

# TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 8

## TEESSIDE PENSION BOARD REPORT

21 FEBRUARY 2022

DIRECTOR OF FINANCE – IAN WRIGHT

### Update on Work Plan Items

#### 1. PURPOSE OF THE REPORT

- 1.1 To present Members of the Teesside Pension Board (the Board) with information on items scheduled in the work plan for consideration at the current meeting.

#### 2. RECOMMENDATION

- 2.1 That Board Members note this report.

#### 3. FINANCIAL IMPLICATIONS

- 3.1 There are no specific financial implications arising from this report.

#### 4. BACKGROUND

- 4.1 At its meeting on 19 July 2021 the Board agreed an updated work plan for the coming months and years which set out areas for the Board to discuss or consider at subsequent meetings (see Appendix A). These were typically areas that the Pensions Regulator and/or the Scheme Advisory Board had identified as important for Local Pension Boards to consider.

#### 5. REPORTING BREACHES

- 5.1 Under the Pensions Act 2004 certain categories of people involved with a pension scheme have a duty to make a report to the Pensions Regulator where they have reasonable cause to believe that:
- a) a legal duty relating to the administration of the scheme has not been or is not being complied with; and
  - b) the failure to comply is likely to be of material significance to the Pensions Regulator.
- 5.2 This duty applies to the following people:
- a trustee or manager of an occupational or personal pension scheme
  - a member of the pension board of a public service pension scheme

- a person who is otherwise involved in the administration of an occupational or personal pension scheme
  - the employer in relation to an occupational pension scheme
  - a professional adviser in relation to such a scheme
  - a person who is otherwise involved in advising the trustees or managers of an occupational or personal pension scheme in relation to the scheme.
- 5.3 The Fund has a policy on reporting breaches, which was reviewed and approved by the 15 December 2021 Pension Fund Committee and is enclosed at Appendix B. This includes information on how to report a suspected breach of regulations and how a reported breach is evaluated to assess how it should be dealt with, and whether it should be reported to the Pensions Regulator.
- 5.4 In the context of the Local Government Pension Scheme (LGPS) the definition of a 'breach of the law' is fairly wide, and can cover a failure to do anything required under the LGPS regulations, overriding pensions or tax regulations and (potentially) the provision of incorrect information. This makes the issue of 'material significance' to the Regulator an important consideration. The Fund's procedure includes a traffic light system to help categorise breaches. One key consideration is to ensure all potential breaches are considered and investigated.
- 5.5 The procedure, and the requirement to report breaches has been in place since 2015. The current Breaches Log is attached as Appendix C. This contains one (new) addition relating to the provision of benefit statements to deferred members.
- 5.6 Deferred members are members of the pension scheme who have left active employment and so no longer contribution to the scheme, but have not yet drawn their pension benefits, normally because they are not old enough yet. Depending on the age of the individual, it can be many years between their leaving the scheme and drawing their pension, and it is not unusual for the individual to move house and not inform the pension scheme during that time. This results in mail being returned from that address and that individual being categorised as a 'gone-away'. This in turn makes it impossible to provide that individual with an annual benefit statement (which, according to the LGPS regulations, needs to be provided to all active and deferred members by 31 August each year).
- 5.7 The entry in the Breaches Log outlines the position, and explains that a decision has been taken to record but not report this breach, as it has a straightforward explanation, does not result in a loss to the individual and steps are being taken to look to improve the situation. These steps involve XPS working with the Head of Pensions Governance and Investments to consider cost-effective ways to trace the 'gone-aways' with a view to substantially reducing their number for the 2022 annual benefit statements.
- 5.8 The Breaches Log will be brought to future Pension Board (and Pension Fund Committee) meetings. A useful summary of dealing with breaches of the law in the

LGPS produced by Hymans Robertson in 2019 (but still relevant) is enclosed at Appendix D.

## **6. PENSION FUND PROCUREMENTS**

- 6.1 Over the last year the Pension Fund has carried out one procurement exercise. This was in relation to the Pension Fund actuary. The previous actuarial contract (which was awarded to AON) had been for six years from 2013, however this was subsequently extended for two additional years. The first extension was to ensure there was continuity of actuary as the last triennial valuation was completed, and the second to allow the Fund to make use of the newly developed framework for procuring actuarial services.
- 6.2 Although there were no issues or concerns with the quality of service provided by AON it is appropriate to undertake tendering exercises to ensure continuing value for money is obtained for the Pension Fund.
- 6.3 Norfolk County Council has for several years provided the procurement, legal and project management support to the National Local Government Pension Scheme (LGPS) Procurement Frameworks, which were set up to allow LGPS Funds to collaborate effectively in procuring a wide range of services, thereby improving efficiency and value for money. The Actuarial, Benefits and Governance Consultancy Framework was refreshed in 2021 with the assistance of a number of founder LGPS Funds, including the Teesside Pension Fund.
- 6.4 The four firms who currently act as fund actuaries in the LGPS are all on the Framework, these are AON, Barnett Waddingham, Hymans Robertson and Mercer.
- 6.5 The Head of Pensions Governance and Investments, working with colleagues from within his team and in the Council's Procurement Team, developed a specification, a set of questions and a scoring system for the actuary procurement, based around the Framework documentation. An 80/20 quality/cost split was applied to the evaluation, in order to reflect the importance of obtaining the best quality actuarial advice and support for the Fund and its employers.
- 6.6 Three of the four firms on the Framework provided submissions. The quality evaluation was carried out independently by two members of the Pensions team and coordinated and scored during a meeting led by one of the Council's procurement specialists. The cost evaluation was assessed in line with the methodology devised by the Head of Pensions Governance and Investments based on typical actuarial activity expected during the contract period.
- 6.7 The quality of submissions was very good, and all three of the firms that applied demonstrated that they would have been able to deliver the contract effectively – as evidenced by the fact all three submissions scored over 80% of the total possible marks. However Hymans Robertson's submission had a combination of very high quality with lower price which allowed it to beat the other two applicants.

- 6.8 Hymans Robertson included an outline transition plan within their submission, explaining how they would work to ensure an effective transfer from one actuarial firm to another. As part of this process, the Head of Pensions Governance and Investments has regular meetings with the two actuaries who will be the senior contacts for the Pension Fund at Hymans Robertson, Douglas Green and Steven Law – both experienced LGPS fund actuaries. They and their team have also liaised directly with AON to ensure relevant information has been transferred as seamlessly as possible.
- 6.9 Work has commenced for the upcoming triennial valuation of the Fund, as at 31 March 2022. As part of this process Hymans Robertson is working with XPS Administration, as well as with the Pensions team and colleagues elsewhere in Finance.
- 6.10 Future pension fund procurement exercises due later this year include a procurement in relation to the Global Custodian as well as a more complex procurement exercise in relation to the Pension Administration provider.

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