



# South Tyneside Council

Local Pension Board

Date: 20<sup>th</sup> October 2020

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## Local Pension Board - Annual Report (for information and read only)

Report of the Head of Pensions

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### **Purpose of Report**

1. Attached is a copy of the Report from the Chair of the Local Pension Board to Pensions Committee. This has previously been circulated to members of the Local Pensions Board.
2. This report was presented to Pensions Committee on 24<sup>th</sup> September 2020. It will be published on the Fund's website and referenced in the Annual Report and Accounts.
3. The report is compiled to provide feedback to Pensions Committee on the work undertaken during 2019/20 by the Local Pension Board and to meet the legislative requirement for producing an annual report.

### **Recommendation**

4. The Local Pension Board is recommended to note the report.



# South Tyneside Council

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## Local Pension Board - Annual Report 2019/20

Report of the Chair of the Local Pension Board

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### **Purpose of Report**

1. The report is compiled to provide feedback to Pensions Committee on the work undertaken during 2019/20 by the Local Pension Board and to meet the legislative requirement for producing an annual report.

## Background

2. The Public Service Pensions Act 2013 introduced the requirement to have a Local Pension Board to assist in the good governance of the scheme.
3. South Tyneside Council ratified the establishment of the Board with effect from 26 May 2015. The Board meets four times a year and consists of four Employer and four employee representatives.

## Membership and Attendance at Meetings

4. The Membership of the Local Pension Board is:
  - Jim Woodlingfield ( Chair) – Employer Representative (NCG)
  - Nicholas Wirz (V Chair) – Employee Representative (Unison)
  - Cllr Pat Hay – Employer Representative (South Tyneside Council)
  - Philip Smith – Employer Representative (TT2)
  - Mick Brodie – Employer Representative (North East Regional Employers Organisation)
  - Chris Sharkey – Employee Representative (Unison)
  - Tom Hunter – Employee Representative (GMB)
  - John Pearson – Employee Representative (GMB)
5. Attendance at the meetings has been fair at 66.67% (This excludes the meeting of the 26<sup>th</sup> March 2020 which was cancelled due to Covid-19).
6. Attendance at TWPF training events has been 83.33%
7. A copy of the attendance record is attached at **Appendix 1**.

## Overview of the Year

8. It has been another busy year for the Board. Attendance has been lower than in previous years, due to a mixture of reasons down to the personal circumstances of board members and reflective of higher workloads across the local government sector.
9. I would like to thank the Board Members and the Officers for effective meetings and for their input and feedback on the meeting formats.

## **Covid-19**

10. An outbreak of Covid-19 was first detected in China towards the back end of 2019. During early 2020 it started to spread internationally and the first cases were reported in the UK in early 2020.
11. On 11<sup>th</sup> March 2020 the World Health Organisation declared a global pandemic. The first lockdown measures in the UK were introduced in late March 2020.
12. The scheme administrator was required to respond to this, with the safety and wellbeing of the staff being of utmost importance. During the period of lockdown the Fund was able to continue to provide the service to members and employers in difficult circumstances. The Board is supportive of the action taken by the Fund and the way it has responded to the situation.
13. Covid-19 continues to impact on the Fund, and the Board will continue to monitor the response and actions taken by the scheme administrator.

## **Training**

14. The Fund has offered a number of training opportunities for Board members. Where possible, training has been offered in conjunction with Pension Committee to develop and further relationships across the two groups.
15. **Appendix 1** also shows details of the training events and conferences, which have been open to Board Members.
16. All members identify their training needs to the Fund and the training events are designed to accommodate these. Board members have assessed their knowledge/skills against the national standards set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) Technical Knowledge and Skills Framework for Local Pension Boards.

## **Work of the Pension Board**

17. In its forward plan the Board identified the following key issues, namely:
  - Pooling
  - Pensions Processing
  - Breaches of the Law
  - Issues of non-compliance with scheme employers

- Risk Management and Audit Reports
- Monitoring of scheme employer issues
- Valuation
- Continuing scrutiny and transparency of the accounts
- Compliance against Code of Practice 14
- Data Quality
- Ethos/Values and Interaction with members and employers.

### **Pooling**

18. The Local Pension Board has observed that Pooling is now Business as Usual for the Fund. The Board receives pooling updates as part of the regular reporting pack. The Board is satisfied that Pooling is in the interests of the fund and Officers have been able to demonstrate that savings are on track.
19. The Local Pension Board will continue to monitor the situation to ensure Border to Coast provides the expected value for money for scheme members and scheme employers and will highlight any areas of concern to the Lead Officers and the Committee.

### **Pensions Processing**

20. The Board supports the aim of the scheme administrator to increase reliance on electronic administration of the pension scheme and reduce reliance on paper records. The Board remains alert to the potential risks to members if the electronic systems fail to deliver the desired outcome.
21. The Board has received regular reports from the scheme administrator on progress. The Board was very pleased to note the dramatic reduction in outstanding cases and the progress on updating the member services portal.
22. The Board will continue to monitor progress and looks forward to further efficiency gains and an improved customer service. The Board will continue to work with Officers to ensure that the appropriate measures are used to evaluate the improvements.

## **Breaches of the Law**

23. The Board are pleased to note the continuing improvement in the reporting capability and analysis of the reasons for Breaches and are satisfied with the materiality criteria applied by Officers. The Board will continue to monitor Breaches at each meeting and this will be a focus for future improvements. The Board welcomes the work by Officers in identifying trends and causes for all breaches and is keen to work with Officers to support Members and Employers in improving data flows.

## **Issues of non-compliance with scheme employers**

24. The Board has received regular employer non-compliance reports from the scheme administrator at its quarterly meetings and is pleased to note the improving compliance situation. The Board continues to consider this a priority and will advise more robust enforcement in individual cases when the Board considers this necessary.

## **Risk Management and Audit Reports**

25. The Local Pension Board receives a quarterly report on the risk register. In accordance with the changes identified following a risk workshop delivered by Deloitte as part of the training in September 2016, there is now greater consideration on particular risks as part of each meeting.
26. In line with this change, the Board has had its attention drawn by the scheme administrator to items on the risk register which need to be reviewed in the light of altered circumstances, which works well. Changes identified by the Board to the register are then advised to the Committee.
27. Board members are also encouraged to proactively advise of any risks they feel are miscategorised and valuable discussions have taken place with Officers so that we can have confidence that risks are categorised correctly.

## **Monitoring of scheme employer issues**

28. The Board continues to monitor scheme employer issues and is pleased to note the resolution of some long running disputes and acknowledges the work of the Officers in pursuing these cases. The Board agrees that sometimes it is pragmatic to bring disputes to a close where there is no realistic prospect of recovery but continues to work with and challenge Officers appropriately.

## **Valuation**

29. The Board was pleased to note the successful conclusion of the 2019 valuation and the agreement of the contribution rates for all employers. The Board notes the impact of the valuation on the Investment Strategy of the fund and welcomes the work of Officers and the Committee to protect the position of the fund.

## **Continuing Scrutiny and Transparency of the Accounts**

30. The Board's concerns here relate primarily to the adoption of the CIPFA guidance on the disclosure and transparency of investment management fees and expenses. The Scheme Advisory Board is encouraging all funds to adopt this guidance.
31. The Fund was an early adopter. As well as producing the final accounts on this basis the annual budget is also prepared on the same basis to ensure consistency. The Board are comfortable with this approach and would prefer TWPF to continue to fully document costs even if this is not standard practice yet across the sector as a whole.
32. The Board will continue to look closely at this issue, in particular, to establish whether fees, expenses and other "leakages" might not be adequately reported under the CIPFA guidance.

## **Compliance against Code of Practice 14**

33. The Board received training on Code of Practice 14 and now receive a regular report on compliance as part of the annual calendar of reporting. To date the Board is satisfied that no material breaches of Code of Practice 14 have occurred.

## **Data Quality**

34. The Board receive a regular report on data quality and were pleased to note the high scores achieved by the scheme administrator for common data and scheme specific (conditional) data.
35. The Board note the caveat that until a standard definition is agreed for LGPS scheme specific data this score may be subject to change.
36. The Board will continue to monitor data quality and the implementation of the Data Quality Improvement Plan. The Board notes that engagement with Employers and Members will be key in improving data quality and looks forward to working with Officers to build on these already strong relationships.

## **Ethos/Values and Interaction with members and employers**

37. Due to the Covid-19 situation this report has been carried forward. The Board notes that the Officers of the Fund have displayed the values in the way that critical activities have continued and the improvement work has, if anything, intensified in this period.

## **Costs**

38. The costs of the Board are included in the Pension Fund Governance Budget. For 2019/20 the costs were £20,800. This includes the costs of training, travel and the time of the Lead Officer for the Board.

## **Forward Plan for 2020/21**

39. The Board discussed a forward plan at the July 2020 meeting; this was informed by a formal delegation of items from the Pensions Committee. The Board has worked closely with the Committee to identify areas where additional value could be added by delegating work to the Board. The Board are keen to ensure their work adds value to the work of the Committee and the Administering Authority and to avoid duplication.

## **Financial Implications**

40. The financial implications are set out in the report.

## **Legal Implications**

41. The Fund is required to have a Local Pension Board as set out in the Public Service Pensions Act 2013 which also requires the Fund to produce an annual report on the work of the Board.

## **Equalities Implications**

42. There are no equalities implications.

## **Environmental Implications**

43. There are no environmental implications.

## **Human Resources Implications**

44. There are no Human Resources implications.

## **Corporate Landlord Implications**



45. There are no corporate landlord implications.

## **Schedule of Appendices**

46. The following Appendices are attached to this report

**Appendix 1** - Pension Board Attendance Record and Summary of Training and Conferences

# Local Pension Board – Annual Report

## Appendix 1

Board Member	Local Pension Board Meetings				Training Events							
	4 <sup>th</sup> July 2019	23 <sup>rd</sup> Oct 2019	19 <sup>th</sup> Dec 2019	26 <sup>th</sup> March 2020*	Residential Training September 2019	Residential Training February 2020	LAPFF Conf.	LGC Conf.	CIPFA Seminars	Induction Training	BCPP Annual Meeting	Other Training
Jim Woodlingfield (Chair)	✓	✓	✓	-	✓	✗	✓	✗	✓	N/A	✓	✓
Nicholas Wirz (V Chair)	✓	✓	✓	-	✓	✓	✓	✓	✓	N/A	✓	✓
Clr Pat Hay	✗	✓	✗	-	✓	✓	N/A	N/A	✓	N/A	N/A	N/A
Phil Smith	✓	✓	✗	-	✗	✓	N/A	N/A	N/A	N/A	N/A	N/A
Mick Brodie	✗	✗	✓	-	✗	✓	N/A	N/A	N/A	N/A	N/A	N/A
Chris Sharkey	✓	✓	✓	-	✓	✗	N/A	N/A	N/A	N/A	N/A	N/A
John Pearson	✓	✓	✗	-	✓	✓	N/A	N/A	✓	N/A	N/A	N/A
Tom Hunter	✓	✗	✗	-	✓	✓	N/A	N/A	✓	N/A	N/A	✓

\* The meeting on 26<sup>th</sup> March was cancelled at late notice due to Covid-19

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## Local Pension Board – Annual Report

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**The following is a list of the background papers (excluding exempt papers) relied upon in the preparation of the above report:**

<b>Background Paper</b>	<b>File Ref:</b>	<b>File Location</b>