



South Tyneside Council

Local Pension Board

Date: 21st October 2022

Local Pension Board – Quarterly Report to Pensions Committee (for information and read only)

Report of the Head of Pensions

Purpose of Report

1. The Chair of the Local Pension Board provides a quarterly report to Pensions Committee. This is presented to the Committee alongside the minutes of the Local Pension Board meeting.
2. The last meeting of the Local Pension Board took place on 6th July 2022. Attached is a copy of the Local Pension Board Chair's report that was presented to Pensions Committee on 27th September 2022.
3. The Local Pension Board is asked to note the report.

Tyne and Wear Pension Fund
Report of the Chair of the Local Pension Board
Meeting of 6th July 2022

Purpose of the Report

1. The purpose of this report is for the Pensions Committee to learn of the Board's observations on topics referred from the Committee and to consider any recommendations from and assurances gained by the Tyne and Wear Local Pension Board, and any other relevant information, emanating from the meeting of the Board on 6th July 2022.

Recommendations

2. There are no specific recommendations resulting from the meeting on 6th July 2022.

Outcomes from the Local Pension Board (LPB) Meeting

3. Opening Comments from the Chair

The Local Pension Board (LPB) had its quarterly meeting on Wednesday 6 July 2022. This represented the first full year of the current Board. I was pleased to welcome Tracey Bell to the Board following her appointment. Tracey is an employer representative who works for Morpeth Town Council. Tracey has received her induction training and has completed the Hymans Robertson training package. Tracey was very positive about both. It is significant that a representative from the Northumberland LGPS fund is now embedded in the governance structures of the merged fund. This demonstrates the success of the merger and will reassure members and employers of the former Northumberland fund that their interests continue to be represented in the merged fund. I look forward to Tracey's contributions to the LPB over the coming years.

I wish to bring the following matters to the attention of the Pensions Committee.

4. Presentation from EY 2021/22/ Audit Plan

The LPB places a high value on the role and work of the external auditor. An independent, professional assessment on the fund's accounts is one of the documents that enables the LPB to monitor whether the fund is complying with several of the key legal requirements to which it is subject. The report confirmed that the fund's accounting practices and procedures are working well with only minor observations to assist the Fund going forward.

I am bringing this matter to the Pensions Committee's attention for the following reasons. When we received the same report last year, we commented that EY had omitted to refer specifically to the LPB at key points in the report. We took issue with the following phrase in the covering letter last year:

"This report is intended solely for the information and use of the Audit Committee and management, and is not intended to be and should not be used by anyone other than these specified parties."

We are disappointed that our previous representations on this matter have not been acted upon by EY. We again made submissions to EY on the importance of the role of the LPB in the governance of the Fund and have asked that the report be updated accordingly. We also pointed out some other inconsistencies in the report. We are confident EY has understood our concerns and will act upon them.

The LPB also notes the references to fees in the EY report are not necessarily an accurate reflection of officers' position.

5. Work Programme for 2022/23

Deciding on the LPB's priorities for the coming year was an important decision for this meeting. I am pleased that the LPB supported the evolutionary approach I advocated, building on the work of this and earlier LPBs. The LPB's work plan for the coming year has been agreed as follows:

Quarterly reports

- Pensions Processing and Breaches of the Law. To include performance monitoring issues and non-compliance by Scheme employers
- Risk Management and Audit Reports
- Monitoring of Scheme Employer Issues
- Responsible Investment and Climate Change
- 2022 Valuation

Annual Reports

- Scrutiny of the Accounts – Audit Plan and Final Report and Accounts
- Internal Audit Annual Report
- The Pensions Regulator - Code of Practice 14 – Annual report
- Data Breaches – Annual report
- Data Quality – Annual report
- Investment Pooling – Annual report
- Local Pension Board - Annual Report
- Local Pension Board - Annual Performance Assessment

Other Reports

- Diversity

In addition, the Local Pension Board will continue to receive reports on training and any matters that emerge throughout the year. Topics on the Pensions Committee agenda will continue to be raised and discussed.

6. Risk Management and Internal Audit

Officers brought the following proposed changes to the risk register for the LPB to consider. These were G4, G5, A13 and F9. We agreed with all of the proposed changes. We had a discussion around A13 “From: There will be enforced changes to the investment and governance arrangements from proposals to pool investments across the Scheme which may result in increased costs and impact on net returns. (See also G2). To: Following the move to asset pooling and the transfer of assets to Border to Coast this may not result in an improvement in net returns. (See also G2).”

We queried whether the point had been reached when it was no longer necessary to have a separate entry for pooling as the same risk is assessed for other investment managers. One can argue that the two are the same. Following discussion it was considered appropriate to continue to monitor this separately. The costs and fee savings it is hoped pooling will deliver are still unfolding and the LPB considers it appropriate to look at pooling separately.

The LPB also had a discussion around “A1 Moderate Risk - The funding level worsens or falls below 100% due to investment returns being below the levels assumed in the triennial valuations (i.e. relative return to discount rate)”. The LPB queried whether this should be a high risk given the current uncertainties and the impact they are having on the value of the fund. We concluded that it is probably too soon to classify this as a high risk. The LPB has asked for this to be reported at our next quarterly meeting to enable the Board to review this risk in the light of what is then known.

7. Pensions Processing

This is another report of high value to the LPB. The only comment we wish to make relates to the difficulties the fund is currently experiencing recruiting and retaining staff. We queried whether the creation of permanent posts (as opposed to using agency staff and temporary posts) would improve the fund’s success in recruiting. Officers see the position getting better and would prefer to await the anticipated improvements of the restructure of the pensions service before giving consideration to the creation of additional permanent posts. The LPB will continue to monitor this.

8. Employer Covenants

It was brought to officers' attention that the Office for National Statistics are proposing a reclassification of FE colleges to become part of the general government sector. If colleges were reclassified, it means that they would be treated for financial and accounting purposes as part of the general government sector, standing alongside Ministerial Departments and a wide range of arms-length bodies (these include for instance schools, including academies, non-Ministerial Departments, and non-departmental public bodies). If any altered position means central government guaranteeing the pension liabilities of FE colleges, this would have implications for the strength of their covenant and the employer contribution rate. Officers will keep this under review.

I would like to take this opportunity to thank the officers for their support of the LPB and the LPB members for their attendance and contributions.

**Nicholas Wirz – Chair of the Local Pension Board
Tyne and Wear Pension Fund**

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