

TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 10

TEESSIDE PENSION BOARD REPORT

22 JULY 2019

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, and at the cancelled meeting which was due to be held in April 2020.

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 10 February 2020 the Board agreed a work plan for the coming months and years which set out areas for the Board to discuss or consider at subsequent meetings. These were typically areas that the Pensions Regulator and/or the Scheme Advisory Board had identified as important for Local Pension Boards to consider.
- 4.2 Included within the work plan to be covered in the April meeting and at today's meeting were the Annual Board Report and the Draft Report and Accounts – these are covered as separate agenda items. Other areas set out in the work plan to be considered at the April 2020 Board meeting (which was cancelled) and at today's meeting are set out below alongside some information and comments.

5. REPORTING BREACHES / REPORTING DUTIES

- 5.1 The Pension Regulator's Code of Practice 14 "Governance and administration of public service pension schemes" explains the legal requirement certain individuals have in relation to reporting breaches of the law in connection with public service pension schemes.

- 5.2 Certain people are required to report breaches of the law to the Regulator where they have reasonable cause to believe that a legal duty relevant to the administration of the scheme has not been, or is not being, complied with and the failure to comply is likely to be of material significance to the Regulator in the exercise of any of its functions. The people subject to this reporting requirement include scheme managers (officers or members of the Council as administering authority), members of pension boards, any other person involved in administering the scheme, employers and professional advisers.
- 5.3 When the Board was set up in 2015 the following procedure was set out in relation to reporting breaches (amended to reflect the Pension Fund & Investment Panel being renamed the Pension Fund Committee):

“Reporting Procedure

The Board has a duty to report breaches of law to the Pensions Regulator if they have reasonable cause to believe that:

- a legal duty relevant to the administration of the scheme hasn't been or isn't being complied with: this could relate for instance to keeping records, internal controls, calculating benefits, and includes investment governance and administration matters
- this failure to comply is likely to be of 'material significance' to the Pensions Regulator

The following people need to report breaches of the law:

- managers of the scheme
- pension board members
- any other person involved in the administration of the scheme
- employers
- professional advisers including auditors, actuaries, legal advisers and fund managers
- any other person involved in advising the scheme manager in relation to the scheme

Where the Board suspects a breach of the law, they should carry out checks to establish the facts around a suspected breach and inform the Scheme Manager of their concerns. If the breach of law involves the Scheme Manager the Board should take their concerns to the Chair of the Teesside Pension Fund Committee.

When deciding whether a breach is likely to be of material significance to the Pensions Regulator, the Board should consider the cause, effect, reaction to and wider implications of the breach. The Board should consider these points together and, if they believe a breach has occurred, the Board should report it to the Pensions Regulator.

Any suspected breach should be recorded in the Board's minutes even if it is decided that it does not need to be reported to the Pensions Regulator.”

- 5.4 As yet, no breaches of regulations have been brought to the attention of the Board, or reported to the Pensions Regulator. Areas of possible focus include payment of contributions and disclosure regulations:

- Employers have set timescales in which to make payment of employer and employee pension contributions to the Fund – if they consistently miss those deadlines, a report to the Regulator could be considered.
- There are defined timescales set out in regulations detailing when certain information should be provided to scheme members – information such as details of the scheme for new starters, or details of scheme benefits for leavers. If it becomes apparent that those details are not being provided on time to scheme members without reasonable explanation, a report to the Regulator could be considered.

5.5 Officers will continue to work with XPS Administration to identify whether there are any potential regulatory breaches and will report any identified to the Board for consideration.

6. MAINTAINING CONTRIBUTIONS

6.1 The draft 2019/20 Annual Report and Accounts of the Fund shows that at the 31 March 2020 there were 169 employers with active members in the Fund. Between them they paid a total of £99.4 million in employer and employee contributions into the Fund during the year. This was made up of 1,859 separate contribution payments and 55 of these payments were received late. A further breakdown of those late payments is included in the report and is shown below:

The following table shows the late payment history for 2019/20:

Number of days payment was late	Number of late payments	Percentage of late payments
Less than 10	21	38.18%
Between 10 and 19	15	27.27%
Between 20 and 29	7	12.73%
Between 30 and 39	4	7.27%
More than 40	8	14.55%
Total	55	100.0%

6.2 XPS Administration will continue to monitor and report on late payers and have been asked to determine whether any employers are persistently paying late.

7 PENSION BOARD CONFLICT OF INTERESTS

7.1 Appendix A sets out the Board's conflict of interests policy. This was put in place when the Board was established in 2015 and has only been updated to reflect the Pension Fund & Investment Panel being renamed the Pension Fund Committee.

Although experience shows conflicts very rarely arise within the running of the Board, it is important to be aware of the possibility and to have adequate procedures and advice available should they occur.

8 REVIEW THE OUTCOME OF ACTUARIAL REPORTING AND VALUATIONS

- 8.1 The actuary published the final report on the actuarial valuation of the Fund as at 31 March 2019 on 31 March 2020. The full report can be found online at the following link:
<https://www.teespen.org.uk/documents/content/pdf/Valuation/TeessidePensionFund-2019ValuationReport.pdf>
- 8.2 The valuation outcome was broadly in line with the draft summary results provided to the 10 February 2020 Board meeting. Overall the outcome was very positive, with a funding level of 115% and a surplus of £527.3 million relative to the liabilities. The future service rate (the cost of providing a pension going forwards) was higher than at the previous valuation. However, the larger employers in the Fund (those that have a strong covenant) are seeing a reduction in their overall contribution rate through distribution of surplus (at least until the outcome of the next valuation is known).
- 8.3 The actuary included reference in the report to the detrimental effect on financial markets of the Covid-19 pandemic. This acknowledged the significant fall in asset values and the impact this would have if the valuation had been carried out a year later, however the actuary concluded that given the long-term nature of the Fund and the strong covenant of many of its employers, it was still appropriate to proceed with the contribution rate outcomes set out in the report.

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