



South Tyneside Council

Local Pensions Board Minutes

20 October 2021

Present: Cllr Purvis, Nicholas Wirz (*Chair*), John Pearson, Tom Hunter, Mick Brodie, Tony Carr, David Keetley and Rachel Dunn

Ian Bainbridge (Head of Pensions) and Heather Chambers (Principle Pensions Manager),

Paul Baldasera (Strategy and Democracy Officer) and Joseph Catchpole (Strategy and Democracy Support Officer)

Present via Zoom: Items 1 – 4 Paul McCann (Principal Governance and Funding Manager). Item 5 - Hassan Rohimun (Associate Partner, Ernst & Young) and item 15 – Neil Sellstrom (Principal Investment Manager).

1. Declarations of Interest

N Wirz, J Pearson, , T Hunter, T Carr, D Keetley, M Brodie, R Dunn, I Bainbridge, H Chambers, P Baldasera and J Catchpole declared non-pecuniary interests in all issues, as members of the Pension Fund.

They remained in the meeting for the discussion and determination of all matters.

2. Minutes of 1 April 2021

Resolved: That the minutes of the meeting held on 1 April 2021 be confirmed as a true record.

3. Notes of the meeting 7th July 2021

Resolved: That the minutes of the meeting held on 7 July be confirmed as a true record.

4. Role and Membership of the Local Pensions Board (For decision)

Submitted: Report of the Head of Pensions.

This report had been prepared for the assistance of new members to the Board to provide an overview of the governance arrangements.

The Public Service Pensions Act 2013 introduced the requirement for Local Pension Boards in the Local Government Pension Scheme. South Tyneside Council established the Local Pension Board for the Tyne and Wear Pension Fund on 12 March 2015.

The following report provided an overview of:

- The Administering Authority
- The role of the Board
- Appointments to the Board for the period 2021/22 – 2023/24
- The Governance Arrangements for the Board.

The Chair explained that the Board needed to appoint to the role of Vice Chair and that this would have to be an Employer Representative. He asked for expressions of interest in the role

Mick Brodie noted that he was prepared to stand if there were no other nominations. The Chair expressed support for Mick Brodie and this was unanimously agreed by the Local Pension Board.

The reported noted that John Pearson was looking to retire from the Local Pension Board. However, after consideration of this, John agreed to remain.

Agreed: That (a) role of the Board and the governance arrangements be noted, and (b) Mick Brodie be appointed as Vice Chair of the Local Pension Board.

5. Annual Report and Accounts 2020/21

Submitted: Report of the Head of Pensions

This Report provided access for the Local Pension Board to the Fund's external auditor and their report on the Tyne and Wear Pension Fund Report and Accounts 2020/21.

The Associate Partner, Ernst & Young LLP (EY), detailed the draft audit results which were designed to express an opinion on the 2021 financial statements and address current statutory and regulatory requirements.

With regards to Significant Risks of the Fund, EY had not identified any material weaknesses in controls or evidence of material management override. There were also no identified instances of inappropriate judgments being applied. It was noted that the accounts had not yet been signed off, and EY were looking to complete the work by the end of November.

A question was, asked about what caused the delay to complete the audit work.

It was explained that delays to the work were caused by complications with Covid-19 and the additional audit work needed around merger. There were also issues with Northumberland's Pension Fund audit from the previous year because their audit was not signed off at the time the audit work for Tyne and Wear commenced

A further question was asked if there were any implications of signing audit reports off late.

It was explained that there were no legal repercussions for local government bodies in terms of a late audit opinion. However, any delay of missed deadline was considered to be a reputational issue.

A discussion was held around the audit work undertaken and whether it was appropriate to do this remotely. It was noted that whilst this was not ideal EY had gained the necessary assurances that they needed.

The Chair asked if there were any procedures in place in the case of issues of Fraud.

The Associate Partner said that if there was any evidence of fraud, this would be communicated to the audit committee and then in turn to the LPB.

The Chair made a general point that, whilst he acknowledged the role of the Audit Committee, the role of the Local Pensions Board should be recognised more in the report

Agreed: That the report be noted.

6. Training for Local Pension Board (for decision)

Submitted: Report of the Head of Pensions

The purpose of this report was to address the training requirements of the Local Pension Board.

The Local Pension Board had used the Chartered Institute of Public Finance and Accountancy (CIPFA) Technical Knowledge and Skills Framework for Local Pensions board to benchmark their training requirements.

The report also set out a Training Policy for approval and summarised the approach to training and where additional training support could be accessed. The new training toolkit purchased from Hymans Robertson was discussed and members of the Local Pension Board were encouraged to use this.

It was noted that the next training event would be in February in either Leeds or Edinburgh. A discussion was held on items to potentially include in the training programme.

Agreed: That (a) The Training Policy be approved, (b) the report be noted.

7. Local Pensions Board – Quarterly report to Pensions Committee (for information and read only)

Submitted: Report of the Head of Pensions

The Chairman took that the report was for information and read only and no discussion took place on the item.

Agreed: That the report be noted.

8. Local Pension Board – Annual Report 2020/2021 (for information and read only)

Submitted: Report of the Head of Pensions

The report provided feedback to Pensions Committee on the work undertaken during 2020/21 by the Local Pensions Board and to meet the legislative requirement for producing an annual report.

The Public Service Pensions Act 2013 introduced the requirement to have a Local Pensions Board to assist in the good governance of the scheme. South Tyneside Council established the Board in 2015.

Attendance of the Pensions Board had improved slightly from the previous year. The Board initially operated a reduced agenda to take account of the virtual meeting format. Over the current year this was expanded. Training was also delivered virtually throughout 2021 which allowed for more flexibility in subjects covered. A particular highlight was an in-depth discussion of the annual service plan.

The Chair extended thanks to the Board Members and the Officers for their flexibility with the virtual meeting format and their active contributions.

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

The Chair referred to Investment Pooling on paragraph 38. The Local Pension Board had observed that Pooling is now Business as Usual for the Fund. The Board received pooling updates as part of the regular reporting pack. The Board was satisfied that Pooling was in the interests of the Fund and Officers had been able to demonstrate that savings were on track.

The Local Pension Board would continue to monitor the situation to ensure 'Border to Coast' provides the expected value for money for scheme members and scheme employers.

Agreed: That the report be noted.

9. Meeting Dates for 2021/22 (for information and read only)

Submitted: Report of the Head of Pensions

The report set out the meeting dates for the Pensions Committee, the Investment Panel, and the Local Pensions Board for the 2021/22 Municipal Year.

Agreed: That the report be noted

10. Work Programme for 2021/22 (for decision)

Submitted: Report of the Head of Pensions

The Report provided an update to the issues reviewed by the Local Pension Board in 2020/21 and sets out a range of issues which the Local Pension Board may wish to include in its work Programme for 2021/22.

The Chair said that continuity was the key aspect to consider within the work programme. Quarterly reports needed to capture key issues

The issue of climate change was included in the work programme for the year.

The Chair went on to say that there were eight Annual reports to consider throughout the year so the aim should be to take two per meeting.

The Chair said that although the work programme is formally reviewed annually, there was scope to cover other issues should any concerns be identified. .

Agreed: That (a) the report be noted and (b) the Local Pensions Board agree the work programme for the year. .

11. Internal Audit Annual Report 2020/21 (for information and read only)

Submitted: Report of the Corporate Director Business and Resources

Internal Audit was able to give full assurance on the adequacy and effectiveness of the Pension Fund internal control environment. The process helped with the Council's statutory responsibility to ensure proper administration of its financial affairs were being met. The Board welcomed the report and noted that the processes followed provided robust challenge and welcomed regular updates.

A question was asked on investment pooling.

The Head of Pensions explained the background to pooling and Fund's involvement with Border to Coast, who were the investment pooling company that was part owned by the Fund.

Agreed: That the report be noted.

12. Risk Management and Internal Audit (for information and discussion)

Submitted: Report of the Head of Pensions

This report contained the current Fund Level Risk Register and the internal Audit Programme.

The Pensions Committee had delegated the quarterly monitoring of the risk register and the internal audit programme to the Local Pension Board. The Committee in future would continue to receive annual reports on these matters.

The Local Pension Board reviewed changes to the risk register and discussed two risks in detail. These were

- Contribution rates for some employers become unaffordable as government financial support during the pandemic ends for employers and employers are unable to meet contribution payment deadlines, and
- The potential impact of climate change has not been sufficiently reflected in the Fund's Investment Strategy or by the Investment Managers which could lead to financial loss.

Agreed: That changes to the risk register be noted.

13. Data Quality – Annual Report (for information and discussion)

Submitted: Report of the Head of Pensions

This report updated the Board on matters concerning data quality in respect of pensions administration and member benefits.

The report set out the Regulations in respect of data quality and the requirements of the Regulator in this area including the need to measure and score data quality on at least an annual basis and to have a data improvement plan to correct any issues.

The Fund's data score for September 2021 is: Common data 99.9%, Scheme Specific 98.7%.

A question was asked, if the quality of the data had been affected by the recent merger with Northumberland Pension Fund. The Principal Pensions Manager advised that initially the Northumberland data quality was of slightly poorer quality, however this has been rectified. As all member data has been fully merged and is held in one database, there is no longer any distinction between data.

Details were also provided on the Fund's approach to data retention.

A question was raised about the Fund's approach to data retention and the timescales adopted. The Principal Pensions Manager advised that, the approach was consistent with that of other funds.

Agreed: That the report be noted.

14. Chairman's Urgent Items (verbal)

Submitted: Report of the Head of Pensions

There were no urgent items

Agreed: That the report be noted.

15. Responsible Investment (for information and discussion)

Submitted: Report of the Head of Pensions

A report had been submitted to Pensions Committee on 23rd September 2021, which updated the Committee with the action being taken by the Fund in respect of a number of Responsible Investment and Climate Change actions as set out in the Service Plan for 2021/22. This report was included on the agenda for the Local Pension Board.

The Local Pension Board discussed the Fund's approach and the actions being taken to address these climate risks. In particular a discussion was held on which Portfolios were higher carbon emitters and how this was influenced by a small number of individual stocks.

It was noted that when setting a Net Zero Carbon target it was important to also set ambitious interim targets.

Agreed: That the report be noted.

16. Breaches, Pensions, Processing and Management Information (for information and discussion)

Submitted: The report of the Head of Pensions

This report updated the Board on matters concerning breaches of the law in respect of pensions administration, pension processing, individual employers, and electronics systems.

The table in Appendix A of the report showed the Fund's position as at 30 June and covered a range of performance indicators including those against statutory disclosure requirements and the Fund's local performance indicators. The Principal Pensions Manager, explained that compliance with performance indicators was presented to the Local Pension Board and the Pensions Committee on a quarterly basis.

The Principal Pensions Manager provided an update on pension processing and noted that this was stable and continued to be undertaken on a risk-based approach whilst observing Covid guidance.

The Principal Pensions Manager provided an update on the take up of online services by members and system availability.

The Board were advised that all annual benefits statements had been provided to active and deferred members well ahead of the statutory deadline and the hit rate was very positive.

Issues on the performance of the Fund's Additional Voluntary Contributions provider were discussed and it was agreed that the Officers would continue to monitor the position and keep the Board informed.

The Principal Pensions Manager provided an update on the McCloud Remedy project and advised of the actions the Fund was taking with employers.

Agreed: That the report be noted.

17. Reporting Data Breaches

Submitted: Report from the Principle Pensions Manager

This report updated the Board on matters concerning the reporting of member personal data breaches in respect of pension administration.

The Principal Pensions Manager explained that over time, the Fund had migrated to electronic storage for the vast majority of data. To ensure effective data management the Fund has mapped out the sources of personal data and how they are stored, processed, and retained it.

The Board were advised of training provided to staff including a recent online data and cyber security training course provided by the Council, which has been mandatory for all staff.

Appendix A of the report contains the Fund's data breaches control document. There have been a very small number of breaches. None of them are deemed material or reportable. The majority are due to human error. The Principal Pensions Manager explained the prevention controls and new development being put in place to further negate the risk of breach.

Training for the Board on this matter was discussed and it was agreed that further sessions will be included in future training plans.

Agreed: That the report be noted.

18. Scheme employer Update (for information and read only)

Submitted: Report of the Head of Pensions

This report updated the Board on matters concerning individual employers within the fund.

Agreed: That the update be noted.

19. Pensions Committee Minutes (for information and discussion)

There were no issues discussed.

Agreed: That the report be noted.

Chairman – date
