



South Tyneside Council

Local Pension Board

Date: 7th July 2021

Local Pension Board - Annual Report (for information and discussion)

Report of the Head of Pensions

Purpose of Report

1. Attached is a copy of the Report from the Chair of the Local Pension Board in 2020/21, to Pensions Committee.
2. This report will be presented to Pensions Committee in September 2021. 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 2020/21 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

Local Pension Board - Annual Report 2020/21

Report of the Chair of the Local Pension Board

Purpose of Report

1. The report is compiled to provide feedback to Pensions Committee on the work undertaken during 2020/21 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 for 2020/21 was:
 - 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 71.88% (All meetings were held virtually in this period due to Covid-19).
6. Attendance at the two Pension Fund annual training events has been 47.9%, attendance at other training available has been 45.0%
7. A copy of the attendance and training record is attached at **Appendix 1**.

Overview of the Year

8. Attendance has improved slightly from the previous year. The Board initially operated a reduced agenda to take account of the virtual meeting format, over the year this was expanded, and the Board gradually returned to a fuller agenda. Training was also delivered virtually this year which allowed for more flexibility in subjects covered. A particular highlight was an in-depth discussion of the annual service plan.

9. I would like to thank the Board Members and the Officers for their flexibility with the virtual meeting format and their active contributions and perceptive comments on the items brought to the Board.

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 11th March 2020 the World Health Organisation declared a global pandemic. The first lockdown measures in the UK were introduced in late March 2020, with further restrictions announced in July 2020 and November 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. The Board would particularly like to commend the way the Fund has looked after the wellbeing of staff and has continued to advance projects such as the merger with Northumberland Pension Fund.
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. The ability to deliver training in a virtual format has resulted in a wider range of subjects being covered and the ability for Board members to choose training which is most appropriate for them. The Board looks forward to the resumption of face to face training, while noting that a hybrid approach will continue allowing flexibility in the training programme.
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:

- Covid-19 Updates
- 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
- Scrutiny of the Accounts – Audit Plan (July 2020) and Final Report and Accounts (October 2020)
- Code of Practice 14 – Annual report (December 2020)
- Data Quality – Annual report (December 2020)
- Investment Pooling – Annual report (April 2021)
- Ethos/Values and Interaction with members and employers.

18. In addition, other one-off reports not included on the initial work programme for the year were presented to the Local Pension Board:

- Service Planning (October 2020). This sought to detail the approach to service planning in respect of issues impacting on service delivery. This was also followed up by a session on the approach to service planning delivered to the Local Pension Board in March 2021.
 - Local Pension Board Governance Documentation (December 2020). A request was made by the Local Pension Board to review the Governance Documentation for the Board in advance of the new Board appointments for 2021/22 to 2023/24.
 - Local Pension Board Appointment Process. (April 2021). This report set out the process to be followed for the appointments to the Local Pension Board for 2021/22 to 2023/24.
 - Local Pension Board – Annual Performance Assessment (December 2020). This provided details of a suggested process
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the Board could use to assess its own performance at a session which took place in February 2021.

Covid-19 Updates

19. The Board welcomed the regular updates from the Scheme Administrator on the effects of Covid-19 and the preventative measures introduced by the UK Government on the activities of the Fund.
20. The Local Pension Board will continue to monitor the situation to support the Scheme Administrator in achieving the best possible outcomes for members and the Fund as the situation develops. The Board would like to acknowledge the effective work delivered by Officers in this unprecedented situation.

Pensions Processing and Breaches of the law

21. 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.
22. 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.
23. 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.
24. 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.
25. 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 support more robust enforcement in individual cases when the Board considers this necessary.

Risk Management and Audit Reports

26. 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.
27. 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.
28. 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.
29. The Board was pleased to note the prompt reaction of Officers to the Covid-19 pandemic and the inclusion and uprating of a number of risks related to this. The Board also welcomed the inclusion of a risk relating to regulatory change which was borne out by the Exit payments cap legislation being introduced and then withdrawn in quick succession.

Monitoring of scheme employer issues

30. 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.

Scrutiny of the Accounts

31. 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.
32. 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 the Fund to continue to fully document costs even if this is not standard practice yet across the sector as a whole.

33. 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

34. 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

35. 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.
36. The Board note the caveat that until a standard definition is agreed for LGPS scheme specific data this score may be subject to change.
37. 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.

Investment Pooling

38. 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.
39. 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.

Ethos/Values and Interaction with members and employers

40. This report was well received by the Board and led to a substantial discussion on the way the values of Officers as part of South Tyneside Council and wider local government contribute to the way the Fund operates.

41. Of particular value to the Board was the training session on the service plan and how this was linked back to the vision of the Fund and the strategic objectives. This gave the Board a high level of confidence that Senior Officers had a good understanding of how the resources of the Fund could be deployed to achieve their objectives and a clear visibility of progress.

Costs

42. The costs of the Board are included in the Pension Fund Governance Budget. For 2020/21 the costs were £37,000. This includes the costs of training, travel and the time of the Lead Officer for the Board.

Forward Plan for 2021/22

43. The Board will agree a forward plan at the July 2021 meeting; this will be informed by the areas identified by the Board as of interest and the formal delegation of items from the Pensions Committee.

Financial Implications

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

Legal Implications

45. 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

46. There are no equalities implications.

Environmental Implications

47. There are no environmental implications.

Human Resources Implications

48. There are no Human Resources implications.

Corporate Landlord Implications

49. There are no corporate landlord implications.

Schedule of Appendices

50. The following Appendices are attached to this report
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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							
	7 th July 2020	20 th Oct 2020	22 nd Dec 2020	1 st April 2021	Training September 2020*	Training February 2021*	LAPFF Conf.	LGC Conf.	CIPFA Seminars	Monthly Online Training **	BCPP Annual Meeting	Other Training
Jim Woodlingfield (Chair)	✓	✓	✓	✓	3	3	N/A	N/A	N/A	5	✓	✓
Nicholas Wirz (V Chair)	✓	✓	✓	✓	3	3	N/A	N/A	N/A	6	✓	✓
Cllr Pat Hay	x	x	x	x	0	0	N/A	N/A	N/A	0	N/A	N/A
Phil Smith	✓	✓	✓	✓	1	3	N/A	N/A	N/A	3	N/A	N/A
Mick Brodie	✓	x	✓	✓	0	0	N/A	N/A	N/A	0	N/A	N/A
Chris Sharkey	x	x	✓	✓	0	0	N/A	N/A	N/A	1	N/A	N/A
John Pearson	✓	x	✓	✓	1	2	N/A	N/A	N/A	6	N/A	N/A
Tom Hunter	✓	✓	✓	✓	1	3	N/A	N/A	N/A	2	N/A	N/A

* participation within individual sessions up to a maximum of 3

**participation within individual sessions up to a maximum of 7

Local Pension Board – Annual 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