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## Local Pension Board Minutes

### 20 December 2023

Present: Nicholas Wirz (*in the Chair*), John Pearson, Mick Brodie, Rachel Dunn & Tracey Bell.

Also in attendance:

Heather Chambers (Principal Pensions Manager)  
Neil Sellstrom (Principal Investment Manager)  
Elizabeth Vollans (Principal Governance and Funding Manager)  
Sean Allen (Democratic Support Officer)  
Karen Connolly (Democracy Officer)

Apologies: Tom Hunter, Paul McCann, and Cllr D Purvis.

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#### 1. Declarations of Interest

***N Wirz, J Pearson, M Brodie, R Dunn, T Bell, H Chambers, N Sellstrom, E Vollans, S Allen & K Connolly*** 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 the meeting of 20 October 2023

Resolved: That the minutes of the meeting held on 20 October 2023 be confirmed as a true record.

#### 3. Items Brought Forward (for information and read only)

Submitted: Report of the Head of Pensions.

The report set out matters brought forward from earlier periods which required action. The items were agreed by the Board

Agreed: That the report be noted.

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#### **4. Annual Report and Accounts 2022/23 (for information and discussion)**

Submitted: Report of the Head of Pensions

The report provided an update on the position of the Annual Report and Accounts for the financial years 2021/22 and 2022/23.

A copy of the updated Report and Accounts was attached to the agenda pack. The Report and Accounts had been approved by the Pensions Committee at its meeting on 1 December 2023. The draft Report and Accounts had now been published on the Fund's website to meet the 1 December deadline.

Whilst the Fund had met the deadline for publishing the draft Report and Accounts, the Fund had been advised by EY that they were not yet in a position to sign off the Council's Financial Statements which included the Fund's Financial Statements. This in turn meant that the Fund's Report and Accounts would not be finalised until the Council's Accounts were signed off. The Fund's Report and Accounts would then remain in draft format until EY are able to provide their audit opinion.

It was noted that the delays in the signing off of the Report and Accounts were a continuation of the national issue that had been affecting local authority report and accounts in recent years. Whilst the 2020/21 Report and Accounts were eventually signed off with a limited opinion, this was not considered appropriate for 2021/22 and 2022/23.

An update on the 2021/22 Report and Accounts was given. As previously explained the 2021/22 accounts had yet to be signed off due to the national audit issue. It was reported that an approach had been agreed between local authorities, audit firms and accountancy professional bodies which should allow Councils to have their 2021/22 Report and Accounts signed off. It is expected that the Councils Report and Accounts 2021/22, which included the Fund's Financial Statements would be signed off by the auditor in the near future. The Fund will then be able to get its own Financial Statements and Report and Accounts signed off and receive its own clean audit opinion from EY.

A member questioned whether officers were confident that there would be no issues on the report and accounts. It was advised that the report considered all aspects and there was nothing specific to draw members attention to.

Agreed: That the position on the Annual Report and Accounts be noted.

#### **5. Training for the Local Pension Board (for information and discussion)**

Submitted: Report of the Head of Pensions

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The report outlined the topics to be considered for the training event in Edinburgh in February 2024.

A virtual training session on the Service Plan for 2024/25 to 2026/27 had been recently delivered and a further training session had been scheduled for 12 January 2024 which would focus on UK commercial property.

It was noted that the Government had stated its intention to introduce a requirement in guidance for administering authorities to set a training policy for pensions committee members and for funds to report against this. The Fund already has adopted a Training Policy, but this will be compared to Guidance once the Guidance is released.

It was noted that the closing date for completion on the self-assessment undertaken to identify gaps in knowledge had passed. Officers would use the information provided to inform the training required.

Members requested that a training session on Cyber Security be included in the 2024 work and training programme. Officers reported that this was something the Council's ICT department were proactively looking at.

Agreed: That (a) the report be noted and (b) Cyber security be considered as an item for future training and meetings.

## **6. Local Pension Board – Quarterly report to Pensions Committee (for information and read only)**

Submitted: Report of the Head of Pensions.

The Chair's quarterly report presented information on the work of the Board held on 20 October 2023, the report had been presented to the Pensions Committee at its meeting held on 1 December 2023.

Agreed: That the report be noted.

## **7. Risk Management and Internal Audit (for information and discussion)**

Submitted: Report of the Head of Pensions

The report contained the current fund level Risk Register and provided an overview of the internal audit programme.

It was noted that a review of the Risk Register had been undertaken on 29 November 2023, none of the risks had been assessed as Critical.

Members of the Board were asked to note the two changes to the Risk Register during the quarter. The Board confirmed that they were comfortable with these changes. These were:

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- A4 – 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.
  - 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 was further exacerbated following the loss of the risk attribution service previously provided by Portfolio Evaluation.
- A10 – In the short term there was insufficient cash for investment requirements or other commitments, including paying pensions.
  - Following the 2019 and 2022 Valuations there was reduced contribution income each month. This challenge was being compounded by inflationary increases in pension benefit payments and large drawdown requests from the private markets programme.

With regards to the two risks investigated in depth in the quarter, the following comments were made:

- **F8 High Risk (Likelihood – probable / Impact – Marginal) – Employees do not join or remain in the fund.**

Members of the Board queried this as the membership appeared to still be on the increase, it was noted the figures were posts and not people. It was asked if the numbers of people in the Fund could be provided as well as the numbers of those who had opted out. It was noted that people opt out for financial reasons and the introduction of academies had seen a huge impact on numbers nationally.

- **S1 Moderate Risk (Likelihood – Near Certain / Impact Negligible) - Benefits and payments are accessed by individuals who are not entitled to receive them.**

Members queried if the current controls were working, it was advised that they were working but that there would always be an element of risk as there was a reliance on people notifying the Fund of changes. If the Fund is not informed then there was a risk.

The audit plan for 2023/24 was now well underway. Since the last report to the Board, the Pensions Payroll Audit had concluded. This was a carry forward audit from the 22/23 plan. A rating of Substantial Assurance had been awarded which was the second highest level of assurance that could be achieved. Two recommendations had been made from the audit, one medium priority and one low priority. Details of the recommendations and the management response were set out in the report.

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Agreed: That the report be noted

## **8. Risk Management Policy (for information and discussion)**

Submitted: Report of the Head of Pensions

As part of the Fund's ongoing commitment to being fully compliant with Code of Practice 14 (and the General Code when introduced), Fund Officers had prepared a formal Risk Management Policy. The Policy was appended to the report. The Board were asked to comment on the policy which was to be taken to the Pensions Committee for approval in January or March 2024.

The Chair provided some feedback relating to grammar and wording which was taken back for review.

Members noted that this document was delegated to the Board, but that Pensions Committee would have the final approval.

Agreed: That the report be noted.

## **9. Annual Climate Change Update (for information and discussion)**

Submitted: Report of the Head of Pensions

The report noted the Service Plan for 2023/24 – 2025/26 included several actions which related to responsible investment and climate change. At the meeting of the Pensions Committee on 1 December 2023 there had been a focus on climate related issues, which included consideration and approval of various policy documents and the Fund's Task Force on Climate-Related Financial Disclosures report.

A summary of the agreed targets and commitments were provided. The report summarised the progress against the Service Plan objectives in relation to climate change and gave an update on the carbon footprint analysis. It focussed on the following areas:

- Climate Change Policy;
- Border to Coast Climate Change Policy;
- Net Zero Road map;
- Taskforce for Climate Related Financial Disclosures Report;
- Government Consultation - Taskforce on Climate-related Financial Disclosures (TCFD) and
- Carbon Footprint Analysis

Agreed: That the report be noted.

## **10. Chair's Urgent Items**

There were no Chair's Urgent items.

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## **11. Local Pension Board Governance Documents (for information and discussion)**

Submitted: Report of the Head of Pensions

The Local Pension Board has constituent documents comprising a Governance Statement, Core Functions and Conflicts of Interest Policy. The documents are in a three-year cycle to coincide with the three-year Board term and were due for review.

A member raised a question on paragraph 23 of the statement, asking whether having a Councillor of South Tyneside Council on the Board created any conflict of interest. It was noted this was not something new to the statement and that a councillor had been the board member since inception.

A further question was asked in relation to paragraph 26 in respect of the Lead Officer of the Board. Officers advised that the role of Lead Officer would remain the responsibility of South Tyneside Council.

Agreed: That the update be noted.

## **12. Local Pension Board Annual Performance Assessment (for decision)**

Submitted: Report of the Head of Pensions

The Local Government Pension Scheme version of the Investment Principles require that there are arrangements in place to measure the performance of the Committee and its advisors.

The current approach for assessing the performance of the Local Pension Board, and the Officers supporting the Board, is primarily based on a self-assessment process using a pro-forma initially provided by Hymans Robertson.

The Committee and the Local Pension Board have previously agreed that the exercise would be carried out as part of the annual February/March training seminar as this allowed additional time for discussion. The paper would be provided to the Local Pension Board in advance of the assessment in February to provide an opportunity to comment on the areas to be assessed.

Members were asked to consider the areas of work that should be included in any self-assessment and to note that if any members were unable to attend the training session in February, that they should provide any views to the Head of Pensions, the Principal Governance and Funding Manager or other Local Pension Board Members for inclusion in the exercise.

Agreed: That (a) the report be noted; (b) consideration be given to areas of work to be added to the self-assessment and (c) if Board members are unable to attend the training session in

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February, they should provide views to the Head of Pensions, the Principal Governance and Funding Manager or other Local Pension Board Members for inclusion in the exercise.

**13. Breaches, Pensions Processing and Performance Information (for information and discussion)**

Submitted: Report of the Head of Pensions

The report updated the Board on matters concerning breaches of the law in respect of pensions administration, pension processing, Individual employers, and electronic systems.

It was noted that it had not yet been possible to fully implement the McCloud remedy due to delays in legislation and the development of the software solution. Work on this is progressing.

Agreed: That the report be noted.

**14. 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 Pensions Regulator expects schemes to carry out a data review at least annually to determine the presence and quality of common data and scheme specific data. If poor quality or missing data was identified, then a data improvement plan would need to be put in place. The Fund's data position was set out in the report.

The members were informed that the Fund continued with the current practice of retaining all data, but the position would be kept under review. It was understood this position was in line with other pension funds.

A Member noted the data improvement plan was positive.

Agreed: That the report be noted.

**15. Scheme Employer Update (for information and read only)**

Submitted: Report of the Head of Pensions

The report provided updates on matters concerning individual employers within the Fund.

Agreed: That the report be noted.

**16. Pensions Committee Minutes (for information and read only)**

The minutes of the Pensions Committee meeting held on 1 December 2023 were presented for information.

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Agreed: That the minutes be noted.

**17. Review of Meeting and report to Pensions Committee (Verbal)**

The Chair thanked all for attendance.

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