



South Tyneside Council

Local Pension Board

Date: 19th December 2019

Performance Assessment

(For decision)

Report of the Head of Pensions

Purpose of Report

1. The Investment Principles require that there are arrangements in place to measure the performance of the Committee and its advisors.
2. A system has been adopted that is based on self-assessment, but using external evidence where possible.
3. As a matter of good practice a similar process has also been adopted for the Local Pension Board.
4. The Committee and the Local Pension Board has previously agreed that the exercise will be carried out as part of its annual February/March training seminar as this allows additional time for discussion.
5. This report reminds the Local Pension Board of the approach to be adopted and seeks views on the area of work to be included in the self-assessment.

Background

6. The Local Government Pension Scheme version of the Investment Principles requires that there are arrangements in place to measure the performance of the Committee and its advisors.
7. Principle 4 requires that
 - Arrangements should be in place for the formal measurement of the performance of the investments, investment managers and advisors.
 - Administering authorities should also periodically make a formal policy assessment of their own effectiveness as a decision making body and report on this to scheme members.
8. A system has been adopted that is based on self assessment, but using external evidence where possible.
9. As a matter of good practice a similar process has also been adopted for the Local Pension Board.

Approach to Assessing Performance for the Board

10. As noted above the current approach for assessing the performance of the Local Pension Board, and the Officers supporting the Board, is primarily based on a self-assessment process using a pro-forma initially provided by Hymans Robertson.
11. The Committee and the Local Pension Board has previously agreed that the exercise will be carried out as part of its annual February/March training seminar as this allows additional time for discussion.
12. This paper is provided to the Local Pension Board in advance of the assessment in February to provide an opportunity to comment on the areas to be assessed.
13. External evidence on the Fund's approach to governance, including an assessment against the relevant CIPFA and MHCLG guidance is provided in an annual Governance Review undertaken by Deloitte, the Fund's Internal Audit advisor. It is still considered appropriate to obtain this external evidence to assist the Committee and the Local Pension Board. For this year Deloitte has also been asked to comment about the Fund's position regarding the recent review of "Good Governance in the LGPS" undertaken by Hymans Robertson on behalf of the Scheme Advisory Board.

14. It is interesting to note that the Phase II report from Hymans includes a recommendation that administering authorities should undertake biennial independent governance reviews. This is largely the review that the Fund has asked Deloitte to undertake on its behalf for a number of years.
15. As part of this year's review Deloitte has reviewed the agenda's for all meetings of the Committee and the Local Pension Board, held discussions with the Vice Chair of the Committee and the Chair of the Local Pension Board and attended a Committee meeting. The final report from Deloitte is due in January 2020.
16. As part of the 2018/19 review by Deloitte, they were asked to comment on the Fund's approach to self-assessment. In the report from 2018/19 they concluded that the "Having reviewed the process and considered alternative methods used elsewhere in the market, we feel the approach taken is both thorough and effective."
17. At the same time Hymans Robertson was also asked if enhancements should be made to the process. They noted that the approach remains appropriate and have not suggested any significant changes
18. On this basis it is considered appropriate to continue to use this process for the 2019/20 assessment of performance.

Potential Areas to be Monitored/Assessed

19. The purpose of the Board is to assist the Administering Authority in its role as a scheme manager. Such assistance is to:
 - Secure compliance with the Regulations and any other legislation relating to the governance and administration of the Scheme and;
 - Secure compliance with any requirements imposed by The Pensions Regulator in relation to the Scheme and;
 - Secure compliance to ensure the effective and efficient governance and administration of the Scheme.
20. Therefore, it is believed that the areas to be assessed should be based around this overall purpose.
21. It should also be noted that the Local Pension Board at its meeting in July 2019 agreed to look at the following areas as part of its programme of work for the year:
 - Pooling

- Pensions Processing, Breaches of the Law and Management Information (including non-compliance issues with scheme employers)
 - Risk Management and Audit Reports
 - Monitoring of Scheme Employer Issues
 - The Valuation
 - Scrutiny of the Accounts
 - Compliance against Code of Practice 14.
 - Data Quality.
 - Ethos/Values and Interaction with members and employers
22. Therefore, the assessment should also consider whether appropriate, information, advice, progress and improvements have been made on the areas in the work programme.
23. The overall aim is to check the appropriateness of decisions taken and advice received, and to determine whether outcomes might have been improved.
24. The assessments carried out by the Local Pension Board in February 2019 are attached as Appendix A for information.
25. Also attached as Appendix B is a potential pro-forma, produced by officers suggesting a range of areas to be considered for self-assessment. This is largely based on the areas covered in paragraph 20 above. There are however a few other areas suggested, as follows:
- The review of the Investment Strategy
 - Merger
 - Overall Governance of the Fund
 - Provision of Assistance to the Administering Authority
 - Approach to Training/Knowledge and Skills.

It is however, up to the Local Pension Board to decide which issues it wishes to include within the monitoring system, or to propose further changes to the monitoring system. The Board may conclude that they

have not had sufficient involvement in some of these areas to be included in the self-assessment.

Scoring

26. It is proposed that the current grading approach to the assessment process remains appropriate. It is based on a “red, amber or green” grading, as follows:
- Red would indicate that the decision made / advice provided was not ideal (from any one factor such as timeliness, execution etc.) and that there was a clear “lesson learnt” relating to the process that the Local Pension Board should record for the benefit of any future decisions.
 - Amber would indicate that the decision made / advice provided was satisfactory but there were one or more minor points that could be improved on.
 - Green would indicate that there were no issues of concern.
27. The Local Pension Board should focus on identifying and acting on the decisions and advice that attract a “red” or “amber” grading. This can then be used to inform the work programme going forward.
28. The monitoring is largely done on a qualitative basis. A number of criteria can be considered, e.g. the timeliness and quality of decisions.

The Pensions Regulator –Governance and administration risks in public service pension schemes: an engagement report

29. The report to the Local Pension Board in October on the Code of Practice 14, included an update on the review that the Pensions Regulator had undertaken on the LGPS, which focussed on engagement with 10 individual funds. This included a copy of the report which was issued in September 2019.
30. One area of focus was on Local Pension Boards. At the meeting in October a request was made for the recommendations made by the Regulator to be used to help inform views on the assessment of the Local Pension Board’s performance.
31. Set out below are the recommendations from this area of the Regulators report and the Fund Officers views on the position at Tyne and Wear Pension Fund.

Recommendation	Current Position
The Scheme Manager should arrange training for Pension Board members and set clear expectations around meeting attendance.	<p>A training programme is provided for all Pension Board and Committee members. Additional training events are also supported where a training need is identified.</p> <p>Attendance at training and meetings is generally very good and is reported on in the Fund's report and accounts and also in the Local Pension Board Annual report to the Committee</p>
Individual pension board member training and training needs should be assessed and clearly recorded	A training needs assessment was carried out in late 2018 and the summary results are captured in a quarterly report to the Local Pension Board as set against the CIPFA Knowledge and Skills Framework for Local Pension Boards
The Pension Board should meet an appropriate number of times a year, at least quarterly	The Local Pension Board meets quarterly and is also invited to the two training events each year.
Processes should be in place to deal with an ineffective Pension Board member by either the Chair of the Pension Board of the Scheme Manager	<p>The Governance Statement for the Local Pension Board requires that members must be able to demonstrate their capacity to attend and complete the necessary preparation for meetings and participate in training as required. (para 24 and 28)</p> <p>The Governance Statement also states (para 33) that "In the event of consistent non-attendance by any Board member then the tenure of that membership should be reviewed by the other Board members in liaison with the Committee.</p>
Scheme Managers should be aware of the risk of Pension Board member turnover and ongoing training needs	Appointments to the Board are undertaken on a three year cycle. Nominations to the Board are sought from employers and trades unions are therefore sought every three years or as and when a vacancy arises.

	<p>The Local Pension Board has been operational for coming up to five years. So far there have only been two changes to the membership of the Board.</p> <p>Further consideration will be given to this risk when the governance arrangements are reviewed.</p>
Recommendation	Current Position
Regular contact between the Scheme Manager and the Chair of the Pension Board is helpful. An open and auditable dialogue outside of formal meetings can help improve the governance and administration of the fund.	<p>A quarterly meeting takes place with the Chair of the Local Pension Board and the Head of Pensions as a representative of the Scheme Manager.</p> <p>In addition, contact is also maintained at training events and Board meetings.</p>
The Chairs of the Pension Board and Pension Committee should consider attending each others meetings to observe as this leads to better transparency.	<p>All Local Pension Board members have a standing formal invite to attend the special meeting of Pensions Committee when the service plan is discussed and agreed.</p> <p>The Board and the Committee also interact at the Fund's training events and other conferences.</p> <p>Should the Chairs wish to attend each others meetings this can easily be accommodated.</p>
Pension Board members should be fully engaged and challenge parties where appropriate.	The Local Pension Board is considered to be fully engaged in its role and responsibilities, which includes challenging the Scheme Manager, where appropriate.

32. Whilst it may not be appropriate to formally assess the performance of the Board against these recommendations as part of the self-assessment exercise, it is useful to understand the position against the recommendations made.

33. The Officers view is the operation of the Local Pension Board at Tyne and Wear Pension Fund is entirely consistent with these recommendations. The Local Pension Board is invited to offer its views and thoughts on this matter.

34. These recommendations and potential actions will be considered in greater detail by Officers as part of a wider exercise to review the report from the Regulator and the recommendations made.

Recommendation

35. The Local Pension Board is recommended:

- to consider which areas of work should be included in any self-assessment exercise
- to offer views on the operation of the Local Pension Board in the light of the recommendations from the Pensions Regulator
- if Board members are unable to attend the training session in February, to provide views to the Head of Pensions, Interim Head of Legal or other Local Pension Board Members for inclusion in the exercise.

Reason for Recommendation

36. To assess the effectiveness of the Local Pension Board in assisting the Committee in its role as Scheme Manager.

Tyne and Wear Pension Fund

Proposed Performance Assessment 2018/19

Assessment to be undertaken by Members of Local Pensions Board

Performance Self-Assessment of the Local Pension Board

Areas to be monitored / assessed	Did the Local Board have sufficient information and did it get appropriate advice?	Was information received promptly? If No were there any factors that led to delays in receiving information or advice?	Were any issues of concern identified?	Were the boards concerns appropriately addressed?	Overall assessment of decisions taken or advice received in respect of areas being assessed.
Overview of Pooling	Y	Y Timings of Committee meetings can cause a lag .However, acknowledged that Board has access to all papers and at the same time	Scheme member representation by the Board	Yes – Scheme member representative now sits on the Joint Committee	Green
Reporting of Breaches of the Law	Y	Y	Although all information provided breach register to be further developed	Yes – to be included in future meetings	Green
Pensions Processing, including Electronic Processing	Y	Y	N However, will continue to monitor processing	N/A	Green

Monitoring of Employer Issues	Y	Y	N Role of the Board and interaction with the Committee discussed and agreed	N/A	Green
Risk Management and Monitoring of Risk	Y	Y	Y	Y	Green
Scrutiny of the Accounts and Cost Transparency	Y	Y	Role of the Board and interaction with the Committee discussed and agreed	N/A	Green
Compliance with COP 14	Y	Y	Y	Y	Green
Data Quality	Y	Y	Y	Y	Green
Business Continuity and Disaster Recovery	Awaiting audit review and Report	Awaiting audit review and Report	Awaiting audit review and Report	Awaiting audit review and Report	Amber
GMP Reconciliation	Y	Y	Y	Y	Green

Reviews of the Investment Strategy Statement	Y	Y	Y	Y	Green
Reviews of the Funding Strategy Statement	Y	Y	Y	Y	Green
Overall governance of the Fund	Y	Y	Initial communications between Committee and Board	Now resolved with structured links in place	Green
Provision of Assistance to the Administering Authority	Y	Y	Y	Y	Green
Approach to Training/Knowledge and Skills	Y	Y	Y	Y	Green

Performance Assessment of the Fund's Officers

Areas to be monitored / assessed	Was the advice and recommendation clear?	Were the advice and papers delivered on time?	Were the Officers proactive?	Was the contribution to the debate satisfactory?	Was the outcome efficiently implemented?	Overall Assessment
General conduct	Y	Occasionally papers were sent out late	Y	Y	Y	Amber (due to papers, will be looking at ways to address)
Contribution at meetings	Y	Occasionally papers were sent out late	Y	Sometimes due to the volume of business discussion was cut short	Y	Amber (but looking for ways to have more valuable discussions at board meetings)
Content and clarity of reports	Y	Occasionally papers were sent out late	Y	Sometimes officers spoke to reports	Y	Amber (but looking for ways to have more valuable discussions at board meetings)
Contribution to training	Y	Y	Y	Y	Y	Green
Content of Fund documents, e.g. policies, Annual Report and Accounts	Y	Y	Y	Y	Y	Green

Overall quality of advice	Y	Occasionally papers were sent out late	y	Y	y	Green (board may need to take outside advice if this is identified)
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Scoring System

- Red** **The decision made/advice provided was not ideal (from any one factor such as timeliness, execution etc) and that there was a clear “lesson learnt” relating to the process that the Local Pension Board should record for the benefit of any future decisions.**

- Amber** **This indicates that the decision made/advice provided was satisfactory but there were one or more minor points that could be improved on.**

- Green** **There are no issues of concern**

Tyne and Wear Pension Fund

Proposed Performance Assessment 2019/20

Assessment to be undertaken by Members of Local Pensions Board

Performance Self-Assessment of the Local Pension Board

Areas to be monitored / assessed	Did the Local Board have sufficient information and did it get appropriate advice?	Was information received promptly? If No were there any factors that led to delays in receiving information or advice?	Were any issues of concern identified?	Were the boards concerns appropriately addressed?	Overall assessment of decisions taken or advice received in respect of areas being assessed.
Overview of Pooling					
Reporting of Breaches of the Law					
Pensions Processing					
Risk Management and Monitoring of Risk					
Monitoring of Employer Issues					
2019 Valuation					

Areas to be monitored / assessed	Did the Local Board have sufficient information and did it get appropriate advice?	Was information received promptly? If No were there any factors that led to delays in receiving information or advice?	Were any issues of concern identified?	Were the boards concerns appropriately addressed?	Overall assessment of decisions taken or advice received in respect of areas being assessed.
Scrutiny of the Accounts					
Compliance with COP 14					
Data Quality					
Ethos/Values and interaction with members and employers					
The review of the Investment Strategy Statement					
Merger					
Overall governance of the Fund					
Provision of Assistance to the Administering Authority					

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Approach to Training/Knowledge and Skills					

Performance Assessment of the Fund's Officers

Areas to be monitored / assessed	Was the advice and recommendation clear?	Were the advice and papers delivered on time?	Were the Officers proactive?	Was the contribution to the debate satisfactory?	Was the outcome efficiently implemented?	Overall Assessment
General conduct						
Contribution at meetings						
Content and clarity of reports						
Contribution to training						
Content of Fund documents, e.g. polices, Annual Report and Accounts						

Overall quality of advice						
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Scoring System

Red The decision made/advice provided was not ideal (from any one factor such as timeliness, execution etc) and that there was a clear “lesson learnt” relating to the process that the Local Pension Board should record for the benefit of any future decisions.

Amber This indicates that the decision made/advice provided was satisfactory but there were one or more minor points that could be improved on.

Green There are no issues of concern

Performance Assessment

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

Background Paper	File Ref:	File Location
Investment Decision Making and Disclosure in the Local Government Pension Scheme – A Guide to the Application of the Myners Principles	N/a	Head of Pensions Office, South Shields Town Hall