

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.

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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.

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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.

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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.

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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.

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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.

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

None.