

TEESSIDE PENSION FUND

Administered by Middlesbrough Council

PENSION FUND COMMITTEE REPORT

17 JULY 2024

DIRECTOR OF FINANCE – DEBBIE MIDDLETON

Response to Government Letter on Pooling

1. PURPOSE OF THE REPORT

- 1.1 To provide Members of the Teesside Pension Fund Committee (the Committee) with a copy of a letter the previous government sent to the Chief Executives and Section 151 Officers of all Local Government Pension Scheme (LGPS) administering authorities in England, together with a draft response, and to ask for any comment on the response.

2. RECOMMENDATION

- 2.1 That, subject to any comments, the Committee agrees that the draft response should be sent to the government by the 19 July 2024 deadline.

3. FINANCIAL IMPLICATIONS

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

4. BACKGROUND

- 4.1 The Minister for Local Government (prior to the recent general election) issued the letter enclosed at Appendix A to the Chief Executives and Section 151 Officers of all Local Government Pension Scheme (LGPS) administering authorities in England. The letter asks the following questions, focussing on two themes: how LGPS Funds have been complying with the expectation that they will pool their investments, and whether the LGPS would be more effective and efficient if wider collaboration took place:

“1. How your fund will complete the process of pension asset pooling to deliver the benefits of scale.

- What proportion of assets have been pooled in your chosen LGPS asset pool? Is your fund on track to pool all listed assets by March 2025, and if not, what are the barriers to this?
- Is there scope for minimising waste and duplication by making use of your LGPS asset pool's services and expertise in reporting and development of the pensions investment strategy? What is your expenditure on pensions investment consultancy?

- Does your LGPS asset pool have an effective, modern governance structure in place, which is able to deliver timely decisions and ensure proper oversight? If not, what steps are you taking to make your pool's governance more effective?

2. How you ensure your LGPS fund is efficiently run, including consideration of governance and the benefits of greater scale.

- Does your LGPS fund have effective and skilled governance in place, which is able to hold officers, service providers and the pool to account on performance and efficiency?
- Would you be likely to achieve long-term savings and efficiencies if your LGPS fund became part of a larger fund through merger or creation of a larger pensions authority?"

4.2 Although the government has changed since the letter was sent, the questions set out in the letter are still likely to be relevant to the new administration. This makes it important and relevant for the Fund to provide a response.

5. DRAFT RESPONSE

5.1 A draft response to the letter is attached at Appendix B, key points to note from this response are:

- The Fund has made good progress towards pooling its investments: 57% of the Fund is invested through Border to Coast.
- Efficiencies have already been achieved through working collaboratively with Border to Coast, and we are working with the company and our Partner Funds to explore other areas where further joint working could provide benefits.
- We are confident that the governance structure the pool has is fit for purpose, but will continue to collectively consider, alongside our Partner Funds, whether and how it could be improved.
- The Fund is effectively and professionally run, with access to appropriate external advice and support.
- The issue of fund mergers has not been specifically considered by the Council (as administering authority). Such options would need to be carefully evaluated from a cost-benefit and risk-reward perspective, ensuring any change does not compromise our ability to provide the best service for our members, employers and taxpayers, as a key and visible part of the local community.

6. NEXT STEPS

6.1 Subject to any comments the Committee may have, the response will be sent in the Director of Finance's name to the recently renamed Ministry for Housing Communities and Local Government by the 19 July 2024 deadline.

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