

Tyne and Wear Pension Fund

# Annex B

# SWOT Analysis



**Tyne and Wear  
Pension Fund**

South Tyneside Council  
providing pension services for  
Tyne and Wear Pension Fund



## SWOT Analysis

1. The PEST analysis sets out the main external influences impacting on the Fund.
2. A SWOT analysis has been prepared to assist with preparing the aims, objectives and actions and achieving the vision. This entails assessing the strengths, weaknesses, opportunities and threats.
3. The **Strengths** are summarised below:
  - The Fund is one of the largest LGPS funds in the UK. This provides for good resourcing and delivers good economies of scale.
  - The Fund has an experienced and engaged Pensions Committee and Local Pension Board, with a well-established training programme.
  - A review of the organisational structure was implemented in 2022 to improve the focus on service and project delivery, customer outcomes and governance arrangements.
  - We have a nucleus of experienced staff. There is a willingness to change, develop and innovate. We work under delegated powers and with short reporting lines that assist management control and our ability to respond to changing circumstances.
  - The flexibility of staff, processes and systems allows the Fund to respond well to the challenges of modern working.
  - Staff deliver training in-house to ensure the Service has the required skills, knowledge and experience.
  - A Governance and Funding team has been established to provide greater focus and resource in these areas. This includes an in-house legal team.
  - The Fund is compliant with the Myners Investment Principles and benchmarking suggests it is largely compliant with the recommendations expected to come out of the Scheme Advisory Board's Good Governance Review.
  - Investment performance has been strong and ahead of long-term expectations.
  - The investment strategy is subject to an ongoing review to ensure that the Fund has invested appropriately in the light of its liabilities and opportunities in investment markets.
  - The Fund has a well-developed range of Investment beliefs which underpin the Fund's approach to investments.

- A Climate Change Policy has been agreed, which includes ambitious targets for reductions in carbon emissions of 30-35% by 2025 and 50-60% by 2030. This is set against a baseline of April 2019. In addition, a Net Zero Carbon Target of “2050, or sooner” has been agreed. A roadmap of actions to deliver against these targets has also been agreed.
- Excellent progress is being made against the net zero carbon reduction targets. The position as at 31 March 2023 showed a reduction of 39.4% meaning that the first interim target (30-35% reduction by 2025) was surpassed two years early.
- The Fund is compliant with the new Stewardship Code which is a high-level of accreditation of being a responsible investor.
- In-house investment administration allows us to maintain close control over the investment of the Fund and retain valuable expertise within the Service.
- The Fund takes an active role in monitoring and assessing the performance of Border to Coast.
- The 2022 valuation showed a total Fund funding level of 110% as at 31<sup>st</sup> March 2022.
- The Fund merged with Northumberland County Council Pension Fund in 2020. This, plus the fact that we operated a pensions administration shared service arrangement for two years in advance of merger, puts the Fund in a good place to respond to further voluntary or forced mergers or further consolidation of working between funds.
- The in-house pensions administration service allows us to tailor the service to the requirements of the employers and members.
- Our employers benefit from a dedicated Employer Services Team.
- The Fund has developed an employer web facility which allows all employers to submit and receive data electronically in a secure manner. This provides for a secure and efficient approach to the transmission of data and query management.
- The exercises that the Fund has undertaken on measuring the quality of the data captured in the administration system shows it to be of a high standard.
- There is a well-developed communication and training strategy for the employers.
- Our members benefit from a dedicated Member Services Team and a communications strategy that includes a telephone helpline, website and annual reporting.
- The Fund achieves a high success rate for the completion of Annual Benefit Statements to members.

- The Fund has developed a good online offering for members. This includes the ability to receive Annual Benefit Statements electronically, payslips and P60's for pensioners, a retirement calculator and a secure messaging facility, as well as the ability to update personal details and submit death grant nomination forms and access relevant areas of their membership record(s).
- The Fund monitors compliance against the Disclosure Regulations. Performance against these requirements is improving year on year. Additional performance indicators have been developed to support the monitoring of compliance against disclosure requirements. These additional indicators show a trend of improvement.
- An external review has shown that the Fund's compliance against the Pensions Regulators Code of Practice 14 is strong. The Fund has also been assessed as being well-positioned in respect of the incoming General Code.
- The Fund has invested in its pension administration system to develop and enhance the efficiency of processing.
- The Fund performs well against key priority targets for pension processing and disclosure requirements.
- A new helpline telephony system has recently been introduced which is improving the service for members as well as improving on resource management and management information.
- The Fund has recently moved to a new public website which has materially improved the look, feel and accessibility of the information available.
- The contracts for the provision of actuarial and investment advice were both tendered in 2020, with the new contracts running for six years from 1<sup>st</sup> January 2021. The contract for the Pensions Administration Software was tendered in 2021 and commences in April 2022. This can run for up to ten years. These long-term appointments assist with continuity.
- Benchmarking of the pensions administration service shows that the service is provided at a cost below its peers in the LGPS and globally.
- The Fund has a well-developed network of contacts within the pensions industry and participates in several national and regional groups.

4. The **Weaknesses** are summarised below:

- The PEST analysis referred to the changing cashflow and the maturing of the Fund. This is considered in the funding and investment strategies. With the Fund now over 100% funded, there has been a significant reduction in contribution income. There is a need for careful cashflow management.

- With regard to pensions processing, poor data flows lead to increased costs and problems achieving processing deadlines. To address this, we must continue to work with employers to improve the quality and timeliness of information. We have a Pensions Administration Strategy in place and have introduced systems to receive data electronically. We have systems in place to measure the timeliness of the data provided by employers, as well as our own processing. Nevertheless, further improvements can be made. Particular problems are encountered with smaller employers who outsource their payrolls to third party suppliers.
- Backlogs on pensions processing have recently increased. The position on higher priority work is generally good, but it is recognised that the volumes of processes outstanding on some of the lower priority work could be improved.
- Whilst the Fund has an established approach to monitoring performance against disclosure regulations and the new range of performance indicators, it is recognised that the approach to producing the management information could be made more efficient and reliable by reporting tools on the pensions administration system. At the current time, there is an over reliance on the manual collation of data.
- Whilst the online offering to members is considered to be good, the initial registration process and re-setting of passwords and login details by users can be challenging. Some problems can be attributed to the user; however, system performance and the wide variety of browsers are contributory factors.
- Whilst the Fund has recently moved to a new public website, the functionality and content could be improved further to make it a more user-friendly offering to members.
- Problems can be encountered with the system architecture and hardware sitting with the Council whilst the software is being provided by an external third party. This sometimes results in delays to the error resolution as it is first necessary to identify the source of the problem.
- As noted above, one of the strengths is a nucleus of experienced staff. It is, however, recognised that there is an ageing of the workforce in some areas of the service. This position needs to be monitored and improvements made in the approach to staff development and succession planning.
- Whilst the costs of providing the pensions administration service are below those of our peers globally, in terms of the quality and depth of service there are improvements that we can make.

5. The **Opportunities** are summarised below:

- Following the merger with Northumberland County Council Pension Fund, the Fund is well placed to respond to any future Government initiatives on joint working or mergers.
- The review of the staffing organisational structure provides the opportunity to ensure the Fund is appropriately positioned going forward. This will assist the Fund in responding to the evolving pensions landscape and in providing an enhanced service to our members and employers.
- The forced home working which resulted from Covid-19 has provided evidence that different working models can be used. Some of these different ways of working are becoming embedded longer term and should result in a more efficient and effective service provision and improvements in staff morale. This should also help with recruitment and staff retention.
- The Fund continues to explore options for working with other administering authorities through joint working arrangements and framework agreements.
- The Government's policy to pool Scheme assets will provide an opportunity to reduce investment costs and improve value for money. It is important that the Fund ensures that investment returns net of fees are not impaired (and should improve). The governance structure of the pooling arrangement is efficient and set up costs, running costs and transition costs are managed and minimised.
- Pooling will also provide the opportunity to improve our approach to responsible investment due to the increased resource at Border to Coast. This is important at a time when there is an increased focus on this within the investment industry.
- Increased investment options are available for pension funds to consider which are focused on ESG factors in general (and climate change in particular) and at the same time have the potential to deliver market returns to investors.
- The issue of climate change and the potential financial impact on the Fund is significant. If managed correctly, this could add value to the Fund's returns and reduce risks. Coupled with this is the challenge of appropriately measuring and monitoring these exposures to drive improvements and financial returns.
- The ongoing review of the approach to investing the Fund's assets ensures that the strategic benchmark and the investment management structure remain appropriate at a Fund level.
- The strong investment performance over the medium and long-term and improved funding level has provided the opportunity to de-risk the investment strategy. This has also provided for opportunities to increase the prudence in the funding strategy.

- This de-risking and changes to asset allocations are taking place at the same time as assets are being moved to Border to Coast. This allows the Fund to combine any asset transitions to cover both events, which prevents two sets of transaction costs being incurred.
- We are working with our software supplier on the continued development of the pension administration system and the increased use of straight through processing, electronic data transfers and electronic communications. A project has commenced to move the Fund to monthly contribution postings and data submissions.
- The Pensions Administration Strategy provides a framework to provide timely and accurate information flows between the Fund and the employers.
- The Pensions Dashboard, when developed, will help with member contact and engagement.
- Improved management information on processing timescales will help identify areas where improvements can be made.
- The Fund moved to a unitised approach to tracking individual employer's cashflows. This has improved the quality and the speed of any valuation work for individual employers, as well as providing the potential to offer individual investment strategies. It also allows the Fund to allocate different costs to individual employers should it be needed.
- The Fund may provide an employer, on request, with an investment strategy that is modelled against their own liabilities. The unitisation of the Fund noted above will help track an individual employer's position should a bespoke strategy be implemented.

6. The **Threats** to the Service are summarised below:

- Difficulties with recruitment under the current climate and turnover in the Pensions Service coupled with the continued high levels of workload, and the associated increasing complexity of the Scheme can lead to projects not being delivered in appropriate timescales.
- The recent increase in processing backlogs, albeit largely in lower priority work, could result in a deterioration in service to scheme members and employers.
- Some of the processes and systems are not as efficient or effective under home working. There is a balance that needs to be managed between operational efficiency and the work life balance for staff.
- There is a risk of censure by the Internal Disputes Resolution Procedure, the Pensions Regulator and the Pensions Ombudsman if we fail to provide a satisfactory service.

- The McCloud case and the subsequent changes have resulted in significant resource implications. Delays to legislation and the pension software solution have caused delays in the full implementation of the McCloud remedy.
- The same is true for the next stage of the exercise of rectifying and equalising each individual member's Guaranteed Minimum Pension (GMP) entitlement record.
- The move to the full implementation of investment pooling could destroy value and lead to reduced investment performance if it is not managed effectively. There are particular concerns in respect of property assets.
- If the Fund is not ambitious enough in managing the climate change risks and opportunities, this could lead to reduced investment returns and increased risks and a disenfranchisement of members and employers in the Fund.
- The issue of cyber security and breaches of data protection regulations are of increasing importance.
- Reliance on third parties for services such as external software suppliers, and ICT/Network support from within the Council. This means that when work is needed, we must compete with other clients/customers for resources.
- A failure to train staff, retain experienced staff and plan for succession could threaten service provision.
- The move to online processing and communications could disenfranchise some members and lead to us losing contact with members, especially deferred members.
- Customer demands are constantly evolving, and it is important to try and keep up with their expectations. If not, this could lead to reduced levels of customer satisfaction.
- There are a number of central government initiatives on which a consultation has been expected for some time. There is a risk that if they are all received in a short period of time that this could impact on the Fund's ability to respond in an appropriate manner.



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