

Teesside Pension Board

Annual Report 2019 – 2020



1. Background

The **Teesside Pension Fund** is the Local Government Pension Scheme (LGPS) for local authority employees in the Teesside region (and employees working for other bodies that are eligible to participate). The Fund has over 71,500 members, and assets of more than £3.73 billion (as at 31 March 2020).

The administering authority for the Teesside Pension Fund is Middlesbrough Council on behalf of all participating employers. The Council has granted authority to manage the investments of the Fund (within the requirements of the Local Government Pension Scheme Regulations) to the **Teesside Pension Fund Committee** which has plenary powers to make decisions without reference to the Council. The Committee consists of elected members of Middlesbrough Council, representatives from the other unitary authorities, the trades unions (all of whom have voting rights) and the Fund's Investment Advisers.

Section 5 of the *Public Service Pensions Act 2013* required every LGPS to establish a Board to assist in assuring that the administration of its Pension Scheme complies with all relevant legislation. Pensions Boards are specifically required to assist in:

- (a) securing compliance with:
 - (i) scheme regulations and other legislation relating to the governance and administration of the scheme;
 - (ii) any requirements imposed in relation to the scheme by the Pensions Regulator;
 - (iii) such other matters as the scheme regulations may specify
- (b) ensuring the effective and efficient governance and administration of the Scheme.

In accordance with the *Public Service Pensions Act 2013* and the Local Government Pension Scheme regulations, the **Teesside Pension Board** ('the Board') was created on 1 April 2015 to assist in the administration of the Teesside Pension Fund. The Board's formal statement of purpose is:

To assist the Administering Authority in its role as a scheme manager of the Scheme. Such assistance is to:

- (a) 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.

This means that the Board is providing oversight of these matters and, accordingly, the 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.

The Board consists of six voting members – three employer representatives and three member representatives. Two employer representatives are appointed from the Councils of Hartlepool, Middlesbrough, Redcar & Cleveland and Stockton-on-Tees, and one employer representative is chosen from all other Scheme employers. Two member representatives are appointed from the recognised trades unions representing employees who are Scheme members, and one member representative is appointed from the pensioner Scheme members.

The current Chair took up the role in April 2019 having previously been the Deputy Chair, and the Board agreed at that point to extend his tenure to end on 28 July 2021. The post of Chair is normally held for two years and rotated on a bi-annual basis with the Deputy Chair. Each post is held by one employer representative and one Scheme member representative.

This is the fourth Annual Report of the Board, for the period 1 April 2019 to 31 March 2020.

2. Introduction

Welcome to the fourth Annual Report of the Teesside Pension Board.

The Board seeks to assist the administering authority of the Teesside Pension Fund to maintain effective and efficient governance. We continue to be supported in this role by officers of Middlesbrough Council (the administering authority for Teesside Pension Fund), and we have also been assisted by specialist external advisers and by staff from XPS Administration, who deal with the day to day pension administration.

As indicated in last year's report Teesside Pension Fund has entered into an agreement to pool some and, eventually, most of its investments with other LGPS Funds through Border to Coast Pensions Partnership Limited ('Border to Coast'). Border to Coast was set up, and is wholly owned, by eleven LGPS administering authorities each responsible for an LGPS fund (originally twelve administering authorities were involved until the long-planned merger of two of those authorities was confirmed immediately after the effective end-date of this report). Border to Coast was established to meet central government's requirement that local government pension schemes pool their investment assets with the aims of providing savings and improving governance. Middlesbrough Council (as administering authority for the Teesside Pension Fund) is one of the owners and customers of Border to Coast.

Initial investments with Border to Coast were in public equities (or shares) and all the Fund's UK equities transferred during 2018/19 to be managed by Border to Coast, using the same low-cost 'internally-managed' approach but delivered by a larger team of investment professionals based in Leeds. The Fund also made investments in Border to Coast's internally-managed overseas equity fund during 2018/19. Border to Coast has established a private markets investment capability and the Fund made investments in both private equity and infrastructure through Border to Coast during 2019/20. By the end of the year 33% of the Fund's assets were invested through Border to Coast, with this percentage expected to increase significantly over coming years.

Teesside Pension Board has received updates and commented on the process of establishing and developing Border to Coast. The Board is conscious that the Teesside Pension Fund is fully funded and has benefited from low running costs. The Board will therefore continue to closely monitor the progress of Border to Coast to satisfy itself that any movement of assets into Border to Coast remains in the interest of the Teesside Pension Fund and its members, and that Border to Coast is meeting the aims of providing savings and improving governance.

3. Board Activity 2019 – 2020

Over the course of 2019/20 four meetings were held and the Board has continued its role and responsibilities to ensure effective governance. As well as continuing to receiving minutes from Pension Fund Committee meetings (meetings which some Board members also attend and all Board members receive agendas for), over the course of the year the Board has considered papers or had oral reports covering the following areas:

- Board membership and training.
- Administration reports from XPS – these include performance against service level agreement targets, information on general administration activity, statistics on appeals cases and details of current and future issues impacting, or potentially impacting on the administration of the Fund. The Board also had a presentation from XPS covering the future development of the Fund’s website.
- Updates on the progress of investment pooling with Border to Coast including details of the Border to Coast Governance Charter.
- The audit planning report and audit results report.
- The Board’s own Annual Report.
- The Draft Annual Report for the Fund (containing the Fund’s accounts).
- Details of Government consultations on proposals to amend the legislation governing the LGPS.
- Details of the triennial valuation of the Fund, including draft valuation results and a training session covering how a valuation is carried out, how assumptions are set and how a funding strategy is set including the risks and uncertainties inherent in these processes.
- Updates on current issues affecting the Fund, including the actuarial valuation, the cost management process, the implications of the McCloud judgement (where the courts judged the protections introduced for older individuals when the scheme rules were changed in 2014 to be discriminatory), the Pensions Regulator’s engagement report and the implications for the Fund of the Competition and Markets Authority’s Order requiring advisors to be appointed through a competitive process and to be set objectives.
- The work programme for the Board (see below).

4. Future work programme for the Board

At its final meeting of the year (in February 2020), the Board confirmed that the focus of its activity would be guided by the general principles set out by the Pensions Regulator. The Pensions Regulator’s website lists the following areas of governance and administration that those responsible for running, overseeing or advising a public service pension scheme need to focus on:

- **“Reporting duties**

Managers of public service pension schemes must ensure that the scheme return we issue each year is completed on time. They must also tell us of any changes to their scheme’s ‘registrable information’ as soon as possible.

- **Internal controls and managing risks**
Public service pension schemes need to have good internal controls. They are a key characteristic of a well-run scheme and will enable risks to the scheme to be managed effectively.
- **Record-keeping**
Failing to maintain complete and accurate records can affect the ability of your public service pension scheme to carry out basic functions. Accurate record-keeping is crucial in ensuring that benefits are paid correctly.
- **Communicating to members**
Members of public service pension schemes need to receive information to help them understand their pension arrangements and make informed decisions.
- **Publishing scheme information**
Certain information relating to public service pension schemes needs to be published so that scheme members and interested parties know that their scheme is being managed effectively.
- **Maintaining contributions**
Public service pension schemes need to have procedures and processes that enable you to effectively monitor pension contributions, resolve payment issues and report payment failures.
- **Pension board conflicts of interest and representation**
In public service pension schemes, potential conflicts of interest need to be identified and managed to prevent actual conflicts of interest arising.
- **Resolving internal disputes**
Internal dispute resolution (IDR) arrangements play an important part in the management of a public service pension scheme. They enable someone with an interest in the scheme to ask for a matter in dispute to be resolved.
- **Reporting breaches of the law**
Certain people involved with the governance and administration of a public service pension scheme must report certain breaches of the law to us.”
(from <https://www.thepensionsregulator.gov.uk/en/public-service-pension-schemes/scheme-management>)

Taking these principles into account the Board set out its future work plan as follows:

Teesside Pension Board Work Plan		
Date of Board meeting and any standard items scheduled	Pensions Regulator areas of focus	Activities (from the Scheme Advisory Board guidance)
20 April 2020* Annual Board Report	Reporting breaches Maintaining contributions Reporting duties	Review the outcome of actuarial reporting and valuations.
27 July 2020 Draft Report and Accounts	Pension board conflict of interest	
2 November 2020 Annual Review of Board Training	Communicating to members Publishing scheme information	Review standard employer and scheme member communications
8 February 2021	Internal controls and managing risks	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.
19 April 2021 Annual Board Report	Record keeping Resolving internal disputes	Review performance and outcome statistics Review handling of any cases referred to Pensions Ombudsman
July 2021 Draft Report and Accounts	<i>To be determined</i>	Review procurements carried out by Fund
November 2021 Annual Review of Board Training		Review the complete and proper exercise of employer and administering authority discretions.
February 2022		<i>To be determined</i>
April 2022 Annual Board Report		
July 2022 Draft Report and Accounts		
November 2022 Annual Review of Board Training		
February 2022		

*note the April 2020 meeting was not held (see below)

5. Impact of Coronavirus / Covid-19 pandemic

At the end of the 2019/20 year the UK was entering into 'lockdown' as a consequence of the Coronavirus / Covid-19 pandemic. One effect of this was the cancellation of the initial Board meeting of the subsequent 2020/21 year, which was due to have been held in April 2020. The Board will continue to monitor how the administering authority deals with the impact of the pandemic, and will keep under review the economic effect on the Fund of market uncertainty and volatility. This issue is likely to form a major part of the 'current issues' the Board will be considering.

Appendix – Board membership and meeting attendance

Membership

Colin Monson <i>Chair</i>	Scheme member representative (retired members)
Billy Ayre (appointed 25 Oct)	Employer representative (Councillor, Redcar & Cleveland Council)
Jackie Cook	Scheme member representative (UNITE)
Chris Hobson (appointed 25 Oct)	Employer representative (Councillor, Middlesbrough Council)
Leanne Littlewood (appointed 25 Oct)	Scheme member representative (UNISON)
Gary Whitehouse <i>Deputy Chair</i>	Employer representative (Middlesbrough College)
Nicky Walker (to 2 May 2019)	Employer representative (Councillor, Middlesbrough Council)
Barry Woodhouse (to 27 July 2019)	Employer representative (Councillor, Stockton Council)

Meeting attendance:

	15 April 2019	22 July 2019	4 November 2019	10 February 2020
C Monson	✓	✓	✓	✓
W Ayre			✓	x
J Cook	x	✓	✓	x
C Hobson		✓	✓	x
L Littlewood			x	✓
G Whitehouse	x	✓	✓	✓
N Walker	x			
B Woodhouse	✓	x		