



Local Pension Board

Date: 19th December 2019

Pensions Committee Minutes – 5th November and 26th November 2019 (for information and read only)

Report of the Head of Pensions

Purpose of Report

1. This report details the draft minutes of the meeting of Pensions Committee on 5th November (AGM). The minutes of the meeting on 26th November 2019 were not available at the time of writing. Once drafted they will be circulated to the Board in advance of this meeting. They are still subject to final review and approval by the Committee.
2. The members of the Local Pension Board have access to the agenda, reports and minutes of the Committee.
3. The Head of Pensions will verbally summarise any issues from the Pensions Committee which he believes should be highlighted to the Board, and where they are not contained elsewhere on the Board agenda.
4. The members of the Local Pension Board are encouraged to ask any questions regarding the Pensions Committee agenda and minutes.
5. The Local Pension Board is recommended to note the report.

Advance Copy: The Pensions Committee need to agree these minutes are accurate but cannot do this until its next meeting on 26 November 2019



South Tyneside Council

Pensions Committee Minutes

5 November 2019

Present: Councillor A Walsh (in the Chair), Flynn, Foreman, Hetherington, Leask, Porthouse and Purvis.

Co-Opted Members

Councillor McCarty (Newcastle)
Councillor Goldsworthy (Gateshead)
Councillor Samuel (North Tyneside)

Employer Representatives:

Mrs A Munro

Advisers

Paul Potter (Hymans Robertson)
Jonathan Teasdale (AON)

Local Pension Board Representatives: John Pearson (GMB),
Nicholas Wirz

Apologies: Councillors Thompson, Haley, Heron and Lawson,
Mr P Goddard, Mrs L Brown.

1. Declarations of Interest

Councillor Leask, A Walsh, Goldsworthy, Foreman, Flynn, McCarty, Samuel, Mrs Munro, Mr I Bainbridge, Mr P McCann, Mrs H Chambers and Mrs K Connolly declared non pecuniary interests in all issues, as contributing members of the Pension Fund. They remained in the meeting for the discussion and determination of all matters.

2. Resolution to Exclude the Public

Resolved: That the public be excluded from the meeting for the remainder of the agenda items as they involve exempt information as defined in paragraphs 1 or 11 of Schedule 12a of the Local Government Act 1972.

Minute no.	Item	Exempt category nos.	"public interest" test - reason for exempting
3 - 5	3 - 5	7	The report contains commercially sensitive information which, if published, could affect the business affairs of persons named in the report."

3. Introduction from Head of Pensions

Submitted: Verbal update by the Head of Pensions
Ian Bainbridge, Head of Pensions, welcomed all Members and representatives of the Trades Unions to the meeting, which had been called to present information on the Tyne and Wear Pension Fund and give an opportunity for Trades Union representatives to ask questions.

The Tyne and Wear Pension Fund Annual Report and Accounts 2018/19 had been circulated for information.

The Head of Pensions noted that the Funding level had improved since the 2016 valuation. This should result in most employers seeing a positive improvement in their funding position. It was noted, however that some employers would be in a stronger position than others.

The Tyne and Wear Pension Fund is one of twelve Local Government Pension Funds that has created an Investment Management Company called Border to Coast Pensions Partnership Limited. This was all part of a government initiative from 2015/16, which required LGPS funds to pool their assets with each other. Work was ongoing to transfer the assets from the Fund to Border to Coast.

An update was provided on a consultation to change the valuation cycle, from 3 years to 4 years, to align the Local Government Pension Scheme with the other public service schemes. Whilst the intention is to align the valuations in

2024, it was still expected that the next valuation would take place in 2022.

A brief summary was provided of the reviews which the Scheme Advisory Board had commissioned. It was also noted that the Pensions Regulator had undertaken a review of ten LGPS funds across the country. A report on this review had recently published which was being considered by the Fund.

It was noted that the Tyne and Wear Pension Fund was in discussion with Northumberland County Council Pension Fund about merging the two funds. Whilst the due diligence on this was still progressing it was well advanced. The Head of Pensions set out the reasons behind the merger. It was noted that this should have very little impact on individual members or employers.

Before any merger could proceed it would require a change in Regulations and this would involve a consultation process. It was hoped that the consultation process would commence in the new year. Should the merger proceed the target date is 1 April 2020.

The Fund has made significant moves on electronic processing and communications over the past few years. The mypension online service for members is now up and running, and will form a large part of the offering going forward.

Resolved: That the update be noted.

4. Fund's Investment Performance

Submitted: Presentation by Paul Potter of Hymans Robertson.

Paul Potter, Hymans Robertson, gave a presentation on the Fund's Investment Performance to March 2019.

He reported that the Fund had seen positive returns from the stock markets. The overseas investments had seen a boost in return which was partly down to the currency gain through a weak sterling and strong dollar.

The UK economy and market continued to be dominated by Brexit. Until recently the lower level of sterling was boosting returns for UK investors. The impact of Brexit was also subduing the UK commercial property market.

A review of the Investment Strategy had been undertaken in conjunction with the 2019 local fund valuation. Details of the new long term investment strategy were presented.

An overview of the current position in relation to asset pooling was provided together with the details of the asset transfers which had been undertaken so far.

In summary there had been a strong outperformance by the Fund over all periods against its benchmark. The level of absolute and real returns were holding up well. The returns from alternative assets have been significant contributors.

The new high level Investment Strategy will be implemented following the 2019 actuarial valuation. The implementation of asset pooling is well advanced.

Resolved: That the presentation be noted.

5. Update from AON Hewitt

Submitted: Presentation by Aon, the Fund's Actuary.

Jonathan Teasdale, Aon provided a recap of the valuation process. He presented the position in relation to the numbers of active, deferred and pensioner members in the Fund.

Due to the McCould case the cost cap process had been paused. Funds will need to consider the uncertainty surrounding the McCloud case when setting employer contribution rates from 2020 and reflect this in their Funding Strategy Statement. The Government are to consider the impact of the case on all public service schemes, including the LGPS. The Fund and its actuaries will need to discuss the McCloud case in the context of securing solvency and long term cost efficiency.

An update on the current funding position and contributions was provided. The contribution rates for the employers are set at the end of each valuation. The approach for determining the rates was outlined. It was expected that for most employers this would be a positive outcome but the position for each individual employer would be different.

Resolved: That the presentation be noted.

Insert Minutes of 26th November 2019

Local Pension Board – Quarterly Report

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
Local Pension Board Reports and Agenda	N/a	Pensions Office, Town Hall, South Shields