

TEESSIDE PENSION BOARD

A meeting of the Teesside Pension Board was held on Monday 2 November 2020.

PRESENT: C Monson (Chair), W Ayre, J Cook and C Hobson

OFFICERS: S Lightwing, N Orton, M Jackland and C Lunn

APOLOGIES FOR ABSENCE: G Whitehouse and L Littlewood

20/24 **DECLARATIONS OF INTEREST**

| Name of Member | Type of Interest | Item/Nature of Inter |
|-----------------------|-------------------------|-----------------------------|
| J Cook | Non pecuniary | Member of Teesside Fund |
| Councillor C Hobson | Non pecuniary | Member of Teesside Fund |
| C Monson | Non pecuniary | Member of Teesside Fund |

20/25 **MINUTES - TEESSIDE PENSION BOARD - 27 JULY 2020**

The minutes of the meeting of the Teesside Pension Board held on 27 July 2020 were taken as read and approved as a correct record.

20/26 **MINUTES - TEESSIDE PENSION FUND COMMITTEE - 22 JULY 2020**

A copy of the minutes of the Teesside Pension Fund Committee meeting held on 22 July 2020 was submitted for information.

NOTED

20/27 **TEESSIDE PENSION FUND COMMITTEE - 16 SEPTEMBER 2020**

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 16 September 2020.

The main points highlighted were:

- The Investment Activity Report. The Fund valuation at the end of June 2020 was approximately £4.1 billion. This was roughly flat over the course of the year but was an increase of approximately £400 million since the March 2020 valuation. This reflected the bounce back in markets.
- The Committee received a presentation from Border to Coast confirming that the equity investments continued to hit the targets of 1% above the benchmarks for those Funds. The organisation was continuing to grow and now had 84 employees and 9 different investment funds. Teesside currently invested in 4 of those funds.
- The Investment Advisors provided their investment advice and both favoured Equities and Alternatives above some of the other asset classes at the current time.
- CBRE, the Fund's property advisers, also gave a presentation. As at 30 June 2020

the Fund had 28 mixed use properties worth £270 million collectively. The Fund continued to increase its property portfolio and had recently agreed terms on a long let with a well-regarded supermarket. There had been some issues with arrears on rent payments which CBRE were seeking to address. However, 87% of the rent due for the 30 June 2020 had been collected. Whilst the impact on the Pension Fund was not huge the outstanding rent would not be written off and CBRE would continue to collect it.

- A local investment proposal was agreed.

Councillor C Hobson put on record her thanks to everyone involved in the Teesside Pension Fund who had worked hard to secure investments for the Fund throughout the pandemic.

The Chair requested an update on progress towards the Fund's agreed Asset Allocation and Strategy. The Head of Pensions Governance and Investments explained that discussions were ongoing as to the correct strategy in the current climate and there would be a formal review of the Asset Allocation Strategy in the next few months.

The Chair also requested that representatives of Border to Coast be invited to attend a future Board meeting.

AGREED as follows:

1. The information provided was noted.
2. An interim update on the asset allocation strategy would be provided to the Board when available.
3. Representatives from Border to Coast would be invited to a future Board meeting.

20/28

PENSION BOARD TRAINING

A report of the Director of Finance was submitted to remind Members of the Teesside Pension Board of the legal requirement for all Board Members to have the necessary knowledge and understanding to carry out their role, and to outline and discuss how this level of competency could best be acquired and achieved.

Details of the knowledge and understanding required in respect of the relevant regulations and guidance were set out at paragraphs 5.1 and 5.2 of the submitted report. It was appropriate to regularly review the training approach and ensure that both new and continuing Members received ongoing training.

It was suggested that a knowledge assessment tool developed by actuarial and consultancy firm Hymans Robertson could be completed by both Committee and Board Members in order to identify any areas that required development. This would enable more targeted training to be developed and delivered.

AGREED as follows:

1. the information provided was received and noted.
2. Board Members agreed that the knowledge assessment should be completed.
3. the Head of Pensions Governance would liaise with the Chair of the Teesside Pension Fund Committee to progress the training approach.

20/29

UPDATE ON WORK PLAN ITEMS - COMMUNICATIONS

A report of the Director of Finance was presented to provide information in relation to items scheduled in the work plan for consideration at the meeting.

The items were: the annual review of Board training (covered separately at agenda item 6), communicating with Members, and publishing scheme information. The suggested activity for the Board (taken from the Scheme Advisory Board guidance) to cover this was a review of standard employer and scheme member communications.

The Pension Fund's communications policy was published on the Pension Fund website. A

copy of the Communications Policy was attached at Appendix A to the submitted report. Appendix B to the submitted report provided some examples of scheme member and employer communications. Although the policy was published in 2017 it was still relevant since no material changes had been made to the communication approach. The policy was however due for its three-yearly refresh and this would be progressed with an updated version presented to the Pension Fund Committee for approval.

XPS had recently recruited a communications team member who was developing the existing website with a view to improving its navigation, functionality and content. Screenshots of the latest proposed upgrade to the Pension Fund website were attached at Appendix C to the submitted report.

It was highlighted that some communications, notably the Pensions Savings Statement and the Retirement Options Letter, were very complex and contained a large amount of necessary information. Confirmation was given that all such documents were sense-checked independently when they were refreshed. It was suggested that an explanation of technical words, phrases and acronyms used in communications could be included on the Teesside Pension Fund website as a reference point.

The Chair commented that it was pleasing to see that direct contact details were included in the majority of communications and also drew attention to some references that needed updating.

The upgraded website was due to go live later this month and was a stand-alone site accessed through the XPS site. In response to a query by the Chair, the Officer agreed to check whether Teesside Pension Fund members would have direct access to the Teesside Pension Fund at the outset, as opposed to having to navigate their way through the XPS site initially.

AGREED that the information provided was received and noted.

20/30

UPDATE ON CURRENT ISSUES

The Head of Pensions Governance and Investments presented a report to provide Members of the Teesside Pension Board with an update on current issues affecting the Pension Fund locally or the Local Government Pension Scheme (LGPS) in general.

The four items covered in the update were as follows:

- Government consultation on a remedy for discrimination identified in the McCloud/Sergeant court cases.

A government consultation had taken place on proposals designed to remove the unlawful discrimination caused by the protection of older members when the Local Government Pension Scheme was reformed in 2014. All leavers would now have a check carried out to establish whether they would have been better off under the final salary scheme or under the career average scheme. Whilst this would not have a huge impact in terms of uplifting peoples benefits, it would have resource implications for XPS. Checks would also need to be made retrospectively on all leavers since 2014.

At the last actuarial valuation in March 2019, the Actuary had made an assumption that this unfairness would be corrected and added 0.9% of pensionable pay to every employer's contribution rate.

XPS were considering how best to plan and resource for the applying the underpin and had already communicated with employers to advise that additional data would be required.

- Reforming Local Government Exit Pay.

Regulations which introduced a limit of £95,000 on total exit payments to, or in respect of, an individual leaving public sector employment had been passed and would come into force on 4 November 2020. This created an issue for Administering Authorities and for Scheme

Employers, as the LGPS regulations had not yet been changed. This meant the LGPS regulations stated that a member leaving the LGPS on redundancy or business efficiency grounds aged 55 or more would have their pension benefits paid immediately without any early retirement reduction applied (regardless of employer cost), but the exit cap regulations stated that any payment to, or in respect of them, was capped at £95K. The Local Government Association was seeking legal advice on this and was expecting government guidance on this imminently.

A further proposal was that any member being made redundant could receive either a redundancy payment, or the payment that their employer made for unreduced benefits - the capital cost amount. Members would no longer be entitled to both and would need to choose.

- Partial Government Response: Review of Employer Contributions and flexibility on exit payments.

This new legislation would allow administering authorities to review contributions from employers to allow them to be considered in between valuations in certain circumstances. There would also be more flexibility around Employer exit payments and a new category of "Deferred Employer" would be introduced along with the facility for administering authorities to enter into a "Deferred Debt Agreement" with such an employer.

The Head of Pensions Governance and Investments would work with the Scheme Actuary to bring a revised draft Funding Strategy Statement (FSS) to the Committee to agree prior to consultation with the scheme employers. The revised FSS would set out the Fund's policies in relation reviewing employer contributions and flexibility on exit payments.

- Earliest age to access pension to increase from 55 to 57.

In 2014 the Government indicated its intention that the earliest age most individuals would be able to choose to draw a pension would increase from age 55 to age 57 with effect from 2028. Thereafter the intention was for the age to increase so that it stayed 10 years below an individual's state pension age. In a recent written response to Parliament, the Government affirmed its intention to legislate for this increase in due course. Further detail would be provided when available.

AGREED that the information provided was received and noted.

20/31

XPS ADMINISTRATION REPORT

A report was presented to provide an overview of administration services provided to the Teesside Pension Fund by XPS Administration, Middlesbrough. A verbal update was provided at the meeting highlighting the following issues:

- Covid-19 Update.
- Membership Movement.
- Member Self-Service.
- Complaints.
- Internal Dispute Resolution Process.
- Annual Benefit Statements.
- Common Data.
- Conditional Data.
- Customer Service.
- Performance.
- Employer Liaison.
- Performance Charts.

The majority of staff continued to work from home, although there had been an increasing number returning to a more normal office working environment. There was no timeframe to commence a full return to an office environment and following the latest lockdown announcement the current arrangements would be revisited in line with government guidance.

As part of the communications strategy, Member Self-Service would be promoted more widely through Employers and the regular newsletter.

In relation to the Annual Benefits Statements, 95.1% had been issued. Detailed statistics in relation to the unproduced statements were contained in the submitted report. The Head of Pensions Governance suggested that the Fund should keep a log of all cases where Annual Benefits Statements were not issued on time and a formal decision recorded as to whether or not to report these breaches to the Pensions Regulator. It was also suggested that further work should be carried out in relation to members who were recorded as 'gone away/lost contact'.

XPS was currently liaising with nine Employers after the number of late payments increased in August.

AGREED that the report and information provided was received and noted.

20/32

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

None.