



South Tyneside Council

Local Pension Board

Date: 27th March 2024

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 20th December 2023. Attached is a copy of the Local Pension Board Chair's report that was presented to Pensions Committee on 7th March 2024.
3. The Board is asked to note the report.

Contact Officer:

Paul McCann, Head of Pensions

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**Tyne and Wear Pension Fund
Report of the Chair of the Local Pension Board**

Meeting of 20th December 2023

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 20th December 2023.

Recommendations

2. There are no recommendations to Pensions Committee following the meeting of the Board.

Outcomes from the Local Pension Board (LPB) Meeting

3. Agenda Item 4 Annual Report and Accounts

We were pleased to welcome Rob James from Ernst and Young (EY), the external auditors to the meeting. The Board values highly the opinions of expert third parties on issues which lie at the core of the duties and responsibilities of the LPB. We were very pleased to note the high level of assurance Rob was able to provide, that the Administering Authority (AA) is managing the financial processes associated with the operation of the scheme well. The LPB will continue to pay close attention to matters relating to audit, both internal and external.

4. Agenda Item 7 Risk Management and Internal Audit

The Board reviewed the two risks, which officers of the AA had recommended for change. These were:

Risk A4 "There is inadequate monitoring of the performance of the total Fund, individual managers (including Border to Coast), Investment Programmes and custodians. Failure to undertake formal reviews, if required." which was moved from "Probable / Negligible (Moderate)" to "Near Certain / Marginal (High)";

Risk A10 "In the short term there is insufficient cash for investment requirements or other commitments, including paying pensions." Which was moved from "Improbable / Negligible (Minor)" to "Possible / Negligible (Minor)"

In relation to risk A4, the reasons given for the change is "Due to the continued increasing demands of responsible investment, particularly climate change, officers have reduced capacity for monitoring and engaging with

Investment Managers on performance. This issue is further exacerbated following the loss of the risk attribution service previously provided by Portfolio Evaluation.”

In relation to risk A10, the reason given for the change is “Following the 2019 and 2022 Valuations there is reduced contribution income each month. This challenge is being compounded by inflationary increases in pension benefit payments and large drawdown requests from the private markets programme.”

Following a discussion, the Board agreed with both of the proposed changes to these risks. The Board was pleased to note that in relation to risk A4 an additional post has been created to assist the senior leadership team of the AA to deal with these increased demands. The Board hopes the recruitment process for this new post will be successful and that this, in turn, will enable the appropriate level of time to be devoted to other important matters such as engaging with investment managers. We hope to see this risk reducing again in due course. In relation to risk A10 the Board notes with approval that the AA works hard to engage with (potential) scheme employers and (potential) scheme members to encourage membership of the LGPS.

The Board examined two further risks on the risk register in detail as follows:

“F8 High Risk (Likelihood – Probable / Impact – Marginal) - Employees do not join or remain in the Fund, either for financial reasons, regulatory change or because their employer does not promote the scheme or structures employees away from the Scheme (scheduled and admitted bodies) or prevents membership (admitted bodies only). Fewer new starters re use of short-term contracts by employers allied to the two year vesting period in the new scheme.”

This risk is connected with risk A10 above. The Board noted that a significant equal pay claim has been submitted to the Employment Tribunal against a TWPF scheme employer. It was also noted that one of the heads of claim relates to offering less generous pension provision to new employees of the contracted out service whereas transferred employees remain in the LGPS. It is argued that this breaches the equal pay provisions in employment legislation. If the Employment Tribunal upholds these claims or if the Respondent employer settles the claim, this is capable of being a powerful disinhibiter to (potential) scheme employers seeking to reduce the number of their employees becoming active members of the LGPS. This is a risk the Board would like to see reduce over time. The current litigation and its outcome may be a factor, which would permit this change.

S1 Moderate Risk (Likelihood – Near Certain / Impact Negligible) – Benefits and payments are accessed by individuals who are not entitled to receive them. This risk, although a moderate one, is very important as a failure could result in financial damage to the Fund and individual members. This in turn could be damaging to the Fund’s reputation.”

The Board received reassurance from officers that the systems operated by the AA have been effective at mitigating these risks and that where there had been overpayments, these had largely been recovered. The Board will continue to monitor this area.

5. Item 12 Local Pension Board Annual Performance Assessment

The Board is happy that this document is fit for purpose. One area that is not captured is the extent to which the Committee is satisfied with the assistance it receives from the Board via quarterly and annual reports and informally during, e.g., joint training sessions. Whilst this does not need to form part of the annual performance assessment as such, the Board would nevertheless welcome feedback from the Committee on the extent to which the Board contributes to the good governance of the fund.”

6. Closing Remarks from the Chair

I would like to thank the Board members and the fund officers for their excellent contributions during the meeting.

**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