

TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 7

TEESSIDE PENSION BOARD REPORT

26 FEBRUARY 2025

DIRECTOR OF FINANCE AND TRANSFORMATION– ANDREW HUMBLE

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.

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 19 July 2021 the Board agreed an updated 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 (SAB) had identified as important for Local Pension Boards to consider. This work plan has been reviewed and updated periodically by the Board, with the last updated approved at its 25 November 2024 meeting.
- 4.2 The items scheduled for consideration in the work plan for this meeting are Pension Board Conflicts of Interest and an Update on the Code of Practice Review – these are set out below. The current work plan is contained at Appendix A.

5. PENSION BOARD CONFLICTS OF INTEREST

- 5.1 The Pension Regulator's General Code of Practice explains the legal requirement scheme managers of public service pension schemes have to meet certain requirements in respect of conflicts of interest relating to a pensions board. This is the relevant section of the General Code of Practice:

"Public service pension schemes – pension boards

22. Under section 5 of the Public Service Pensions Act 2013, scheme managers of public service pension schemes have to meet certain requirements relating to conflicts of interest regarding the pension board. In this situation, a conflict of interest is a financial or other interest, which is likely to prejudice the way in which someone carries out their role as a member of the pension board. It does not include a financial or other interest arising merely from them being a member of the scheme or any connected scheme.
23. The scheme manager must:
- a. be satisfied that a prospective member of the pension board does not have a conflict of interest
 - b. remain satisfied that none of the members of the pension board has a conflict of interest
24. The scheme manager should:
- a. circulate the register of interests and the other relevant documents to the pension board for ongoing review
 - b. publish these documents (for example, on a scheme's website)"
- 5.2 The Board's terms of reference includes the following about conflicts of interest:
- "30. All members of the Board must declare to the Administering Authority on appointment and at any such time as their circumstances change, any potential conflict of interest arising as a result of their position on the Board.
31. A conflict of interest is defined as a financial or other interest which is likely to prejudice a person's exercise of functions as a member of the Board. It does not include a financial or other interest arising merely by virtue of that person being a member of the Scheme.
32. On appointment to the Board and following any subsequent declaration of potential conflict by a Board member, the Board Secretary, with the assistance of the Monitoring Officer if required, shall ensure that any potential conflict is effectively managed in line with both the requirements of the Board's conflicts policy and the requirements of the Code"

- 5.3 In practice, conflicts of interest are unlikely to occur but nonetheless it is important to be aware of the possibility of conflict and, if in doubt, to declare and discuss any potential conflict in advance of a meeting.
- 5.4 Although membership of the Local Government Pension Scheme is specifically highlighted in the Pensions Regulator's guidance as not being a conflict of interest, some Board (and Committee) members choose to declare this anyway for transparency.
- 5.5 As yet, no actual conflicts of interest have been identified in respect of the Board. Consideration is being given as to whether a 'nil return' statement should be posted on the Council's website to ensure compliance with the publication requirement set out in the Regulator's Code at paragraph 5.2 above.

6. UPDATE ON CODE OF PRACTICE REVIEW

- 6.1 The Pensions Regulator (TPR) is the UK regulator of workplace pension schemes. It has a wide range of responsibilities in relation to regulating trust-based (private sector) pension schemes and plays a more limited but still very significant, role in regulating public service pension schemes such as the Local Government Pension Scheme (LGPS).
- 6.2 The TPR produces guidance in relation to the governance and administration (but not the investment or funding) of public service pension schemes. As reported previously, TPR went through an exercise to merge its existing codes of practice into a single new code, the General Code of Practice, which came into force on 27 March 2024. The General Code of Practice can be found on TPR's website at the following link:
- <https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/general-code-of-practice.ashx>
- 8.3 The General Code of Practice is divided into five sections (shown in bold below). Also shown below are the new modules included in the General Code of Practice (not present in the previous codes of practice). Some of these (asterisked and shown in italics) will not directly apply to the LGPS but where this is the case, compliance will usually be viewed as 'best practice' by TPR.

The governing body

- Meetings and decision-making
- *Remuneration and fee policy **
- *Managing advisers and service providers **
- *Scheme continuity planning **
- *Own risk assessment **

Funding and investment

- *Investment governance **
- *Investment monitoring **
- *Climate change **

Administration

- Planning and maintaining administration
- Financial transactions
- Transfers out
- Record-keeping
- Data monitoring and improvement
- Maintenance of IT systems
- *Cyber controls* *

Communications and disclosure

- General principles for member communications
- Scams

6.4 Although the General Code of Practice took effect from 27 March 2024, TPR has indicated that it does not expect schemes to be able to demonstrate full compliance with all the provisions of the Code from that date. However, what is expected that schemes will have an awareness of where there are potential gaps in compliance and, ideally, a plan setting out how and when these gaps will be filled.

6.5 As reported to the 8 July 2024 Board meeting, the Fund carried out an initial assessment to determine its level of compliance with the Code, with the aid of a spreadsheet-based assessment tool developed by Hymans Robertson (the Fund's actuary). That initial assessment showed that, from the 14 chapters of the General Code of Practice that are analysed in the report, five showed full compliance, with the remaining nine showing levels of compliance between around 57% and 93%. A task list was produced showing what steps needed to be taken to reach full compliance with the Code.

6.6 An updated version of this task list is attached at Appendix B.

7. NEXT STEPS

7.1 The workplan will continue to be provided to future Board meetings.

7.2 The Code of Practice checklist will be provided to future Board meetings as required.

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Teesside Pension Board Work Plan		
Date of Board meeting and any standard items scheduled	Suggested areas of focus (from the Pensions Regulator's Public Service Toolkit list)	Suggested activities (including from the Scheme Advisory Board guidance)
November 2024 Annual Review of Board Training		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
February 2025	Conflicts of interest	Update on Code of Practice review
April 2025 Annual Board Report	Managing risk and internal controls	Review of risk register Review internal and external audit reports
July 2025 Draft Report and Accounts	Maintaining accurate member data	Review administration reports, including data quality scores and progress in relation to any data improvement plans.
November 2025 Annual Review of Board Training	Maintaining member contributions	Review administration reports including in relation to any late payment of contributions. 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
February 2026	Providing information to members and others	Review standard employer and scheme member communications. Review procurements carried out by Fund
April 2026 Annual Board Report	Resolving internal disputes	Review and internal dispute cases / Pensions Ombudsman cases since the last review. Review the outcome of actuarial reporting and valuations.
July 2026 Draft Report and Accounts	Reporting breaches of the law	Review breaches process and log. Review the complete and proper exercise of employer and administering authority discretions.
November 2026 Annual Review of Board Training		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
February 2027	TBC	TBC
April 2027 Annual Board Report	TBC	TBC
July 2027 Draft Report and Accounts	TBC	TBC
November 2027 Annual Review of Board Training	TBC	TBC

Task	Original Target Timescale	Status	Revised Target Timescale
The Governing Body: Board Structure and Activities			
1. Include Nolan principles within induction training for Pension Fund Committee and Teesside Pension Board, to ensure non-Councillors are aware of required characteristics.	30/06/2024	Complete	
2. Note - Going forward, Appendix 2 (qualities of a Chair) could be shared with group leaders prior to any appointment process for a future chair of the Pension Fund Committee	30/06/2024	In-hand (for May 2025 annual Council meeting)	
Administration: Scheme Administration			
3. Develop a strategy for the long-term administrative objectives of the scheme and agree a process for delivering these with the administrator - will be picked up as part of the ongoing re-procurement of the outsourced pensions administration function.	31/12/2024	Initially align with Tyne & Wear Pension Fund's stated administration strategy objectives: "comply with...statutory requirements, improve data quality and reduce the risk of breaching rules and regulations that could result in penalties and reputational damage. The focus of the strategy is to ensure the timely flow of required and accurate information between employers and the Fund."	
Administration: IT & Cyber Security			
4. Consider providing more detail to Committee on cyber risks and controls	30/09/2024	Ongoing – Cyber risk, data security and business continuity were covered extensively in Tyne & Wear Pension Fund's administration proposal. Detail will be included in the Pension Fund Business Plan to be provided to the March 2025 Committee	31/03/2025
Communications and Disclosure: Information to Members			
5. Deferred members where no address is known do not receive benefit statements (although, technically, those statements are produced). Ongoing discussions about bulk address tracing with outsourced pensions administrator will be progressed. Assess on-line availability as a longer-term alternative.	31/12/2024	Discussions with XPS were put on hold following the announcement of the tender outcome. Will be considered once new pensions administrator onboarded.	30/09/2025

Appendix B

Task	Original Target Timescale	Status	Revised Target Timescale
The Governing Body: Knowledge & Understanding			
6. Maintain list of key scheme documents available to access outside of the on-line learning academy.	30/09/2024	Key scheme documents are currently held on https://www.teespen.org.uk/lgps-members/investments-and-funds/trust-documents/ These will be transferred to another site (tbc) from June 2025.	30/06/2025
7. Further review of the Pension Committee and Board knowledge and understanding should be scheduled.	30/09/2024	National Knowledge Assessment carried out in 2024 with Board and Committee participation, reported to Committee and Board in November/December 2024	
8. Pension Board knowledge and understanding could be further reinforced by scheduling further Board training through the Pension Board workplan	30/09/2024	Ongoing – Pension Board workplan is flexible enough to incorporate training opportunities	Ongoing
9. Could develop and document Pension Committee and Board training plans more fully.	30/09/2024	Ongoing	30/06/2025
The Governing Body: Risk Management			
10. More formal annual review of all internal control documents need to be put in place.	31/12/2024		30/06/2025
11. Further analysis is required to ensure all TPR expectations on the design of internal controls are covered.	31/12/2024		30/06/2025
12. Diarise review of assurance reports (from external providers), assess whether any gaps exist i.e. any investment managers who do not / can not provide reports. Liaise with external audit, who also go through a process to collate these reports, to avoid duplication of effort.	30/09/2024		30/06/2025
13. Review pensions administration provider's Business Continuity Plan at same six month frequency as the Fund's Plan Develop an annual review process of any potential conflicts of interest in relation to the six non- Middlesbrough Council Committee members.	31/12/2024	New provider's business continuity plan assessed as part of tender exercise.	Complete

Appendix B

Task	Original Target Timescale	Status	Revised Target Timescale
14. Develop an annual review process of any potential conflicts of interest in relation to the six non- Middlesbrough Council Committee members.	30/09/2024	Under discussion with Democratic Services	30/06/2025
15. Arrange to publish Board conflict register on website (although this is currently a 'nil' return).	30/06/2024	To be discussed with Democratic Services	30/06/2025
Investment			
16. Develop written policy on the use of advisers "These policies should consider the specific circumstances of the scheme, such as the investment knowledge and experience available to the governing body and the relevant legal requirements"	31/12/2024	On hold pending outcome of Government 'LGPS Fit for the Future' consultation exercise, which looks likely to require Funds to use their Pool company as their principal source of investment advice	30/09/2025
17. Further onward reporting and additional analysis required to fully meet the standard outlined, for example including stress testing, scenario testing and any early warning triggers that are relevant. Work with other managers to fully understand their climate risk approach.	31/12/2024	Need to identify internal (or external) resource to carry this out.	31/12/2025
Administration: Information Handling			
18. Annual review of processes and systems for financial transactions recommended. Finalise reporting on scheme-specific data.	31/12/2024	Scheme-specific data report finalised with XPS. Need to ensure reporting carried forward with new pensions administration provider	30/09/2025
19. Formal data improvement plan should be devised and implemented - will progress once new pensions administration contract is in place.	31/12/2024	Develop data improvement plan with new provider post-31 st May 2025 transfer	30/09/2025
20. Carry out data reviews annually.	31/12/2024	Implement with new pensions administration provider	30/09/2025
Communications and Disclosure: Public Information			
21. Update IDRPs guide leaflet to include correct contact details of Money and Pensions Service.	30/06/2024	Updated	30/06/2024
Reporting to TPR: Reporting Breaches			
22. Update breaches policy to include reference to advising TPR if another regulatory body e.g. ICO is advised of a breach.	30/06/2024	Updated	30/06/2024