDATION

2.1 That the Board notes the content of the consultation document and this report and provides any comments in relation to the Pension Fund’s response to the consultation.

3. FINANCIAL IMPLICATIONS

3.1 There are no financial implications resulting from this report.

4. BACKGROUND

4.1 In 2015 the Government published criteria and guidance on the pooling of LGPS assets. This guidance set out four criteria:

- A. Asset pool(s) that achieve the benefits of scale (pools of at least £25 billion)

- B. Strong governance and decision making (for example: appropriate resources, governance structures, reporting, collective policies on how environmental, social and governance issues are taken into account when investing)
 - C. Reduced costs and excellent value for money (reporting on fees, transition costs and savings, appropriate justification for using active management)
 - D. An improved capacity to invest in infrastructure
- 4.2 Once this guidance was published, LGPS administering authorities went through a process which eventually resulted in eight asset pools being set up across England and Wales (Scotland was not covered by the pooling guidance). None of these pools are identical in structure or approach and the level of asset pooling that has actually taken place has varied between pools and between the constituent Pension Funds within those pools.
- 4.3. As the Board will be aware, the Pension Fund was one of twelve (now eleven following a fund merger) founder members of the Border to Coast Pensions Partnership ('Border to Coast'). Border to Coast is acknowledged as one of the most successful of the eight pools, both in terms of the amount of assets that have been pooled and the strong positive relationships that exist between the pool members and with the pool company. Border to Coast and its Partner Funds has also largely delivered the original pooling objectives the government set out in 2015.
- 4.4 The government has issued a new consultation on next steps for LGPS investments in England and Wales which looks to build and accelerate progress towards greater LGPS pooling. The objective is to achieve pools in the £50-75 billion and possible £100 billion range and to do this by initially encouraging / requiring all LGPS funds to complete the pooling process with their current pool and then reducing the number of pools from eight to an unspecified lower number. The full text of the consultation document is enclosed at Appendix A, the consultation can also be found at the following link: [LGPS \(England and Wales\): Next steps on investments](#)
- 4.5 Other aspects, as well as accelerating the pace and scale of pooling are also covered in the consultation which addresses the following five areas:
- "First, the government sets out proposals to accelerate and expand pooling, with administering authorities confirming how they are investing their funds and why. While pooling has delivered substantial benefits so far, we believe that the pace of transition should accelerate to deliver further benefits which include improved net returns, more effective governance, increased savings and access to more asset classes. We propose a deadline for asset transition by March 2025, noting we will consider action if progress is not seen, including making use of existing powers to direct funds. Going forward, we want to see a transition towards fewer pools to maximise benefits of scale.
 - Second, the government proposes to require funds to have a plan to invest up to 5% of assets to support levelling up in the UK, as announced in

the [Levelling Up White Paper \(LUWP\)](#). This consultation sets out in more detail how the Government proposes to implement this requirement and seeks views on its plans.

- Third, the government is proposing an ambition to increase investment into high growth companies via unlisted equity, including venture capital and growth equity. The government believes there are real opportunities in this area for institutional investors with a long-term outlook, such as the LGPS.
- Fourth, the government is seeking views about proposed amendments to the LGPS's regulations to implement requirements on pension funds that use investment consultants. These amendments are needed to implement the requirements of an order made by the Competition and Markets Authority (CMA) in respect of the LGPS.
- Finally, the government is proposing to make a technical change to the definition of investments within LGPS regulations.”

5. CONSULTATION RESPONSE

- 5.1 Border to Coast, together with its Partner Funds, has been working to develop a joint response to the consultation. The is still being drafted at the time of writing this report. Alongside this joint response, which it is expected all Partner Funds will be able to sign up to, each Partner Fund will also be submitting a response to government. These individual responses may emphasise particular aspects or cover areas of special concern to each Fund but are not expected to contradict the general collective approach being developed by all the pool participants. A response from our Fund is being drafted and will be presented to the Pension Fund Committee on 27 September for comments and approval.
- 5.2 Much of what the Government is proposing is in line with the approach to pooling that has already been adopted by Border to Coast and its Partner Funds. For example, on the requirement to pool all listed assets by 31 March 2025, the Fund has to a large degree already achieved this – all the Fund's actively managed equities are invested by Border to Coast (over £2.5 billion as at 30 June 2023) with only the Fund's passive equities managed elsewhere (by State Street Global Advisors – around £0.6 billion as at 30 June 2023).
- 5.3 The following table sets out the questions from the consultation together with some summary comments on collective response that is likely to be given from Border to Coast and its Partner Funds:

Question 1: Do you consider that there are alternative approaches, opportunities or barriers within LGPS administering authorities' or investment pools' structures that should be considered to support the delivery of excellent value for money and outstanding net performance?
--

Support the broad thrust of the consultation. No fundamental barriers. Key issue to delivering this is good governance, along with a common vision and culture within the Pool and between Partner Funds

<p>Question 2: Do you agree with the proposal to set a deadline in guidance requiring administering authorities to transition listed assets to their LGPS pool by March 2025?</p>
<p>Support the principle of transferring, or having a clear path to transition, assets to pools. Seek clarity on definitions – particularly on passive investments – these are currently being delivered outside the Pool but at low fee rates negotiated through pooling. Hard to see what savings could be achieved through transferring ownership of these assets. Should still be acceptable to retain up to 5% of assets outside pool if it meets other policy intent (e.g. local investment).</p>
<p>Question 3: Should government revise guidance so as to set out fully how funds and pools should interact, and promote a model of pooling which includes the characteristics described above?</p>
<p>Although Border to Coast and its Partner Funds support the pooling model outlined in the consultation, being overly prescriptive about approaches all Funds must take could stifle innovation.</p>
<p>Question 4: Should guidance include a requirement for administering authorities to have a training policy for pensions committee members and to report against the policy?</p>
<p>Yes, although this should be dealt with through the Government adopting and implementing the recommendations of the LGPS Scheme Advisory Board’s Good Governance Report.</p>
<p>Question 5: Do you agree with the proposals regarding reporting? Should there be an additional requirement for funds to report net returns for each asset class against a consistent benchmark, and if so how should this requirement operate?</p>
<p>We support clear, consistent proportionate reporting. However, applying the same benchmark against all Funds is problematic – different Funds will have varying funding levels, liability mixes and risk appetites – all of which will influence the returns they are targeting. Applying a single benchmark could be unhelpful unless these nuances are considered.</p>
<p>Question 6: Do you agree with the proposals for the Scheme Annual Report?</p>
<p>We support clear and consistent reporting. Highlight concern on cost of additional reporting requirements – any reporting should be focused on simplicity (to aid understanding and support oversight).</p>
<p>Question 7: Do you agree with the proposed definition of levelling up investments?</p>
<p>Agree with proposed definition. Request 5% of assets can be invested outside pool to support local investments.</p>
<p>Question 8: Do you agree that funds should be able to invest through their own pool in another pool’s investment vehicle?</p>
<p>Support in principle but raise several challenges to doing this – some strategies are capacity-constrained (for example Border to Coast’s initial Climate Opportunities offering was oversubscribed) so it would not always be possible to accommodate ‘external’ investors. Also, Border to Coast’s propositions are developed by the Partner Funds so may not always suit other investors. There would also be governance and risk issues associated with taking on investors who would be clients but not owners/shareholders like the Partner Funds.</p>
<p>Question 9: Do you agree with the proposed requirements for the levelling up plan to be published by funds?</p>

Support in principle but would highlight the issues that arise when pension fund assets are used to deliver ‘additional’ benefits not just the best risk-adjusted returns. LGPS assets are invested to deliver appropriate risk adjusted returns and should not be used to implement any Central Government policy objective – no matter how laudable it may be.
Question 10: Do you agree with the proposed reporting requirements on levelling up investments?
Agree with the proposal but note the additional burden imposed by further reporting requirements.
Question 11: Do you agree that funds should have an ambition to invest 10% of their funds into private equity as part of a diversified but ambitious investment portfolio? Are there barriers to investment in growth equity and venture capital for the LGPS which could be removed?
Agree that LGPS Funds should have an appropriately diverse investment approach and this can include private markets investment. The reference to private equity and in particular the emphasis on growth equity / venture capital in the consultation document seems unnecessarily narrow. Private markets investments in general can often include assets that provide the right risk return mix for LGPS Funds and over a timescale that suits long-term investors. It should be noted that private markets investments are typically significantly more expensive (in terms of manager fees), much less liquid and significantly more opaque than listed investments.
Question 12: Do you agree that LGPS should be supported to collaborate with the British Business Bank and to capitalise on the Bank’s expertise?
Agree that there are several potential partners that could assist LGPS Funds and Pools, including the British Business Bank and the UK Infrastructure Bank Note the principle of pooling was to remove costs and highlight the risk of using the British Business Bank introducing a new layer of fees.
Question 13: Do you agree with the proposed implementation of the Order through amendments to the 2016 Regulations and guidance?
Yes – this would aid a consistent approach
Question 14: Do you have any comments on the proposed amendment to the definition of investments?
Agree with the proposed amendment (which is technical and uncontroversial)
Question 15: Do you consider that there are any particular groups with protected characteristics who would either benefit or be disadvantaged by any of the proposals? If so please provide relevant data or evidence.
No

5.4 Areas the Fund is likely to emphasise in its own response to the consultation include the following:

- Re-iterating resistance to the Government’s continuing attempts to direct Funds as to how to allocate their assets. The 2015 consultation started with a drive to use LGPS Funds to pay for UK infrastructure projects, the latest iteration looks to leverage LGPS assets to help pay for the Government’s ‘levelling-up’ agenda.
- Caution around the drive to invest in private assets – although private market performance has been very good over recent years, past performance is no

guarantee of future outcomes, and with an era of 'cheap money' seemingly coming to an end there is a risk Funds could be directed inappropriately into illiquid investments that may not deliver expected outcomes.

- The consultation blithely suggests the 'deadline' for the transfer of non-listed assets into Funds could easily be 31 March 2025 as well. In fact, there are significant barriers associated with transferring these assets. One in particular the Government could alleviate, this would be to allow the transfer of property assets from a Fund to a Pool without incurring stamp duty.

6 NEXT STEPS

- 6.1 The consultation period ends on 2 October 2023. The expectation is that the Government may either announce the outcome of the consultation or give a strong steer as to its likely announcement in the Autumn Statement (expected to be in November). The Board will be kept up to date with future developments on the guidance and/or regulations relating to LGPS investment pooling.

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Open consultation

Local Government Pension Scheme (England and Wales): Next steps on investments

Published 11 July 2023

Applies to England and Wales

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Topic of this consultation:

This consultation seeks views on proposals relating to the investments of the Local Government Pension Scheme (LGPS). It covers the areas of asset pooling, levelling up, opportunities in private equity, investment consultancy services and the definition of investments.

Scope of this consultation:

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

Geographical scope:

This consultation applies to England and Wales.

Impact assessment:

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

Basic Information

Body/bodies responsible for the consultation:

Department for Levelling Up, Housing and Communities (DLUHC)

Duration:

This consultation will last for 12 weeks from 11 July 2023 to 2 October 2023.

Enquiries:

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

How to respond:

Please respond by completing an [online survey](#).

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

Alternatively, please send postal responses to:

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

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

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

Chapter 1: Introduction

1. The Local Government Pension Scheme England and Wales (LGPS) is one of the world's largest funded pension schemes and a key player in global markets, investing around £364 billion (excluding Environment Agency funds) worldwide. Its scale enables it to have a significant impact through its investments and gives it the potential to lead the market in innovation and transparency. While long term stable returns in order to pay pensions for its members are the primary purpose of the investments, the government believes that there is scope to deliver substantial benefits to the UK as a whole at the same time. Good management of the LGPS is

important for the financial stability of local councils, and ultimately is in the interests of local taxpayers.

2. The government also recognises that pension funds are under substantial pressure on a number of fronts. There is growing scrutiny of institutional investors on environmental issues and in the light of geo-political risks such as Russia's aggressive and illegal invasion of Ukraine. In addition, recent volatility in gilt and bond markets has underlined the need for the highest standards in managing financial risk. The LGPS as a public sector scheme is rightly subject to particularly high expectations and must keep pace with the best in managing these demands.

3. This consultation seeks views on proposals in 5 areas:

- First, the government sets out proposals to accelerate and expand pooling, with administering authorities confirming how they are investing their funds and why. While pooling has delivered substantial benefits so far, we believe that the pace of transition should accelerate to deliver further benefits which include improved net returns, more effective governance, increased savings and access to more asset classes. We propose a deadline for asset transition by March 2025, noting we will consider action if progress is not seen, including making use of existing powers to direct funds. Going forward, we want to see a transition towards fewer pools to maximise benefits of scale.
- Second, the government proposes to require funds to have a plan to invest up to 5% of assets to support levelling up in the UK, as announced in the [Levelling Up White Paper \(LUWP\)](#). This consultation sets out in more detail how the Government proposes to implement this requirement and seeks views on its plans.
- Third, the government is proposing an ambition to increase investment into high growth companies via unlisted equity, including venture capital and growth equity. The government believes there are real opportunities in this area for institutional investors with a long-term outlook, such as the LGPS.
- Fourth, the government is seeking views about proposed amendments to the LGPS's regulations to implement requirements on pension funds that use investment consultants. These amendments are needed to implement the requirements of an order made by the Competition and Markets Authority (CMA) in respect of the LGPS.
- Finally, the government is proposing to make a technical change to the definition of investments within LGPS regulations.

4. The following chapters set out the government's proposals in more detail and provide the rationale for its proposals. Chapter 2 addresses the proposals regarding LGPS pooling, Chapter 3 outlines the plans for implementing the LUWP commitment, and Chapter 4 sets out a proposal to encourage the LGPS to contribute growth equity to the development of the UK. Chapter 5 explains the government's proposals in relation to the use of external investment consultants by LGPS funds and Chapter 6 sets out its proposal to update the definition of investments. Finally, Chapter 7 sets out our initial assessment of potential equalities impacts and invites views.

5. To assist those wishing to respond to the consultation, Annex A lists the proposals and Annex B lists the consultation questions.

Chapter 2: Asset pooling in the LGPS

6. The reform of investment management in the Local Government Pension Scheme (LGPS) for England and Wales began in 2015 with the publication of criteria and guidance on pooling of LGPS assets, following extensive consultation with the sector. The aims were to deliver the benefits of scale, improved governance and decision making, reduced costs and excellent value for money, and capacity and capability to invest in infrastructure to help drive growth. LGPS administering authorities responded by coming together in groups of their own choosing to form 8 asset pools.

7. Those 8 pools are now operational, in most cases for over 4 years. Their scale makes them significant players at European and global level. Set up and running costs of around £400 million to 2022 have been fully covered by savings. Net savings of over £380 million have already been delivered, with annual savings of £180 million, and total net savings are forecast to be over £1 billion by 2025 (based on data provided by pools and administering authorities). Significant expertise and capacity have been developed in private markets and infrastructure investment, giving funds access to the higher returns in these markets. In particular, UK and global infrastructure investment has grown from below £1 billion to around £27 billion (based on data collected by the pools).

8. While pooling has delivered substantial benefits so far, progress has varied across the scheme. Accelerating consolidation of assets in the LGPS is crucial for ensuring the scheme is delivering value for money in the interests of scheme members, employers and local taxpayers. Stronger pools can also ensure the LGPS punches its weight on responsible investment, management of climate risks, investment in levelling up, and investment in unlisted equities in support of UK growth. To meet these challenging ambitions, the LGPS pools and their partner funds will need to strengthen their existing partnerships and work together to deliver outstanding net performance, risk management and transparency. This will enable the LGPS to provide long term finance for pensions for millions of low paid workers, and deliver for the UK through investment in the UK, while retaining local control and accountability. Government proposals, set out below, cover increased scale, governance and decision making, as well as transparency and accountability.

Delivering increased scale

Background

9. Across the scheme as at March 2022 £145 billion or 39% of assets have been transferred to the pools with the percentage varying by pool from under 30% (LGPS Central) to over 80% (LPP). A further £114 billion, or 31%, is under pool management and £34bn or 9% is covered by plans to transition into the pools. We make a distinction throughout this document between pooled assets and assets which are under pool management. Pooled assets are owned by the pool in their

capacity as asset manager while assets under pool management are assets where the pool has some management or oversight arrangement without ownership.

10. The current scale of the individual pools (based on AUM pooled and assets under pool management) is in the range £16 billion to £60 billion. This covers a variety of arrangements including passively managed assets held by external managers under insurance contracts, and the pool's oversight and monitoring of these may be limited. However, excluding assets under pool management, the pools range in size from £2 billion to £30 billion. The pools therefore remain significantly below the scale which they could achieve with all assets transferred from their partner funds, rather than remaining under pool management.

11. A further substantial increase in effective scale is a key priority to enable delivery of the benefits of pooling. Increased scale would allow the pools to deliver further savings and efficiencies, including through negotiating lower fees from external investment managers and service providers, and developing internal capacity for investment management. Increased scale would also enable the pools to invest in larger projects which would help the LGPS to take advantage of attractive opportunities in alternative assets.

12. The government therefore wishes to see the existing pools build scale as quickly as possible by accelerating the pace of transition of liquid assets from the funds into the pools, building on and expanding on successes so far. The approach to date has been to encourage funds through guidance to transition their assets into the pools, and substantial progress has been made over the last 4 to 7 years. However, progress is not consistent across the scheme and some pools have secured a much higher proportion of assets of their partner funds than others. We consider that the time is right for action to accelerate the delivery of savings and other benefits of pooling, and our proposals are set out in paragraphs 17 to 21.

Driving greater scale through fewer pools

13. In due course all assets including less liquid assets should be fully transferred to the pools. We recognise that this may need to take place over a longer period to minimise the costs including the costs of breaking existing arrangements. This would include passively managed insurance contracts which may be under some form of pool management. There may be some exceptions such as some types of local property investments. Once this was complete, 5 of the 8 pools would be around £50 billion or higher at current values and the remaining 3 pools would occupy the £25 billion - £40 billion range.

14. Completing the transition of assets would be a major step forward. However, we do not believe that this alone will deliver the full benefits of pooling in the long term. Our view is that the benefits of scale are present in the £50-75 billion range and may improve as far as £100 billion. As such, we should in future look towards a smaller number of pools in the region of or in excess of £50 billion in directly invested assets through merger. The benefits of scale were a key finding of [2021 research](#) (PDF, 5.7 MB) based on interviews with large international comparators. Respondents confirmed that scale had improved bargaining power with asset managers, enabled

access to a wider set of opportunities such as private markets, and had allowed them to build internal capacity.

15. As well as making better use of expertise in managing external managers, there is potential to grow in-house investment management within the pools to reduce or replace the use of external private sector investment managers. This should offer substantial reductions in cost. A small number of larger funds have existing in house capacity and expertise in some areas of investment, and we would like to see this expertise fully shared within their pools. In due course there should be scope for all pools to access in house capacity and expertise in specific areas of investment within other pools.

16. In the short to medium term, we believe there are benefits which could be secured through joint working without incurring the costs of merger. Some joint vehicles such as the London Fund (London CIV and LPP) and GLIL (LPP and Northern) already exist. We would like to see the pools move towards greater collaboration where this makes sense, and to consider specialisation, building on existing strengths in particular areas of investment, in order to deliver further benefits of scale and limit unnecessary duplication. Areas where specialisation or collaboration may be particularly attractive include infrastructure and other alternative investments including private equity, private debt and venture capital, as well as investments in levelling up projects and social investments.

Question 1: Do you consider that there are alternative approaches, opportunities or barriers within LGPS administering authorities' or investment pools' structures that should be considered to support the delivery of excellent value for money and outstanding net performance?

A timetable for transition

17. Current statutory guidance relating to regulations on the management and investment of LGPS assets currently requires each fund to set out the proportion of its assets which it intends to pool in its Investment Strategy Statement (ISS). Funds are also required to provide in their ISS a summary of the assets which they do not intend to pool, with a rationale including value for money, and to review this at least every 3 years, including consideration of continuing value for money. This should be greatly assisted by the development of the [LGPS Code of Transparency](#) by the Scheme Advisory Board. This has enabled funds to access transparent cost data from 150 asset managers as of November 2022. However, current guidance sets no timetable for change and provides funds with limited assistance in considering rationale and value for money.

18. The government now seeks views on the setting a deadline for funds to transition all listed assets, as a minimum, to their pool within a reasonable timeframe. We consider a reasonable timeframe for liquid assets to be by 31 March 2025, which is the end of the current local fund valuation period. Transition of all assets should be considered in this timeframe, especially as pooling of illiquid investments may offer the greatest opportunities for reducing savings combined with higher returns.

19. If this is taken forward, funds would need to work with their pool to ensure that they have fully considered all the opportunities available through the pool for their assets. A detailed rationale for each asset remaining outside the pool including value for money considerations would need to be provided in the ISS in line with existing guidance if the asset is not intended to be pooled by 2025.

20. The government seeks views on setting out the transition timetable in statutory guidance on ISS, and requiring funds to review and revise their ISS in line with this expectation. Where funds have concluded that the asset should not be transitioned, the government will expect a rationale to explain why this is the case. We also propose to provide fuller guidance on the existing requirements for ISS in relation to pooling, including guidance on rationale, value for money and review for assets which it is not intended to pool.

21. For further proposals on annual reporting of progress against the plan set out in the ISS see paragraph 41.

Question 2: Do you agree with the proposal to set a deadline in guidance requiring administering authorities to transition listed assets to their LGPS pool by March 2025?

Governance and decision making

Background

22. Administering authorities are responsible for setting the investment strategy of their funds, having taken proper advice. This includes setting the asset allocation to achieve a diversified portfolio of investments which overall is suitable to meet liabilities, as well as describing the approach to pooling and responsible investment, in line with statutory guidance.

23. Once the investment strategy has been chosen, the [expectation set](#) when the funds were invited to form pools in 2016 was that as a minimum, the selection of external fund managers and the implementation of the investment strategy would take place at the pool level, in order to streamline decision making, reduce the number of external managers and deliver reduced fees.

24. In practice, funds have adopted a range of approaches. A small number of funds have transferred most of their assets to the pool and delegated strategy decisions below a very broad asset allocation as well as all implementation decisions to their pool, including for assets remaining outside the pool. Some funds have delegated manager selection and other implementation decisions to the pool for their pooled assets only, as well as agreeing broad mandates for some pool vehicles. The pool partnerships which have a higher degree of delegation, closer alignment of strategy and larger proportion of assets pooled have the conditions in place to deliver significantly higher savings compared to pools less advanced in their pooling journey.

25. Some funds have transferred some assets to the pool but only where the pool provides their preferred external manager or mix of assets within a pool vehicle. In

these circumstances pools may respond by creating different products for each partner fund or for small groups of funds, leading to a high number of pool sub-funds or vehicles, which limits the savings which can be achieved.

26. A very small number of funds have joined a pool but pooled no or very few assets. They may have benefited from a wider reduction in fees in the market, in part driven by pooling, but have chosen not to take up the other potential opportunities to date.

27. More effective and consistent governance and decision making is therefore the second key priority for the future of LGPS pooling. [Research](#) (PDF, 5.7 MB) suggests that asset pools internationally are more effective with modern governance structures which enable delegation with accountability and allow decisions to be taken quickly on behalf of partner funds. This will include in particular effective delegation of strategy implementation to the pools by administering authorities.

28. It is the government's view that the experience of the last 4 years has demonstrated that funds participating in a strong partnership with their pool and with other partner funds, in which they delegate effectively to their pool and align their strategies where possible, are likely to see the most gains, as these approaches allow the pool to deliver the benefits of scale. Others have moved more slowly but in order to maximise the benefits the full participation of all is essential. We want to see all funds moving in this direction in order to deliver the benefits of pooling for all.

Improving governance

29. Setting the investment strategy and asset allocation is a central responsibility for administering authorities, which gives them the most significant degree of influence on returns. It is generally accepted that the strategy accounts for most of the difference in net returns between portfolios, with implementation decisions such as manager selection having a relatively small impact. We do not propose any change to the responsibility of funds for setting investment strategies.

30. We therefore propose revised guidance on pooling to confirm and strengthen the existing guidance on delegation of manager selection and strategy implementation. It would also provide revised guidance on governance, including member representation, transition of assets and new investments outside the pool. We also propose to include guidance on investments in levelling up. This is discussed in Chapter 3.

31. Government recognises that each model has its own benefits. In order to move forward more quickly with the benefits of pooling, we regard the following aspects as being key to progress.

- Pools should operate as a single entity which acts on behalf of and in the sole interests of the partner funds. For this reason, we do not see inter-pool competition as a desirable progression. This does not preclude the potential for inter-pool collaboration, which is encouraged by government.
- Pools should be actively advising funds regarding investment decisions, including investment strategies.

- Pools should be equipped to implement an investment strategy as instructed by their partner fund. An investment strategy should be interpreted to mean a broad instruction regarding asset classes and level of risk. It should not include an excessive number of classes, or choice of specific assets.
- Pools should expect funds to invest via their existing sub-funds where possible. This avoids an unfavourable scenario whereby an excessive number of similar sub-funds undermine the purposes and benefits of pooling.
- Pool governance structures should be equipped to take quick decisions as opportunities present themselves, within the delegated remit of the fund.

Question 3: Should government revise guidance so as to set out fully how funds and pools should interact, and promote a model of pooling which includes the characteristics described above?

32. Pensions expertise is an important criterion for decision making, and there are some factors which may make it harder to acquire that expertise under current structures. Firstly, pensions committees generally have high levels of turnover. Second, members of such committees are not required to complete training and may have no specific expertise in pensions. The outcome of these factors is that expertise may be lower than an equivalent panel of trustees for a private sector scheme, with higher reliance on advisors. Some targeted requirements, specifically on training, would help administering authorities to manage these issues.

33. We propose that each administering authority sets a training policy for committee members. We propose that the administering authority should report regularly on the training undertaken by committee members and whether this is in line with their training policy.

Question 4: Should guidance include a requirement for administering authorities to have a training policy for pensions committee members and to report against the policy?

Transparency and accountability

Background

34. Current reporting relevant to the assets of the LGPS comprises the following:

- **Official statistics** - The annual LGPS statistics collected on the SF3 form by the Department and published in September contain only the overall asset value for the scheme and each fund, with no data on asset classes or other information.
- **Annual reports.** Annual reports are required by [CIPFA guidance](#) to include the value and percentage of pooled and non-pooled assets, the costs and performance of pooled and non-pooled assets, the progress of transition during the reporting year and the plans for transition of non-pooled assets. Annual reports are required to be published by 1 December for the preceding financial year. Funds are also required by guidance on ISS to report annually to the SAB on the progress of asset transition to the pool

against [implementation plans](#) (PDF, 150 KB). Pool annual reports provide some additional information but vary considerably in level of detail.

- **Scheme Advisory Board (SAB) annual report.** The SAB produces a report which summarises data from published fund annual reports on governance, funding, membership, financial position, investments and stewardship. It does not currently include data on the progress of asset transition or other data or commentary on pooling. With respect to investments, the Scheme Annual Report reports the proportion of the scheme which is invested in pooled investment vehicles, public markets, bonds, direct property, derivatives, cash and other asset classes. This is based on data in the Net Asset Statement in the annual accounts of administering authorities. Authorities do not report their asset breakdown in a consistent way, and a degree of judgement is exercised by the SAB in interpreting their reports. The commentary on investment performance is based on data provided by PIRC which covers around two thirds of funds. The Annual Report is published in the spring following the end of the financial year to which it relates.

35. In addition, the government [recently consulted](#) on new requirements for funds to report on climate-related risks to their assets. We will publish the government's response in due course.

36. The current reporting regime provides a substantial quantity of data but does not provide transparency on progress of pooling by fund, by pool or across the scheme. It also does not provide an overall view of asset allocation across the scheme.

37. It is the long-standing view of government, whatever the subject, that transparency should be welcomed. The government seeks views on increasing transparency of asset allocation, pooling, return and savings.

Annual Reports and LGPS statistics

38. We therefore propose to require a single standard set of data on investments across annual reports and LGPS statistics. This would consist of:

- data on the broad asset classes into which LGPS investments fall in a consistent way, for example equities, bonds, private equity, private debt, property. We would work with the SAB to define the asset classes to be chosen and seek the agreement of the Central-Local Information Partnership (Finance) in the normal way for the necessary changes to the data collected from funds for LGPS official statistics. In designing this table, we will take account of requirements for defined contribution schemes and the reporting requirements which apply to private defined benefit schemes via the [scheme return](#) (an annual return required by The Pensions Regulator).
- for each asset class, data on the assets which are pooled, under pool management and not pooled and that the definitions are clarified. This will include the allocation to infrastructure and levelling up.
- net savings achieved as a result of investing via the pool.

39. We also propose to define the categories as set out in paragraph 9. Pooled assets would mean that the assets are directly owned and managed by the pool.

Assets under pool management would cover assets which are managed or overseen but not owned by the pool. Neither category would include any assets which are held by collective investment vehicles other than those managed by the 8 LGPS pools.

40. We propose that the requirements to report on asset allocation and pooling data would be set out in revised guidance on pooling and in revised guidance on annual reports which is under consideration by the SAB.

41. We also propose to introduce a requirement to include commentary in the annual report on the progress of asset transfer against implementation plans and the approach to pooling set out in the ISS, in order to ensure funds are transparent and accountable on the progress of asset transition.

42. We also view it as desirable that each fund report the returns achieved by assets invested in each asset class against an appropriate benchmark, in a way that is consistent across funds, and easily comparable between pooled and non-pooled assets. We welcome views on how such a regime may work in practice.

43. We believe that these measures would ensure that data and commentary on the progress of pooling and on asset allocation is available earlier, is consistent across the scheme and between LGPS statistics and annual reports. We recognise there may be increased costs arising from a change to the asset classes reported, but these can be met from the fund, and costs should be reduced by having a single standard set of data. We consider some additional costs can be justified to ensure better public accountability.

Question 5: Do you agree with the proposals regarding reporting? Should there be an additional requirement for funds to report net returns for each asset class against a consistent benchmark, and if so how should this requirement operate?

Scheme Annual Report

44. The SAB produces a Scheme Annual Report which aggregates information from fund annual reports. The purpose of the Annual Report is to provide a single source of information for members, employers and other stakeholders. Continual improvement of this report is a key priority of the SAB and is supported by the government. We intend the proposals in this consultation to assist the SAB in this goal.

45. We believe that the single standard set of data discussed above will make it easier to provide a clear overview of the scheme's asset allocation and of the progress of pooling. We have agreed with the SAB that they will incorporate this change into the Scheme Annual Report in future years by including a table which divides assets by category (equity, bonds, property etc) as well as by pooled status (pooled, not-pooled or under pool management).

Question 6: Do you agree with the proposals for the Scheme Annual Report?

Directions by the Secretary of State

46. Under Regulation 8 the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 ([the “2016 regulations”](#)) the Secretary of State has power, after consultation, to make directions to a fund where that fund is in breach of statutory guidance. Directions can cover the fund’s investment strategy statement, its assets, the running of the fund’s investment function, or any other instruction in relation to its investment function.

47. No such directions have been issued by the Secretary of State under Regulation 8.

48. Government will expect administering authorities to act in accordance with statutory guidance once issued. Where funds do not comply with guidance, government will consider whether a direction is appropriate. Examples of activities which could result in this include: withdrawing pool membership, failing to transition assets in line with the timetable or failing to provide adequate justification for non-pooled assets.

49. The Secretary of State also has power under section 3(2)(a) and Schedule 3 of the Public Service Pensions Act 2013 to make regulations on the administration, management and winding-up of LGPS pension funds, subject to consultation and the consent of HM Treasury.

Summary of proposals

50. The proposals are:

- To revise ISS guidance to include requirements to transfer listed assets to the pool by 31 March 2025, and to set out in the ISS:
 - assets which are pooled, under pool management and not pooled, and
 - to provide a rationale, value for money and date for review for assets which are under pool management or not pooled
- To revise pooling guidance so as to set out fully how funds and pools should interact, and promote a model of pooling which includes the characteristics described above including on delegation of manager selection, strategy implementation, advice, governance, transition of assets, new investments outside the pool and reporting.
- To implement a requirement in guidance for administering authorities to have a training policy for pensions committee members and to report against the policy
- To revise guidance on annual reports to require greater clarity on progress of pooling including a summary asset allocation (including investment in infrastructure and levelling up), a comparison between actual and strategic asset allocation and a report of the net savings from pooling. We also seek views on whether there should be an additional requirement for funds to report net returns for each asset class against a consistent benchmark, and if so how this requirement should operate.
- For the Scheme Advisory Board to expand their Scheme Annual Report to provide a report on the progress on pooling and on asset allocation across the LGPS.

- To make changes to LGPS official statistics to provide greater transparency on asset allocation and the proportion of assets which have been pooled.

51. Should this be taken forward, we intend to monitor progress over the current valuation period (to 31 March 2025), based on fund annual reports, LGPS statistics, the Scheme Annual Report and other evidence. This monitoring will include progress on transition, governance and reporting and how effective these are in delivering improvements in efficiency, cost and performance.

52. Whilst reserving our ultimate position, the government's strong preference is to see progress continue on a voluntary basis within a strengthened framework. This will maintain local management and accountability in the LGPS, while delivering significant savings and better risk management, and avoiding waste and duplication. But we will consider action to ensure progress if necessary, including making use of existing powers to direct funds.

Chapter 3: LGPS investments and levelling up

Background

53. In the [Levelling Up White Paper \(LUWP\)](#) the government set out its mission to tackle the uneven distribution of opportunity in the United Kingdom (UK). The aim is to level up the UK by spreading opportunity more equally across the country and bring left behind communities up to the level of more prosperous areas. To do so will mean that the whole country succeeds by growing the economy and realising the potential of places and people across the UK.

54. One of the key ambitions in the levelling up programme is to boost productivity, grow the economy, and raise living standards across the UK. One way in which this mission can be achieved is by ensuring that some of the funds managed by institutional investors flow into projects that help deliver levelling up while also offering attractive returns.

55. The Local Government Pension Scheme (LGPS) with assets of £364 billion, projected to increase to £500 billion by 2030, is a major institutional investor. The government wishes to encourage the LGPS to continue to meet its core fiduciary duty of funding pensions for members while also supporting levelling up by investing in infrastructure, housing, regeneration, and small and medium enterprise (SME) finance across the whole UK, not only in the local area of an authority. Overall, £27 billion of LGPS funds had already been invested in infrastructure in the UK and overseas by March 2022.

56. The government has set an ambition in the LUWP for LGPS funds to invest up to 5% of their assets under management (AUM) in projects which support local areas. To implement this ambition, the Government is asking LGPS funds to work with LGPS asset pools to publish plans for increasing their local investment.

Defining investment in levelling up

57. In developing their plans, LGPS funds will need to consider what types of investments will contribute to levelling up. This section therefore sets out a proposed approach to assessing whether an investment supports levelling up, drawing on the LUWP and its discussion of different forms of capital and levelling up missions. The definition is intended to help LGPS funds and pools in considering how they could invest a share of their AUM in a way that promotes growth, supports levelling up, and meets their fiduciary duty to ensure members' pensions.

58. The ambition of the levelling up agenda is to reduce geographical disparities. While some areas of the UK already benefit from all the conditions for growth, the government is keen to improve productivity, boost economic growth, encourage innovation, create good jobs, and enhance educational attainment in those parts of the UK that have so far had an unequal share of the country's economic success. In pursuing this ambition, the government believes that a boost to productivity, pay, jobs, and living standards can be achieved through targeted interventions that extend opportunities more equally across the UK.

59. Current causes of the UK's spatial disparities include changes in the global economy and their uneven impact on the country's regions, but the key drivers lie in the 6 forms of capital identified in the LUWP (human, intangible, financial, physical, social and institutional). While each capital is important in its own right, it is their interaction that creates a virtuous cycle that encourages economic growth and the associated societal benefits.

60. To address the imbalances in how the 6 capitals are distributed across the UK, the government has identified 12 medium-term levelling up missions (living standards, research and development, transport, digital connectivity, education, skills, health, well-being, pride in place, housing, crime and local leadership). Institutional investors such as pension funds can contribute to the levelling up missions while also benefitting from such investments. Global investors, including pension funds from Canada and Australia, are already active investors in such projects, but UK institutional investors are under-represented.

61. The government believes that the LGPS should secure the benefits of such investment and can play a key role in building a pipeline of investable UK opportunities without costly deal by deal auctions. With assets of around £364 billion the LGPS has large investable assets, investment expertise in the pools, and local networks. It is well placed to identify investment opportunities and ensure these meet the risk/return profiles demanded by LGPS funds.

62. To help LGPS funds make their plans, the government proposes that an investment would meet the levelling up requirement if

- it makes a measurable contribution to one of the levelling up missions set out in the LUWP; and
- it supports any local area within the United Kingdom.

63. We consider the following existing LGPS investments as examples of investments which would fall within the proposed definition:

- Nottinghamshire Pension Fund [invested £1.5 million](#) in Nottinghamshire Community Energy in 2016 to help construct and manage a solar farm to produce clean energy. The profits help support projects in Nottinghamshire to address climate change mitigation, wildlife conservation, and reducing fuel poverty while delivering a good return on investment.
- Durham County Council Pension fund has [committed £18 million](#) to enable the launch of a new private equity investment fund that supports SMEs across the North East. The fund's purpose is to support economic growth and create high-quality local jobs in the region, while targeting an appropriate rate of return for its investors.
- Greater Manchester Pension Fund [has a £50 million](#) Invest 4 Growth portfolio which makes investments that provide a commercial return and have beneficial economic, social, or environmental impacts. The fund also uses its £401 million Impact Portfolio to invest regionally in supported living accommodation, renewable energy, and loans to SMEs.
- South Yorkshire Pension [invests around £80 million](#) in local development projects and aims to generate commercial return whilst delivering a positive local impact.

64. Funds should ensure that any levelling up investment plan they produce is consistent with their existing overall investment strategy statement and funding strategy statement. We intend to develop guidance working with the Scheme Advisory Board on levelling up investments which meet the requirement announced in the Levelling Up White Paper.

Question 7: Do you agree with the proposed definition of levelling up investments?

Fiduciary duty and investing in levelling up

65. This new requirement would not alter the established fiduciary duty of LGPS funds to make investment decisions in order to pay pensions. Investments that support levelling up may form part of a well-diversified portfolio with a range of risk/return characteristics. As current investment activity across the LGPS underscores, such investments may create attractive risk adjusted returns for pension funds and help deliver economic growth and societal benefits.

66. Under existing environment, social, and governance (ESG) criteria, set out in [Guidance on Preparing and Maintaining an Investment Strategy Statement](#), funds may also take non-financial considerations into account when making investments, provided that they have good reasons to think the scheme members share the concern for social impact, and there is no risk of significant financial detriment to the fund.

Enabling investment to support levelling up

67. Under these proposals, administering authorities would be expected to evaluate possible levelling up investments and assess their suitability for their fund's investment strategy. There is scope for projects of different scales, risk/return profiles, and geographical concentrations to be considered.

68. Private markets are a principal way through which investments that support levelling up can be made. These markets are particularly important in infrastructure, clean energy and regeneration investing and they are therefore likely to play a role in delivering funds' levelling up investments. This route to investment, however, presents challenges, especially for smaller LGPS funds. The minimum investment may be quite high, and at higher cost than public market investments. Specialist expertise is needed to assess risk and return profiles and source and negotiate opportunities.

69. The LGPS asset pools can offer a route to investing in levelling up through private markets. They can put together an investment of sufficient size with the participation of their partner funds. Those which are wholly owned companies can also provide investment at lower cost as they are established on a not for profit basis and have developed the expertise and capacity to invest in private markets through intermediaries and in some cases are able to invest directly or to co-invest, which reduces costs.

70. There may also be concerns about local investments. Perceived or potential conflicts of interests may arise between the fund and the administering authority in its wider role as the local authority, if funds invest in inappropriately high-risk projects in the area in which they are located. The LGPS asset pools can assist by ensuring that decisions to invest in a local area can be taken at pool level to avoid any perceived or potential conflict of interest and take advantage of the pool's expertise.

71. Some LGPS asset pools have already created investment vehicles to enable funds to invest in levelling up projects more easily:

- GLIL was established in 2015 by the Greater Manchester Pension Fund and the London Pensions Fund Authority with £500 million in capital commitments. It was expanded in 2016 with the admission of 3 further LGPS funds. GLIL invests in core infrastructure assets predominantly in the UK and focuses on investment opportunities that are backed by physical assets, offer a reliable cash flow, and are isolated from business cycles. It currently has £3.6 billion of committed capital and has deployed £2.1 billion across 13 assets that include offshore windfarms, electric train fleets, and solar farms.
- The London Fund is a collaboration between the Local Pensions Partnership Investments (LPPI) and the London Collective Investment Vehicle (LCIV). The Fund's aim is to invest in the capital, with a focus on developing housing and infrastructure. In making investment decisions, the London Fund is seeking positive contributions to social and environmental issues too. For the fund's partners the London Fund also represents an opportunity to access a greater range of investment opportunities than if they acted alone.
- Brunel Pension Partnership has designed and implemented a portfolio for one of its partner funds, Cornwall Pension Fund, to facilitate local investment in affordable housing and renewable energy in Cornwall. Cornwall Pension Fund made an initial investment of £115 million despite being one of the smaller LGPS funds.

72. The government wishes to see specialist expertise in local investments within pools and their private sector partners continue to evolve, to ensure that funds and

the UK as a whole can benefit from investment in levelling up. The scale of the LGPS and a new requirement for the LGPS to set a plan to invest in levelling up should provide an important spur to this development.

73. The government looks to the pools to develop further such solutions in collaboration with their partner funds. This approach will maximise the opportunities to capitalise on administering authorities' local knowledge and asset pools' scale and private market access. Pools may choose to leverage their local networks to work with local partners to develop opportunities and avoid the deal by deal auctions which can add cost to infrastructure investment. In due course they may also develop the capacity and knowledge to invest in smaller scale local projects which may be too small for private sector intermediaries, and help tackle the capital gap for smaller projects.

74. However, some pools do not currently have internal asset management capacity, or the range of investment vehicles required to meet the needs of their partner funds. To increase the range of options available to funds to deliver investment in levelling up, it may be helpful for funds to invest through their own pool in investment vehicles provided by other pools. The government therefore proposes to set out in guidance that LGPS funds may invest through their pool in another pool's investment vehicle.

Question 8: Do you agree that funds should be able to invest through their own pool in another pool's investment vehicle?

Implementing the requirement to publish plans for increasing local investment

75. The government proposes to amend regulations to require funds to publish a plan on how they will invest up to 5% of their assets under management (AUM) in projects that support levelling up across the UK. The plan may form part of the investment strategy statement. It should take account of the fund's investment and funding strategy statements and be reviewed at least every 3 years in line with the local valuation cycle.

76. It is proposed that the plan should include:

- The fund's current level of investment in levelling up investments
- A plan to increase levelling up investments to deliver an allocation of up to 5% of AUM including the timeline to delivery
- The fund's approach to working with their pool to reach their chosen allocation.

77. Many funds will already have some investments which contribute to levelling up, and in some cases this may exceed 5%. Some funds may wish to increase their investment above 5%. It will be for funds to decide the appropriate level of investment and types of investment.

Question 9: Do you agree with the proposed requirements for the levelling up plan to be published by funds?

78. The government also proposes to require funds to report annually on their progress against their plan in their annual report. This requirement is proposed to provide transparency and accountability on the progress and investments made by funds. The section of the annual report on levelling up would be expected to include:

- The percentage of AUM invested in levelling up projects compared to the fund's plan for that year, the percentage in the previous year, and the ambition set by the fund
- The amount and type of levelling up investments that have been made through the fund's LGPS pool, and outside the pool.
- A narrative account explaining the changes in AUM allocated and the progress against the fund's plan, and the rationale for investing through the pool or outside the pool.

79. The government intends to include guidance on the new requirement and on reporting progress in revised guidance on investment strategy statements and on pooling.

Question 10: Do you agree with the proposed reporting requirements on levelling up investments?

Divestment

80. Many administering authorities are under pressure to divest assets from certain countries or geographical regions, even though the UK government has no sanctions in place against those countries or regions. The government strongly believes that local authority pension funds do not, and should not, have their own foreign policies. The government intends to implement the manifesto commitment to prevent public bodies pursuing boycotts, divestments and sanctions campaigns (BDS) against foreign countries or territories, unless in line with the UK's official foreign policy, through the Foreign Affairs (Economic Activity of Public Bodies) Bill, introduced in June .

Chapter 4: Investment opportunities in private equity

Background

81. The government is launching a package of measures to reform the pensions landscape as part of the government's capital markets strategy, making more capital available to support UK companies and seeking to boost the retirement incomes of UK pension savers. These measures sit alongside legislative and regulatory changes that strengthen the UK's position as a destination for listings, and cement the UK's standing as a global trading hub, attracting world leading companies including tech firms to incorporate, list and grow here. This initiative seeks to support the high-growth, innovative technology companies that often struggle to obtain the scale-up capital they need to reach their potential. British Business Bank (BBB) research suggests that the UK's venture capital financing gap relative to the US is over £5 billion per annum, despite UK funds making similar returns to their US counterparts.

82. The LGPS is largely well funded and has a very long-term time horizon, unlike most private sector defined benefit funds, which are typically closed and much more mature. Investing a higher percentage of LGPS capital into high-growth companies via private equity (particularly venture capital and growth equity), could generate improved returns to pay pensions. This includes but is not limited to innovative UK companies operating in fintech, life sciences, biotech, and green technology sectors.

83. The Scheme Annual Report for 2021-22 indicates the LGPS has a strong investment allocation into private equity of 4.3%, recognising the exact figure will vary across funds and will cover late-stage private equity in addition to venture capital and growth equity. Private reports indicate this is the highest performing asset class across the LGPS.

Ambition of 10% investment allocation in private equity

84. The government wishes to see LGPS funds and pools doubling their current allocation into private equity, with a total ambition of 10% investment allocation, as part of a diversified but ambitious portfolio. This ambition will help drive business investment throughout the country, in a way that allows everyone in the UK to benefit from the growth of our economy, by boosting LGPS investment returns, incentivising companies to grow and list in the UK, and grasping productive opportunities of the future.

85. Each fund will be different and will need to make its own investment decisions based on potential risk and reward appetite. As with any other asset class, it is important for administering authorities to exercise judgement on their exposure to private equity, as with any other asset class, and any investment in these asset classes should be part of a diverse and balanced portfolio.

86. We propose that LGPS funds should complete this consideration of private equity opportunities, including growth equity and venture capital, as part of the regular review of their investment strategy statement, and that the new requirement would be set out in revised guidance on investment strategy statements.

87. As with investments in levelling up, we expect that funds will work with their pool in considering such investments to ensure that they make use of the scale, capacity and expertise of the pool and take advantage of the full range of opportunities in size and type. We welcome views on further opportunities for government to remove any barriers to investment in UK growth equity and venture capital by the LGPS.

Question 11: Do you agree that funds should have an ambition to invest 10% of their funds into private equity as part of a diversified but ambitious investment portfolio? Are there barriers to investment in growth equity and venture capital for the LGPS which could be removed?

British Business Bank

88. The British Business Bank (BBB) is a government-owned economic development bank that makes finance markets for smaller businesses work more effectively, allowing those businesses to prosper, grow and build UK economic activity.

89. One of the BBB's strategic objectives is to back UK innovation by improving the way that equity finance markets work to support the UK's most promising businesses. The BBB has a range of programmes to deliver this objective, including [British Patient Capital](#) (the BBB's commercial subsidiary with resources of £2.5 billion, which has delivered an internal rate of return of 32.9% since inception and Enterprise Capital Funds programme, which supports earlier stage businesses).

90. In delivering these programmes, the BBB has become the largest domestic investor in UK venture capital with deep expertise to support due diligence and the ability to invest at scale. This could be of benefit to the LGPS in finding attractive opportunities in this space. We support the LGPS, in particular the pools, to explore opportunities to collaborate and capitalise on the Bank's expertise and capabilities in venture capital and growth equity, and will bring forward any changes to secondary legislation which currently inhibit this.

Question 12: Do you agree that LGPS should be supported to collaborate with the British Business Bank and to capitalise on the Bank's expertise?

Chapter 5: Improving the provision of investment consultancy services to the LGPS

Background

91. In 2017 the Financial Conduct Authority (FCA) published its final [Asset Management Market Study Report](#) (PDF, 317 KB). At the same time, the FCA made a reference to the Competition and Markets Authority (CMA) for a market investigation into the supply and acquisition of investment consultancy services and fiduciary management services to and by institutional investors and employers in the UK.

92. The CMA focussed its investigation on pension funds as the core clients for investment consultancy and fiduciary management services, and published its [final report](#) (PDF, 3.1 MB) in December 2018. This found that for both investment consultancy and fiduciary management services there was a low level of engagement by trustees, a lack of clear and comparable information to assess value for money, and an incumbency advantage for investment consultants in steering clients to their own fiduciary management services.

93. Based on its findings, the CMA made [The Investment Consultancy and Fiduciary Management Market Investigation Order 2019 \(the Order\)](#) (PDF, 230 KB) in June 2019 to tackle the adverse effects on competition identified. The Order applies to all registrable pension schemes including the LGPS and came into force on 10 December 2019.

94. The Order was intended as an interim measure to make changes quickly while statutory authorities take steps to implement the remedies in the relevant legislation. DWP has implemented the Order's requirements for private pension scheme trustees through [The Occupational Pension Schemes \(Governance and Registration\) \(Amendment\) Regulations 2022](#).

95. However, LGPS administering authorities fall within the exemption in the Order at Article 3.6 that exempts any pension scheme trustees that are contracting authorities for the purposes of the Public Contracts Regulations 2015. These regulations cover local authorities including administering authorities, which means that administering authorities are exempt from the requirement of the Order to put fiduciary management services out to competitive tender.

96. Further, LGPS pool companies owned by LGPS funds are exempt from the Order under Article 1.7(b) which excludes in house or wholly owned investment consultancy providers and fiduciary management service providers. The exclusion under Article 1.7 of the Order applies to the Order as a whole (see para 15 of the Explanatory Note to the Order). This also puts LGPS pool companies outside the scope of the Order regarding any investment consultancy services they provide.

97. As a result, the only requirement in the Order which requires implementation in the LGPS is the requirement to set strategic objectives for investment consultancy they receive outside the LGPS pool companies. The Order prohibits funds from receiving any investment consultancy services unless they have set strategic objectives for their investment consultancy provider (Art 12). These strategic objectives should also closely relate to the fund's investment strategy and be reviewed at least every 3 years or whenever the investment strategy changes significantly. Further, there is an expectation of regular performance reporting by the investment consultancy provider that measures performance against these strategic objectives (see paragraph 91 of the Explanatory Note to the Order).

Implementing the CMA Order for the LGPS

98. As the responsible authority for the Local Government Pension Scheme, the Department for Levelling Up Housing and Communities (DLUHC) proposes to amend LGPS regulations and statutory guidance to implement the Order's requirements for the provision of investment consultancy services for the LGPS.

99. Setting strategic objectives for investment consultants is in line with wider ambitions to improve governance and transparency in the LGPS and should encourage administering authorities to better monitor performance and improve the quality and value for money of such services over time.

100. We therefore propose that:

- Where the administering authority uses investment consultancy services in relation to its Investment Strategy Statement or for other matters, it must set strategic objectives for the investment consultancy provider, unless the provider is exempt (such as the LGPS pools);
- Administering authorities must not enter investment consultancy services contracts or continue to receive such services from any provider unless the authority has set strategic objectives for that provider
- Administering authorities must review strategic objectives at least every 3 years or every time the ISS changes substantially

- Strategic objectives must have regard to guidance on setting objectives for providers of investment consultancy services issued by the Pension Regulator in November 2019.

101. Investment consultancy services would include services where the provider advises the administering authority in relation to one or more of the following:

- investments that may be made or retained by or on behalf of the administering authority
- any matters in respect of which the administering authority is required by law to seek advice in relation to the preparation or revision of the investment strategy statement
- strategic asset allocation
- manager selection

102. In line with the definition of investment consultancy services in Article 2.1 of the Order, advice would mean advice on the merits of the administering authority taking or not taking a specific course of action and includes any recommendation or guidance to that effect. It is not intended that the term would cover the high-level commentary provided by actuaries in or in respect of triennial valuation reports and with regard to the link between investment approach and the administering authority's funding objectives.

103. The government proposes to implement these requirements by amending [The Local Government Pension Scheme \(Management and Investment of Funds\) Regulations 2016 \(the 2016 Regulations\)](#) and [associated guidance](#).

Question 13: Do you agree with the proposed implementation of the Order through amendments to the 2016 Regulations and guidance?

Chapter 6: Updating the LGPS definition of investments

104. In making the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 ([S.I. 2016/946](#)) (the 2016 Regulations), the Government intended to ensure that the definition of investments which were or could be made by LGPS administering authorities included passive insurance contracts, private equity and derivatives.

105. After laying the 2016 Regulations, the Joint Committee on Statutory Instruments (JCSI) identified an issue relating to the drafting of regulation 3(1)(b) and regulation (4) of the 2016 Regulations. Regulation 3(1)(b) was intended to include contributions in an unquoted securities investment partnership within the definition of investment but reads as follows:

Reg 3(1)(b) a contribution to a limited partnership in an unquoted securities investment

106. Regulation 3(4) defines unquoted securities investment partnerships as a partnership for investing in securities which are normally not quoted on a recognised stock exchange when the partnership buys them.

107. The Department undertook to amend regulation 3(1)(b) of the 2016 Regulations to align it with regulation 3(4) at the earliest available opportunity. We therefore propose to add the word 'partnership' to regulation 3(1)b as follows:

Reg 3(1)(b) a contribution to a limited partnership in an unquoted securities investment partnership

108. The proposed amendment to regulation 3(1)b would ensure consistency with the language used in regulation 4, where unquoted securities investment partnerships are defined. The proposed amendment should also eliminate any ambiguity in regard to regulation 3(1)b.

Question 14: Do you agree with the proposed amendment to the definition of investments?

Chapter 7: Public sector equality duty

109. The Department's policies, guidance and procedures aim to ensure that the equalities impact of any decisions, new policies or policy changes upon groups with protected characteristics is properly considered, and that in formulating them the Department has had due regard to its obligations under the Public Sector Equality Duty at s.149(1) of the Equality Act 2010.

110. We have made an initial assessment and we believe our proposals on reforms to pooling, investment in levelling up, investment in venture capital, requirements on the use of investment consultants and changes to the definition of investment in chapters 2 to 6 do not affect any particular groups with protected characteristics adversely, as there will be no change to member contributions or benefits as a result. There may be an indirect benefit to protected groups who live in deprived areas which benefit from levelling up investments.

Question 15: Do you consider that there are any particular groups with protected characteristics who would either benefit or be disadvantaged by any of the proposals? If so please provide relevant data or evidence.

Annex A: List of consultation proposals

Pooling

To revise ISS guidance to include requirements to transfer listed assets to the pool by 31 March 2025, and to set out in the ISS:

- assets which are pooled, under pool management and not pooled, and
- to provide a rationale, value for money and date for review for assets which are under pool management or not pooled

To revise pooling guidance so as to set out fully how funds and pools should interact and promote a model of pooling which includes the characteristics described above including on delegation of manager selection, strategy implementation, advice, governance, transition of assets, new investments outside the pool and reporting.

To implement a requirement in guidance for administering authorities to have a training policy for pensions committee members and to report against the policy

To revise guidance on annual reports to require greater clarity on progress of pooling including a summary asset allocation (including investment in infrastructure and levelling up), a comparison between actual and strategic asset allocation, and a report of the net savings from pooling. We also seek views on whether there should be an additional requirement for funds to report net returns for each asset class against a consistent benchmark, and if so how this requirement should operate

For the Scheme Advisory Board to expand their Scheme Annual Report to provide a report on the progress on pooling and on asset allocation across the LGPS.

To make changes to LGPS official statistics to provide greater transparency on asset allocation and the proportion of assets which have been pooled.

Investment in levelling up

To amend regulations to require funds to set a plan to invest up to 5% of assets in levelling up the UK, and to report annually on progress against the plan.

Investment in private equity

To revise ISS guidance to require funds to consider such investments to meet the government's ambition of a 10% allocation to private equity in the LGPS.

Investment consultancy services

To amend regulations to set requirements funds with respect to investment consultants in line with the CMA order.

Definition of investment

To amend investment regulations to correct an inconsistency in the definition of investment.

Annex B List of consultation questions

Chapter 2: Asset pooling in the LGPS

Question 1: Do you consider that there are alternative approaches, opportunities or barriers within LGPS administering authorities' or investment pools' structures that should be considered to support the delivery of excellent value for money and outstanding net performance?

Question 2: Do you agree with the proposal to set a deadline in guidance requiring administering authorities to transition listed assets to their LGPS pool by March 2025?

Question 3: Should government revise guidance so as to set out fully how funds and pools should interact, and promote a model of pooling which includes the characteristics described above?

Question 4: Should guidance include a requirement for administering authorities to have a training policy for pensions committee members and to report against the policy?

Question 5: Do you agree with the proposals regarding reporting? Should there be an additional requirement for funds to report net returns for each asset class against a consistent benchmark, and if so how should this requirement operate?

Question 6: Do you agree with the proposals for the Scheme Annual Report?

Chapter 3: LGPS investments and levelling up

Question 7: Do you agree with the proposed definition of levelling up investments?

Question 8: Do you agree that funds should be able to invest through their own pool in another pool's investment vehicle?

Question 9: Do you agree with the proposed requirements for the levelling up plan to be published by funds?

Question 10: Do you agree with the proposed reporting requirements on levelling up investments?

Chapter 4: Investment opportunities in private equity

Question 11: Do you agree that funds should have an ambition to invest 10% of their funds into private equity as part of a diversified but ambitious investment portfolio? Are there barriers to investment in growth equity and venture capital for the LGPS which could be removed?

Question 12: Do you agree that LGPS should be supported to collaborate with the British Business Bank and to capitalise on the Bank's expertise?

Chapter 5: Improving the provision of investment consultancy services to the LGPS

Question 13: Do you agree with the proposed implementation of the Order through amendments to the 2016 Regulations and guidance?

Chapter 6: Updating the LGPS definition of investments

Question 14: Do you have any comments on the proposed amendment to the definition of investments?

Chapter 7: Public sector equality duty

Question 15: Do you consider that there are any particular groups with protected characteristics who would either benefit or be disadvantaged by any of the proposals? If so please provide relevant data or evidence.

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TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 9

TEESSIDE PENSION BOARD REPORT

11 SEPTEMBER 2023

INTERIM DIRECTOR OF FINANCE – DEBBIE MIDDLETON

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.
- 1.2 To ask the Board to consider what items should be added to the work plan for the meetings next year.

2. RECOMMENDATION

- 2.1 That Board Members note this report and consider what items should be added to the work plan for the meetings next year.

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.
- 4.2 Owing to the later preparation of the draft Pension Fund Annual Report and Accounts this year, the work plan item reviewing this document has been deferred to the November Board meeting, and the items due to be considered in November have been brought forward to this meeting. These changes are reflected in the plan in Appendix A.

5. ANNUAL REVIEW OF BOARD TRAINING

- 5.1 The Local Government Pension Scheme (LGPS) Regulations 2013 were amended in line with requirements introduced by the Public Service Pensions Act 2013 for all

public service pension schemes to establish a pension board. Under the LGPS Regulations, each LGPS administering authority had to set up a Local Pension Board with effect from 1 April 2015.

- 5.2 The Pension Fund set up the Teesside Pension Board in line with these legislative requirements. The Board's terms of reference sets out the Board's purpose as follows:

“Statement of purpose

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

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

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

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

- 5.3 In order to fulfil this function, and to comply with the requirements of the overriding regulations and legislation, the Board needs to have and maintain appropriate knowledge and understanding of the LGPS and pensions in general, In particular (as set out in the Board's Terms of Reference: a member of the Board **must be conversant with:**

- the legislation and associated guidance of the Local Government Pension Scheme (LGPS), and
- any document recording policy about the administration of the LGPS that is adopted by the Teesside Pension Fund.

a member of the Board **must have knowledge and understanding of –**

- The law relating to pensions, and
- Any other matters which are prescribed in regulations.

- 5.4 The main documents the Board is required to be conversant with are:

Regulations and guidance

- The LGPS Regulations 2013
- LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014.
- LGPS (Management and Investment of Funds) Regulations 2016
- Together with any guidance issued under these regulations.

All these documents are at <https://www.lgpsregs.org/schemeregs/index.php>

Scheme documents

Member booklets, announcements and other key member and employer communications

Relevant policies of the Administering Authority and/or Pension Committee (for example: conflicts of interest, record-keeping, data protection and freedom of information, internal dispute resolution procedure, reporting breaches).

- The Council's statements (in its role as Administering Authority to the Pension Fund) on
 - Governance Compliance
 - Funding Strategy
 - Investment Strategy
 - Discretionary Policies
 - Communications Policy
- The Pension Fund risk register
- The actuarial valuation report
- The Pension Fund annual report and accounts
- Pension fund external audit report

These documents are mainly available at the following websites, or have been presented to the Board previously:

[TPF - Trust Documents \(teespen.org.uk\)](https://teespen.org.uk)

[Committee details - Teesside Pension Fund Committee | Middlesbrough Council](#)

5.5 The main areas the Board is expected to have knowledge and understanding of are:

- Background and Understanding of the Legislative Framework of the LGPS
- General pensions legislation applicable to the LGPS
- Role and responsibilities of the Local Pension Board
- Role and responsibilities of the Administering Authority
- Funding and Investment
- Role and responsibilities of Scheme Employers
- Tax and Contracting Out
- Role of advisors and key persons
- Key Bodies connected to the LGPS

6 TRAINING APPROACH

6.1 Board Members receive induction training when they join the Board and are able to access training events as and when they are held for Pension Fund Committee and Board members. For example, Board members have been invited to a training session on real estate investment to be held on 13 September 2023. Board Members are also invited to attend Border to Coast's Annual Conference which is usually held in Leeds at the end of September – this typically includes a training session, often related to investments.

6.2 The level of knowledge and understanding required cannot be acquired overnight and can be delivered in a number of ways, through (for example)

- Papers provided to the Board throughout the year
- Training sessions delivered by Council staff or by external companies
- Self-study through access to training materials and documents

6.3 An initial starting point for new Board members is to ensure they complete the Pensions Regulators on-line training modules the Public Service Toolkit, which is at the following web page:

<https://www.thepensionsregulator.gov.uk/en/public-service-pension-schemes>

6.4 Training sessions can be arranged to cover the areas set out in section 5 above. Pension Fund Committee members can also be invited to attend any training.

6.5 In addition the Fund has engaged an external provider (Hymans Robertson) to provide access for Board and Pension Fund Committee members to an on-line learning academy. This is designed to allow Board members to learn at their own pace and covers the full range of topics required to meet the knowledge and understanding requirement.

7 PENSION BOARD CONFLICTS OF INTERESTS

7.1 Appendix B sets out the Board's conflict of interests policy. Although experience shows conflicts very rarely arise within the running of the Board, it is important to be aware of the possibility and to have adequate procedures and advice available should they occur.

8 NEXT STEPS

8.1 The work plan at Appendix A requires further items adding for meetings in 2024 onwards. The Head of Pensions Governance and Investments will bring an updated plan to the next meeting, taking into account any discussion or suggestions received at this 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 (including 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
September 2023 Annual Review of Board Training	Pension board conflict of interest	Review the arrangements for the training of Board members
November 2023 Draft Report and Accounts		
February 2024	Internal controls and managing risks	Review the Fund's approach to cyber security
April 2024 Annual Board Report	To be determined	To be determined
July 2024 Draft Report and Accounts		
November 2024 Annual Review of Board Training		

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**LOCAL PENSION BOARD OF MIDDLESBROUGH COUNCIL (THE TEESSIDE
PENSION BOARD)
CONFLICTS OF INTEREST POLICY**

Status of this policy

The Public Service Pensions Act 2013 (the 2013 Act) makes it a legal requirement that members of local pension boards do not have a conflict of interest. The Local Government Pension Scheme Regulations 2013 (the 2013 Regulations) have been amended accordingly. This policy sets out the principles which members of the Teesside Pension Board are expected to follow in order to fulfil their legal obligations under the 2013 Act in identifying, monitoring and managing potential, actual or perceived conflicts of interest.

Defining Conflicts of Interest

A conflict of interest may arise when a member of the Teesside Pension Board:

- (a) must fulfil their legal duty to assist the Administering Authority; and
- (b) at the same time has:
 - i. a separate personal interest (financial or otherwise); or
 - ii. another responsibility in relation to that matter,
- (c) giving rise to a possible conflict with their first responsibility as a Teesside Pension Board member.

The key issue for a member of the Teesside Pension Board is to consider whether they are subject to a conflict of interest which prevents them from acting entirely independently in their capacity as a member of the Teesside Pension Board. It is recognised that from time to time a person may have interests or responsibilities which are not aligned with their responsibilities as a member of the Teesside Pension Board, but these do not prevent the person from fulfilling their responsibilities as a Board member. This situation may occur when the separate interest is sufficiently immaterial and so does not conflict with the Board member's first obligation to the Teesside Pension Board.

Policy Objectives

1. To ensure that all members of the Teesside Pension Board comply with their statutory requirements under the Public Service Pensions Act 2013 and associated regulations and guidance.
2. Ensure that all Teesside Pension Board members are aware of their duty to act independently and carry out their roles to a high ethical standard.
3. Remove any perception that the actions of the Teesside Pension Board members are influenced by the presence of a separate responsibility or interest that conflict with their responsibilities as a Board member.

4. Maintain appropriate records of declared conflicts of interest and manage any potential conflicts to ensure they do not become actual or perceived conflicts of interest. Records will be lodged in advance of the Board Member's appointment and will be maintained by Middlesbrough Council's Monitoring Officer.
5. Ensure that public confidence in the governance of the Teesside Pension Fund is maintained.

Legislative Background

This policy sets out how members of the Teesside Pension Board are expected to manage potential, perceived or actual conflicts of interest arising in relation to their work as a member of that Pension Board.

Regulation 108 of the 2013 Regulations requires that:

Each administering authority must be satisfied that any person to be appointed as a member of a local pension board does not have a conflict of interest.

Section 5(5) of the 2013 Act defines a conflict of interest as:

A financial or other interest which is likely to prejudice the person's exercise of functions as a member of the board (but does not include a financial or other interest arising merely by virtue of membership of the scheme or any connected scheme).

The 2013 Regulations allow for elected members to sit on a Local Pension Board. Under the Localism Act of 2011 all elected members will be covered by and subject to their own local authority's code of conduct. Nothing in this policy in any way supersedes or replaces any requirements under an elected member's own authority's code of conduct.

The Regulator's Code of Practice on Conflicts of Interest

The Pensions Regulator has responsibility for regulatory oversight of the governance and administration of public service pension schemes, including the Local Government Pension Scheme and therefore by implication includes regulatory oversight of the Teesside Pension Board's activities. The Pensions Regulator has published guidance in the form of a Code of Practice part of which is designed to assist Scheme Managers to meet their legal duty in ensuring that Local Pension Board members do not have a conflict of interest.

Perception of Conflicts of Interest

Members of the Teesside Pension Board should be aware that even if no actual conflict of interest exists it is important to guard against the perception among, for example, Scheme members, the Pensions Regulator, elected members or members of the public that a real conflict of interest exists.

If there is the possibility that a perceived conflict of interest may exist, it should be managed by the Teesside Pension Board in the same way as a real conflict of interest.

Confidential Information

A member of the Teesside Pension Board may, by virtue of their employment by an employing authority within the Teesside Pension Fund, have access to confidential information about their employer.

A member of the Board is not obliged to reveal this information as part of their role on the Teesside Pension Board.

However, if an affected member considers that the information to which they are party may:

- (a) adversely affect the Teesside Pension Fund or an employer within the Fund,
- (b) reasonably cause the Teesside Pension Board to interpret a decision by the Teesside Pension Fund Committee differently or act in a different way were it to be known at the time, and
- (c) the information will not be made available to the Teesside Pension Board through some other means within such time as the Board is able to fully to act upon it,

that the Teesside Pension Board member shall withdraw from all discussion in relation to that issue and notify the Board that a conflict of interest exists. The details of the conflict need not be disclosed.

This scenario may occur where a Board member is aware of legally confidential negotiations around, for example, the takeover of a Fund employer which may radically alter that business and have a corresponding effect on its participation in the fund or the size of its liabilities.

Identifying and monitoring Conflicts of Interest

The Role of Individual Members of the Teesside Pension Board

There is a duty on all prospective Teesside Pension Board members to declare interests prior to appointment to the Board.

Members of the Teesside Pension Board must provide any information requested by the Administering Authority in connection with the Authority's duty to ensure that conflicts of interest do not exist.

Teesside Pension Board members must be conscious of the need to be open about potential and actual conflicts. Board members should be aware of their statutory obligations in this area as well as being familiar with the Pensions Regulator's code of practice and this policy document.

Where a member has declared an interest which has been recorded on the Register of Member Interests it will not typically be necessary to declare that interest in

subsequent Teesside Pension Board meetings unless the materiality of that interest changes in respect of the Board's business.

In cases of exceptional sensitivity a member of the Teesside Pension Board may make a notification of an interest to the Chair of the Board, rather than to the full Board.

In advance of their appointment, each Board Member will be required to complete a 'Register of Interests' document which will be maintained by Middlesbrough Council's Monitoring Officer.

The Role of the Administering Authority

Middlesbrough Council as the Administering Authority for the Teesside Pension Fund must be satisfied that any individual appointed to the Teesside Pension Board does not have a conflict of interest and must also ensure that from time to time no such conflict arises.

Middlesbrough Council shall consider all applications from potential Teesside Pension Board members prior to approval in order to ensure that no conflict exists. The potential for a conflict to arise at some point in future will not in itself be reason to exclude an individual from membership of the Teesside Pension Board, unless the Administering Authority considers that the likelihood of a conflict arising is so high or the conflict itself is likely to arise persistently and frequently enough that it is likely to compromise an individual's ability to participate meaningfully on the Board.

Middlesbrough Council's Monitoring Officer will be available to advise and guide Board Members on matters concerning potential conflicts of interest, should they arise.

The Role of the Teesside Pension Board

The Teesside Pension Board should identify, monitor and manage dual interests and responsibilities which are or have the potential to become actual or perceived conflicts of interest. In determining how to manage conflicts of interest the Teesside Pension Board must comply with the 2013 Act, the 2013 Regulations, guidance from the Pensions Regulator and this policy document.

When seeking to prevent a potential conflict of interest becoming detrimental to the conduct or decisions of the Teesside Pension Board, the Board should consider obtaining legal advice when assessing any option.

There will be a standing agenda item at all meetings of the Teesside Pension Board at which members will be asked to declare any interests. The Teesside Pension Board will ensure that a register of member interests will be kept up to date and be included as part of the papers for each meeting of the Teesside Pension Board.

Managing Conflicts of Interest

In the event that the Teesside Pension Board is of the view that a potential conflict of interest may become an actual or perceived conflict in respect of one or more of its members the Board must determine the appropriate mechanism for managing that conflict. The approach taken will depend on the nature and extent of the potential

conflict. Some possible methods for the management of potential conflicts are given below:

- requiring that the member for whom the conflict exists takes no part in discussions or does not vote in respect of the matter for which they are conflicted.
- If practical the member may relinquish or divest themselves of a personal interest which is the source of a conflict of interest with the Teesside Pension Board.
- If the conflict is likely to be persistent and ongoing in such a way that it is likely to limit a member's meaningful participation in the Teesside Pension Fund, that member should consider resigning from their position.
- The Scheme Manager may remove any individual from the Teesside Pension Board where they consider there is an actual conflict of interest or a potential conflict which is impractical to manage

Adviser and Officer Conflicts

The Teesside Pension Board will be supported and advised by officers of the Fund in its day to day business. Similarly the Board may, if appropriate, seek independent or professional advice for example, legal advice or governance advice.

The Teesside Pension Board must be confident that the advice it receives from officers and advisers is independent and truly in the best interests of the Teesside Pension Fund. For this reason officers and adviser giving advice to the Teesside Pension Board must also declare any situation where a potential, perceived or actual conflict exists, in order that it can be appropriately managed.

Gifts and Hospitality

The Board will be expected to follow Middlesbrough Council's policies gifts and hospitality.

APPENDIX

Relevant References

2011 Act	The Localism Act 2011
2013 Act	The Public Service Pensions Act 2013
2013 Regulations	The Local Government Pension Scheme Regulations 2013 (as amended)
Scheme Manager	The Administering Authority for the Teesside Pension Fund, Middlesbrough Borough Council

Examples of Conflicts of Interest

The following are intended to be examples of potential conflicts for illustrative purposes. The list is not exhaustive and is not intended to provide all the scenarios in which a conflict of interest may arise.

Example 1

The Teesside Pension Board is reviewing a decision by the Teesside Pension Fund Committee to levy an additional charge under the 2013 Regulations to a group of employers whose poor performance in carrying out their statutory functions in respect of the LGPS has caused the Teesside Pension Fund additional costs. Any employer representative on the Board, who is employed by an employer who falls into this category, would need to declare their interest and the resulting conflict of interest would need to be managed.

Example 2

It is possible that a scheme member representative is also employed by a firm to whom the Fund's administration has been outsourced. Such a member is likely to face a conflict of interest when the performance of that company in respect of their administration performance is discussed.

Examples of where a Declared Interest may not constitute a Conflict of Interest

A representative on the Teesside Pension Board holds shares in a company that provides outsourced pension administration services as part of a varied portfolio. The shares are valued at a few hundred pounds and the company's value is many tens of millions. The Pension Board is reviewing the decision to outsource the Fund's administration staff to that company.

In this case the Teesside Pension Board may consider that on grounds of materiality, no conflict of interest exists. The Teesside Pension Board is not responsible for the decision and the impact of the outsourcing will have no effect on the company's share price. The Teesside Pension Board member in question should, however, still declare their interest.

Principles of Public Life

Members of the Teesside Pension Board should follow the seven principles in public life. Namely:

(i) Selflessness

Holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family or their friends.

(ii) Integrity

Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.

(iii) Objectivity

In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

(iv) Accountability

Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

(v) Openness

Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

(vi) Honesty

Holders of public office have a duty to declare any private interest relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

(vii) Leadership

Holders of public office should promote and support these principles by leadership and example, and should act in a way that secures or preserves public confidence.

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TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 10

TEESSIDE PENSION BOARD REPORT

11 SEPTEMBER 2023

INTERIM DIRECTOR OF FINANCE – DEBBIE MIDDLETON

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.

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Teesside Pension Fund

Performance Delivery Report

2022-2023

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01 Overview

02 Member Movement

03 Member Self Service

04 Pension Regulator Data Scores

05 Customer Service

06 Completed Cases Overview

07 Completed Cases by Month

08 Complaints

01 Overview

Regulations and Guidance

Confirmation of annual revaluation, earnings and pensions increase

On 20 February 2023, H M Treasury (HMT) published a written ministerial statement confirming the rates of annual revaluation, earnings and pensions increase (PI) due to apply in April 2023 as 10.1%. This increase is applied to pensions in payment, Career Average Pensions accrued to 31/03/2023 (see below) and Deferred pensions.

Employee contribution bandings increased alongside inflation and came into effect from 01/04/2023. In addition, the additional pension limit was also increased by 3.1%.

Annual revaluation date change

On 9 March 2023, the Department for Levelling Up, Housing and Communities (DLUHC) laid the LGPS (Amendment) Regulations 2023 ('the regulations'). The regulations move the annual revaluation date from 1 April to 6 April. The regulations were effective from 31 March 2023. The regulations remove the impact of inflation on the annual allowance calculation. They do so by changing the annual revaluation date from 1 to 6 April 2023, and thereafter on each 6 April, for all members.

Spring Budget

On 15 March 2023, the Chancellor of the Exchequer announced in the 2023 Spring Budget that, from 6 April 2023, the standard lifetime allowance will remain at £1,073,100 but nobody will face a lifetime allowance charge for 2023/24 onwards. From April 2024, the lifetime allowance will be abolished entirely. The tax free lump sum in respect of LGPS benefits will be capped at £268,275.00 with the residual being taxed at the marginal rate of tax applicable.

The annual allowance was increased from £40,000.00 to £60,000.00 with the MPAA increasing from £4,000 to £10,000. The tapered annual allowance adjusted income threshold was also increased

Government responds to McCloud consultation

On 6 April 2023, the Department for Levelling Up, Communities and Housing (DLUHC) published their response to the consultation on amendments to the underpin. The consultation proposed changes to the underpin to address the discrimination found in the McCloud judgment and to ensure that it works effectively and consistently for all qualifying members. The consultation ended on 8 October 2020.

On 30 May 2023, DLUHC published a consultation and draft regulations concerning the McCloud remedy. The consultation closes on 30 June 2023.

GAD 2022 data request

GAD confirms it will be requesting valuation data as at 31 March 2022. This is primarily for the Section 13 exercise, but also to assist with other projects including D L U H C and SAB policy work. GAD will send a formal request to all administering authorities.

Sharia compliance report commissioned

The SAB received legal advice suggesting it should instruct an expert in Islamic finance to provide evidence on a range of issues around sharia compliance in the L G P S. The SAB has commissioned expert advice from Amanah Associates and their report will be due around three months' time.

Changes to the SAB's cost management process

On 11 May 2023, the Department for Levelling Up, Housing and Communities (DLUHC) published its response to the consultation on changes to the SAB's cost management process. Also on 11 May 2023, the Government laid the Local Government Pension Scheme (Amendment) (No.2) Regulations 2023 ('the regulations'). These came into force on the 1 June 2023. The changes better align the SAB's cost management process with H M Treasury's (H M T's) reformed cost control process. They give the SAB greater flexibility in the making of recommendations to the Secretary of State where there is a breach.

Guarantee for academy trusts outsourcing arrangements

On 17 May 2023, the Department for Education (DfE) published their policy for guaranteeing the outsourcing arrangements of academy trusts. This applies to England only. Education and Skills Funding Agency (E S F A) approval is no longer required by academy trusts seeking pass-through arrangements with their administering authorities for outsourcing contracts for employees covered by the D f E policy.

SCAPE discount rate and impact to actuarial factors -.

The superannuation contributions adjusted for past experience (SCAPE) discount rate reduced on 30 March 2023 to the consumer price index (CPI) plus 1.7 per cent. This is a change from CPI plus 2.4 per cent. This was announced in a written ministerial statement by the Chief Secretary to the Treasury. New factors have recently been released in respect of non-club transfers and divorce calculations.

On 16 May 2023, Cabinet office advised they plan to issue new Club factors and a revised memorandum. It is intended these will come into force on 1 October 2023. The new factors take account of the change to the superannuation contributions adjusted for past experience (SCAPE) discount rate made in March 2023.

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Economic Activity of Public Bodies (Overseas Matters) Bill

On 19 June 2023, the UK Government introduced into Parliament the Economic Activity of Public Bodies (Overseas Matters) Bill. The Bill aims to prevent public bodies from being influenced by political or moral disapproval of foreign states when taking certain economic decisions, subject to certain exceptions. The Bill will extend to LGPS investment decisions.

On 23 June 2023, the Scheme Advisory Board responded to the Bill and the second reading was held in the House of Commons on 3 July 2023.

The LGA has published a technical brief on the Bill. The technical brief includes a section on the Bill's effect on pensions and the LGA view of the Bill. The brief can be found at <https://www.local.gov.uk/parliament/briefings-and-responses/economic-activity-public-bodies-overseas-matters-second-reading>

Scheme Annual Report 2022

On 26 June 2023, the Scheme Advisory Board published its tenth Annual Report.

The report provides a single source of information about the status of the LGPS for its members, employers and other stakeholders. Continually improving key information about the Scheme as a whole is one of the top priorities of the Board. The report combines information supplied in 86 fund annual reports, as at 31st March 2022. Key highlights for 2022 are:

- total membership of the LGPS increased slightly, growing by 161,871 (2.6 per cent) to 6.39 million members in 2022 from 6.23 million in 2021
- total assets of the LGPS increased to £369 billion (a change of 7.8 per cent), invested in
 - pooled investment vehicles – 67%
 - public equities – 12%
 - bonds – 3%
 - direct property – 3%
 - other asset classes – 15%
- local authority return on investment over 2021/22 was 8.1 per cent. This compares to UK CPI year on year inflation of 8.8 per cent (Sept to Sept)
- the Scheme maintained a positive cash-flow position overall, including investment income
- over 1.95 million pensioners were paid over the year

- life expectancy rebounded to pre-covid levels with an increase of 0.8 years for males and 0.6 years for females (2021 figures versus 2022)
- total management charges increased by £385 million (22.5 per cent) from £1,711 million. This was primarily driven by a £381 million (25.6 per cent) rise in investment management charges, while administration and oversight and governance costs remained broadly stable.

McCloud remedy consultation

On 28 June 2023, The Local Government Association published their draft response to DLUHC's consultation and draft regulations on the McCloud remedy. This can be found at https://lgpslibrary.org/assets/cons/lgpsew/20230530_LR.pdf

Report on pension scam regulations published

On 21 June 2023, DWP published a review of the Occupational and Personal Pension Schemes (Conditions for Transfers) Regulations 2021. DWP agreed to publish the review within 18 months of the regulations being operational. The report can be found at <https://www.gov.uk/government/publications/conditions-for-transfers-regulations-2021-review-report>

Consultation on second set of rectification regulations

On 19 June 2023, The Local Government Association published their response to HMRC's consultation on The Public Service Pension Schemes (Rectification of Unlawful Discrimination) (Tax) (No.2) Regulations 2023. The response can be found at https://lgpslibrary.org/assets/cons/nonscheme/20230522_McCloud_tax_No2_CR.pdf

Pensions Dashboards Amendment Regulations 2023

The Department for Work and Pensions (DWP) has laid the Pensions Dashboards (Amendment) Regulations 2023 [SI2023/858]. A revised staging timetable will be set out in guidance and all schemes in scope will need to connect by 31 October 2026. The staging timetable will indicate when schemes are scheduled to connect, based on their size and type

McCloud – unions granted right to appeal cost cap mechanism

The Court of Appeal has granted unions permission to appeal against the recent High Court judgment over the government's proposed method of meeting the cost of implementing the McCloud remedy in public sector schemes.

Economic Activity of Public Bodies (Overseas Matters) Bill

The Economic Activity of Public Bodies (Overseas Matters) Bill, also known as the Boycotts, Divestments and Sanctions Bill had its second reading in the House of Commons on 3 July 2023. The Bill seeks to ban LGPS administering authorities from making investment decisions influenced by political and moral disapproval of foreign state conduct, except where this is required by formal Government legal sanctions, embargoes and restrictions. During the debate, significant concerns were raised about the Bill. These centred around its rationale, practicability and whether it constituted a significant over-reach of Ministerial authority. You can read more about the debate on the UK Parliament website. The LGA has published a technical brief on the Bill. The technical brief includes a section on the Bill's effect on pensions and the LGA view of the Bill.

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Gender pensions gap report

The LGPS Gender Pensions Gap report produced in January 2023 identified a substantial difference between the average level of pension benefits built up by male and female scheme members. The difference is 34.7 percent for benefits in the CARE scheme and 46.4 percent for benefits in the final salary scheme. For benefits in payment, the difference is even greater at 49 percent. While this indicates some progress towards equality, the Board asked the Government Actuary's Department (GAD) to explore these gender gaps in more depth.

DLUHC consultation on investment reforms

On 11 July 2023, the Department for Levelling Up, Housing and Communities (DLUHC) launched a consultation on LGPS investment reforms. The consultation was announced by the Chancellor in his Mansion House Speech. The consultation seeks views on proposals in five areas:

- Pooling: a deadline of 31 March 2025 for funds to transition all listed assets to their pool and a move to fewer, larger pools, each with assets in excess of £50 billion, to maximise benefits of scale
- Levelling up: requiring that funds have a plan to invest up to 5 percent of assets to support levelling up in the UK
- Private equity: an ambition to increase investment into high growth companies via unlisted equity

- Investment consultants: regulations to implement the requirements set out in an order made by the Competition and Markets Authority in respect of the LGPS
- Definition of investments: a technical change to the definition in the LGPS Investment Regulations 2016.

Finance (No.2) Act receives Royal Assent

The Finance (No.2) Act 2023 received Royal Assent on 11 July 2023. The Act delivers the tax changes announced in the Spring Budget, including:

- no lifetime allowance tax charges for the 2023/24 year or any future year
- certain lump sums to be taxed at the marginal rate
- changes to lifetime allowance protections
- increase in the annual allowance to £60,000
- changes to the tapered annual allowance and money purchase annual allowance.

Abolishing the lifetime allowance – consultation

On 18 July 2023, HM Revenue and Customs (HMRC) launched a consultation on abolishing the pensions lifetime allowance. The consultation includes draft legislation that aims to:

- abolish the lifetime allowance from pension legislation from 6 April 2024
- limit the amount of tax-free cash an individual can receive to a maximum of £268,275, unless they hold valid lifetime allowance or lump sum protection
- limit the total amount of lump sums an individual can receive before marginal rate taxation applies to £1,073,100 unless they hold a valid lifetime allowance protection, and.
- clarify how lump sums and lump sum death benefits will be taxed in the absence of the LTA.

02 Membership Movement

	Actives		Deferred		Pensioner		Widow/Dependent	
Q1 2023/24	27,074	▲	27,542	▲	23,834	▲	3,392	▲
Q4 2022/23	26,194	▲	27,284	▲	23,581	▲	3,344	▲
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	▲

03 Member Self Service

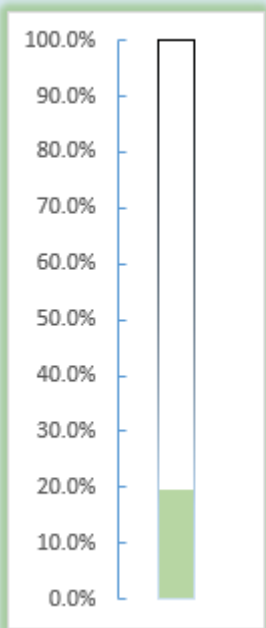
Below is an overview on the activity and registration of the Member Self Service System:



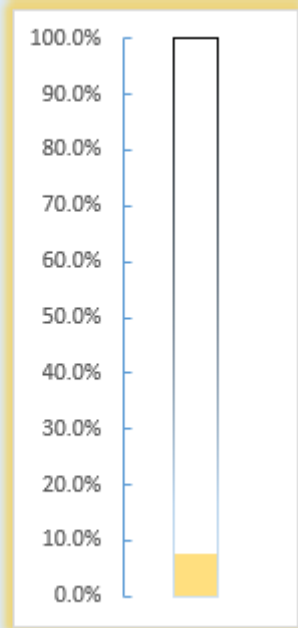
Member Self Service User Statistics For: Teesside Pension Fund

Quarter 1	REGISTERED	ACCOUNT DISABLED	ACTIVATION LINK SENT	NOT REGISTERED	TOTAL	Percentage Uptake
Actives	4,177	57	698	21,711	21,711	19.5%
Deferred	1,602	17	284	21,536	21,536	7.5%
Pensioner	2,379	59	259	21,139	21,139	11.5%
Widow/Dep	26	0	4	3,333	3,333	0.8%
Total	8,184	133	1,245	67,719	67,719	12.3%

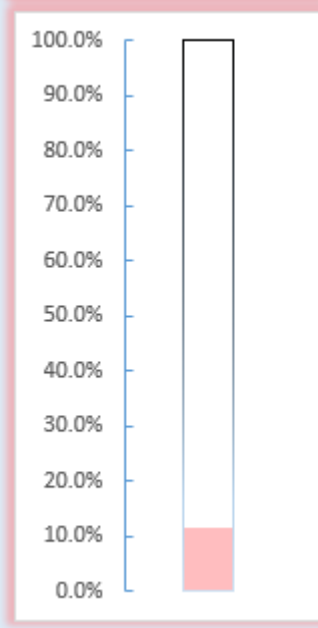
Active Up Take



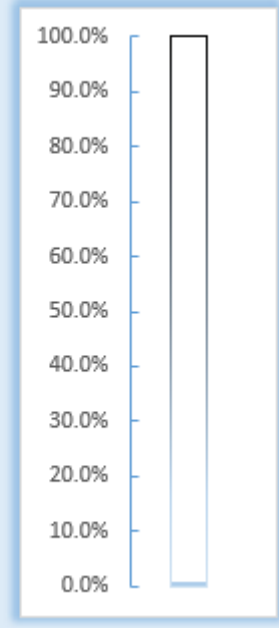
Deferred Up Take



Pensioner Up Take



Widow / Dep Up Take



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 must 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
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
Jan-23	3	140	2.00%	0	3
Feb-23	5	140	4.00%	1	4
Mar-23	4	140	3.00%	0	4
Apr-23	10	140	7.00%	6	4
May-23	4	140	3.00%	1	3
Jun-23	7	142	5.00%	5	2

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	100.00%
May	346	346	0	100.00%
June	434	434	0	100.00%
Quarter 1	1,172	1,172	0	100.00%
July	458	458	0	100.00%
August	590	590	0	100.00%
September	426	426	0	100.00%
Quarter 2	1,474	1,474	0	100.00%
October	728	728	0	100.00%
November	701	698	3	99.57%
December	475	475	0	100.00%
Quarter 3	1,904	1,901	3	99.84%
January	480	480	0	100.00%
February	715	715	0	100.00%
March	542	541	1	99.82%
Quarter 4	1,737	1,736	1	99.94%
Year - Total	6,287	6,283	4	99.94%

2023/24

Teesside Pension Fund	Cases completed	Cases completed within target	Cases completed outside target	Cases: % within target
LG Team – Admin Manager Mathew Spurrell				
April	416	416	0	100.00%
May	417	417	0	100.00%
June	450	450	0	100.00%
Quarter 1	1,283	1,283	0	100.00%
July	382	382	0	100.00%
August				
September				
Quarter 2	382	382	0	100.00%

06 Completed Cases by Month

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			

February 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%	4.58	180	0	180	180	
Transfer Values - To complete the process within one month of the date of receipt of the request for payment.	Monthly	20	98.50%	100%	6.34	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%	4.88	26	0	26	26	
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	4.90	480	0	480	480	
Pension costs to be recharged monthly to all employers.	Monthly		98.75%	100%	N/A	N/A	N/A			
Annual benefit statements shall be issued on a rolling basis ensuring that a scheme member shall receive a statement once a year.	Annual	April	98.75%	100%	N/A	N/A	N/A			
Payment of lump sum retiring allowance - Payment to be made within 6 working days of payment due date and date of receiving all the necessary information.	Monthly		98.75%	100%	N/A	N/A	N/A			
Pay eligible pensioners a monthly pension on the dates specified by the Council.	Monthly		100%	100%	N/A	N/A	N/A			
All calculations and payments are correct.	Monthly		98.75%	100%	N/A	N/A	N/A			

March 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%	4.57	138	0	138	138	
Transfer Values - To complete the process within one month of the date of receipt of the request for payment.	Monthly	20	98.50%	100%	7.06	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%	4.68	37	0	37	37	
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	99.7%	4.88	335	1	335	334	
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			

April 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%	4.60	92	0	92	92	
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	24	0	24	24	
Refund of contributions - correct refund to be paid within five working days of the employee becoming eligible and the correct documentation being supplied.	Monthly	5	98.75%	100%	4	20	0	20	20	
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	5	280	0	280	280	
Pension costs to be recharged monthly to all employers.	Monthly		98.75%	100%	N/A	N/A	N/A			
Annual benefit statements shall be issued on a rolling basis ensuring that a scheme member shall receive a statement once a year.	Annual	April	98.75%	100%	N/A	N/A	N/A			
Payment of lump sum retiring allowance - Payment to be made within 6 working days of payment due date and date of receiving all the necessary information.	Monthly		98.75%	100%	N/A	N/A	N/A			
Council.	Monthly		100%	100%	N/A	N/A	N/A			
All calculations and payments are correct.	Monthly		98.75%	100%	N/A	N/A	N/A			

May 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%	4.74	95	0	95	95	
Transfer Values - To complete the process within one month of the date of receipt of the request for payment.	Monthly	20	98.50%	100%	6	21	0	21	21	
Refund of contributions - correct refund to be paid within five working days of the employee becoming eligible and the correct documentation being supplied.	Monthly	5	98.75%	100%	4	28	0	28	28	
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	5	273	0	273	273	
Pension costs to be recharged monthly to all employers.	Monthly		98.75%	100%	N/A	N/A	N/A			
Annual benefit statements shall be issued on a rolling basis ensuring that a scheme member shall receive a statement once a year.	Annual	April	98.75%	100%	N/A	N/A	N/A			
Payment of lump sum retiring allowance - Payment to be made within 6 working days of payment due date and date of receiving all the necessary information.	Monthly		98.75%	100%	N/A	N/A	N/A			
Pay eligible pensioners a monthly pension on the dates specified by the Council.	Monthly		100%	100%	N/A	N/A	N/A			
All calculations and payments are correct.	Monthly		98.75%	100%	N/A	N/A	N/A			

June 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%	4.82	108	0	108	108	
Transfer Values - To complete the process within one month of the date of receipt of the request for payment.	Monthly	20	98.50%	100%	8	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%	4	28	0	28	28	
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	5	281	0	281	281	
Pension costs to be recharged monthly to all employers.	Monthly		98.75%	100%	N/A	N/A	N/A			
Annual benefit statements shall be issued on a rolling basis ensuring that a scheme member shall receive a statement once a year.	Annual	April	98.75%	100%	N/A	N/A	N/A			
Payment of lump sum retiring allowance - Payment to be made within 6 working days of payment due date and date of receiving all the necessary information.	Monthly		98.75%	100%	N/A	N/A	N/A			
Pay eligible pensioners a monthly pension on the dates specified by the Council.	Monthly		100%	100%	N/A	N/A	N/A			
All calculations and payments are correct.	Monthly		98.75%	100%	N/A	N/A	N/A			

July 2023

KEY PERFORMANCE REQUIREMENTS (KPR)	MONITORING PERIOD (Annually, Quarterly, Monthly, Half Yearly)	KPR Day	MINIMUM PERFORMANCE LEVEL (MPL)	ACTUAL PERFORMANCE LEVEL (APL)	Average Case Time (day)	Number of Cases	Over targ	TOTAL (case	Within Targ	Comments
All new entrant processed within twenty working days of receipt of application.	Monthly	20	98.50%	100%	4.73	67	0	67	67	
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	25	0	25	25	
Refund of contributions - correct refund to be paid within five working days of the employee becoming eligible and the correct documentation being supplied.	Monthly	5	98.75%	100%	5	16	0	16	16	
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.00%	5	274	0	274	274	
Pension costs to be recharged monthly to all employers.	Monthly		98.75%	100%	N/A	N/A	N/A			
Annual benefit statements shall be issued on a rolling basis ensuring that a scheme member shall receive a statement once a year.	Annual	April	98.75%	100%	N/A	N/A	N/A			
Payment of lump sum retiring allowance - Payment to be made within 6 working days of payment due date and date of receiving all the necessary information.	Monthly		98.75%	100%	N/A	N/A	N/A			
Pay eligible pensioners a monthly pension on the dates specified by the Council.	Monthly		100%	100%	N/A	N/A	N/A			
All calculations and payments are correct.	Monthly		98.75%	100%	N/A	N/A	N/A			

07 Complaints

Full Name	Description	Date received	Date completed	Comment



Graeme Hall
Operations Manager
01642 030643

Registration

XPS Pensions Consulting Limited, Registered No. 2459442.

XPS Investment Limited, Registered No. 6242672.

XPS Pensions Limited, Registered No. 3842603.

XPS Administration Limited, Registered No. 9428346.

XPS Pensions (RL) Limited, Registered No. 5817049.

XPS Pensions (Trigon) Limited, Registered No. 12085392.

Penfida Limited, Registered No. 08020393

All registered at: Phoenix House, 1 Station Hill, Reading, RG1 1NB.

Authorisation

XPS Investment Limited is authorised and regulated by the Financial Conduct Authority for investment and general insurance business (FCA Register No. 528774).

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