

TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 8

PENSION FUND COMMITTEE REPORT

29 JUNE 2022

DIRECTOR OF FINANCE – IAN WRIGHT

Update on Current Issues

1. PURPOSE OF THE REPORT

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

2. RECOMMENDATIONS

- 2.1 That Members note this report.

3. FINANCIAL IMPLICATIONS

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

4. LGPS AND 'LEVELLING UP'

- 4.1 As was reported to the March Committee, the Government's "Levelling up the United Kingdom" White Paper issued on 2 February 2022 stated that the Local Government Pension Scheme (LGPS) could (or perhaps should) be using some of its assets to fund the Government's levelling up agenda. The White Paper included a statement that "to boost Britain's long-term growth. The UK Government will...work with **Local Government Pension Funds to publish plans for increasing local investment, including setting an ambition of up to 5% of assets invested in projects which support local areas.**"
- 4.2 Since then the Fund, along with other LGPS Funds and pooling companies (including Border to Coast) have been trying to obtain further detail in relation to these plans. As yet, nothing is confirmed but the current expectation is that the Government will not be expecting LGPS Funds to report on investments made within their specific local area, but is instead looking to leverage LGPS assets to invest further in projects across the UK (or possibly across England and Wales) – primarily infrastructure but possibly private equity investments as well. Further updates will be provided when they are available.

5. SCHEME ADVISORY BOARD ANNUAL REPORT 2021/22

5.1 Earlier this month the Scheme Advisory Board (SAB) published its ninth Annual Report for the Local Government Pension Scheme (LGPS) in England and Wales. The report can be found on the SAB website at the following link:

<https://lgpsboard.org/index.php/foreword-2021>

5.2 The report emphasises that the LGPS is one of the largest defined benefit (DB) schemes in the world and is the largest DB scheme in England and Wales, with 14,448 active employers, 6.2m members and assets of £342bn. Key highlights for the LGPS are listed as follows:

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

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

6. LGPS ON-LINE LEARNING ACADEMY

6.1 As Members should be aware, the Fund has recently purchased Hymans Robertson's LGPS On-Line Learning Academy and has ensured that every Pension Fund Committee and Local Pension Board member has access to it. The Learning Academy allows you to access a suite of short training videos explaining different aspects of the pension scheme, covering administration, governance and investments as well as current pension issues such as measuring the carbon exposure of the Fund's investments and other responsible investment

issues. It is intended to cover all of the 'knowledge and understanding' requirements that Pension Board members are legally required to obtain (and Pension Committee members are strongly encouraged to obtain).

- 6.2 There are a lot of topics covered within the Learning Academy and I would strongly recommend that Members set aside some time each week to work through them at their own pace. There are short quizzes included to ensure the training is working, and certificates are available for completion of different sections.
- 6.3 Appendix A contains a few introductory slides showing what you can expect from the Learning Academy. I would be very interested in any feedback Members have at any point in relation to the product.

7. NEXT STEPS

- 7.1 Further updates will be provided periodically.

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