



South Tyneside Council

item 5

Local Pension Board

Date: 5th July 2018

Local Pension Board - Annual Report

Report of the Head of Legal Services

Purpose of Report

1. Attached is a copy of the Report from the Chair of the Local Pension Board to Pensions Committee.
2. This 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 2017/18 by the Local Pension Board and to meet the legislative requirement for producing an annual report.

Recommendation

4. The Local Pension Board are recommended to confirm that the report can be presented to Pensions Committee and made available on the Fund's website

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South Tyneside Council

Local Pension Board - Annual Report 2017/18

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 2017/18 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 Pensions 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 is:
 - Nicholas Wirz (Chair) – Employee Representative (Unison)
 - Jim Woodlingfield (V Chair) – Employer Representative (Newcastle College Group)
 - Cllr Doreen Purvis – Employer Representative (South Tyneside Council)
 - Martin Rooney – Employer Representative (Lovell Partnership) (resigned February 2018)
 - 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 good at **68.8** %.
6. Attendance at training events has been **93.8** %.
7. A copy of the attendance record is attached at **Appendix 1**

Overview Of The Year

8. It has been another busy year for the Board. My tenure as Chair comes to an end on 31 May 2018 at which point Jim Woodlingfield takes over.
9. I wish to place it on record how much I have appreciated Jim's support for the duration of my tenure as Chair. I also wish to place on record how much I have appreciated the support and input from all the members of the Board since being elected Chair in June 2015. I have no doubt that

the Board has been effective since it was established and that it will continue to be so with Jim as Chair.

Pooling

10. As with the previous year, the establishment of the Borders to Coast Pension Partnership (BCPP) has remained a key theme in Board business and I note the progress to date.
11. It is disappointing in the Board's view that the BCPP governance arrangements make no standing provision for a scheme member presence at pool level. I acknowledge the efforts made by the Committee and Officers to achieve this goal. Other pools have adopted structures which give those representing scheme members a seat on their pool's governance table. It remains my hope that the BCPP governance structure will soon amend its constitution to allow scheme member representation.
12. In an attempt to deal with the governance deficit created by the absence of a scheme member seat on pool BCPP structures, I tried to create a web-based closed forum of BCPP Board Chairs. My principal aim was to facilitate discussion from a Board perspective amongst Chairs. In appropriate circumstances, I envisaged that such a forum would be able to present the BCPP governing committee with "advice" that represents the collective view of all BCPP Boards.
13. Unfortunately, this did not get off the ground. I would like to acknowledge the support I did receive from Gerard Moore (Independent Chair, Northumberland LPB). The practical difficulties of establishing a pool-wide forum for BCPP LPBs and Board Chairs emphasises the importance of a member voice being enshrined in pool governance structures.

External Input

14. Officers have continued to provide the Board with excellent support, which is much appreciated and which I wish to acknowledge. This year the Board also independently arranged external input to quarterly Board meetings. I would like to thank Gerard Moore (Chair Northumberland LPB), who attended a Board meeting and gave very useful feedback.
15. The Board also received input from Alan MacDougall from the Public Interest Research Centre (PIRC). This was very valuable. All Board members were supportive of the aims and objectives of PIRC and the Local Authority Pension Fund Forum. Board members wish to see improved Environmental, Social and Governance (ESG) performance in the businesses the Fund invests in.

Training

16. 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.
17. **Appendix 1** also shows details of the training events and conferences, which have been open to Board Members.
18. 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.
19. At the joint training event (26-28 February 2018), the Board decided to look at different ways to assess its knowledge, skills and performance in future.

Work of the Pension Board

20. In its forward plan contained in the Chairman's Report for 2016/17 the Board identified the following key issues, namely:
 - Issues of non-compliance with scheme employers
 - Moving pensions towards an e.system;
 - Review of Risks;
 - Continuing scrutiny and transparency of the accounts.
21. In addition, the Board meeting on 20 December 2017 identified the following priority.
 - Changing the governance arrangements of the Board.

Issues Of Non-Compliance with Scheme Employers

22. The Local Pension Board has closely monitored scheme employers, which are failing to comply with the requirements of the scheme administrator. The Board was concerned that some employers were persistently failing to comply with the requirements of the scheme administrator. In many cases, enforcement attempts did not appear to achieve the desired level of compliance.

23. The Local Pension Board advised the scheme administrator that it supports a more robust enforcement regime; including fining defaulting employers and reporting them to the Pension Regulator.
24. 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 advise more robust enforcement in individual cases when the Board considers this necessary.

Moving Pensions To An E-system

25. 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.
26. The Board has received regular reports from the scheme administrator on progress. Whilst the timetable for implementation has slipped, the Board notes that as matters currently stand, this is preferable to launching systems before they are ready. The Board will continue to support moves to take increased advantage of technology in the administration of the scheme.

Continuing scrutiny and transparency of the accounts

27. 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.
28. 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.
29. The scheme administrator covered this issue again in the 2016/17 accounts. 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.

Review Of Risks

30. 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.

31. 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.

The Governance Arrangements for the Board

32. The Board reviewed the governance arrangements, which were approved by the Committee in advance of the creation of the Local Pension Board. The Board considered the current arrangements merited change in relation to the obtaining by the Board of external advice. In particular, it was felt that the current arrangements were too bureaucratic and lengthy. It has been agreed that the governance arrangements will be altered so that only approval by the administering authority's Section 151 Officer is required before expenditure on external advice is incurred.
33. The Board would have preferred complete autonomy over an agreed budget, governed by Internal Board-specific arrangements. The Board has been assured by the Administering Authority that approval by the s151 officer will not be unreasonably withheld and on this basis, the Board is willing to adopt this new streamlined governance structure.
34. This may be an issue the Board needs to review in future, depending on how the new arrangements operate in practice.

Costs

35. The cost of the Board are included in the Pension Fund Governance Budget. For 2017/18 the costs were £28,269. This includes the costs of training, travel and the time of the Lead Officer for the Board.

Forward plan for 2018/19

36. My tenure as Chair comes to an end on 31 May 2018. I have not included any items for the Board's forward plan in this annual report. This will be something for the Board to determine at its next quarterly meeting under the leadership of the new Chair, Jim Woodingfield.

Financial implications

37. As outlined in the report

Legal implications

38. The Fund is required to have a Local Pensions 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

39. There are no equalities implications.

Environmental implications

40. There are no environmental implications

Human resources implications

41. There are no Human Resource implications

Corporate landlord implications

42. There are no corporate landlord implications.

Schedule of Appendices

43. The following Appendices are attached to this report

- **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				
	6th July 2017	18th October 2017	21st December 2016	30th March 2017	Residential Training September 2016	LAPFF Conf.	LGC Conf.	Residential Training March 2017	CIPFA Training Events
Nicholas Wirz (Chair)	✓	✓	✓	✓	✓	✓	✓	✓	✓
Jim Woodlingfield (V Chair)	✓	✓	✗	✓	✓	✓	✓	✓	✓
Cllr Doreen Purvis	✓	✗	✓	✓	✓	N/A	N/A	✓	N/A
Martin Rooney	✓	✗	✗	✗	✗	N/A	N/A	✓	N/A
Mick Brodie	✓	✗	✓	✗	✓	N/A	N/A	✓	N/A
Chris Sharkey	✓	✓	✗	✗	✓	N/A	N/A	✓	N/A
John Pearson	✓	✓	✓	✓	✓	N/A	N/A	✓	✓
Tom Hunter	✓	✗	✓	✓	✓	N/A	N/A	✓	✓

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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