

Dear Councillor

**TEESSIDE PENSION FUND COMMITTEE - WEDNESDAY 10TH DECEMBER, 2025**

I am now able to enclose, for consideration at next Wednesday 10th December, 2025 meeting of the Teesside Pension Fund Committee, the following reports that were unavailable when the agenda was printed.

**Agenda No    Item**

7.     **Actuarial Valuation Update and Draft Funding Strategy Statement** (Pages 3 - 42)
  
12.   **TWPF Pensions Administration Report** (Pages 43 - 54)

Yours sincerely

Democratic Services.

**Distribution**

Councillors Councillor John Kabuye (Chair) J Rostron (Vice-Chair) J Ewan, D Branson, D Coupe, T Furness, D Jackson, D McCabe, J Beall, M Fairley, M Scarborough, Ms J Flaws, Mr T Watson and Mr B Foulger

Please ask for:

This page is intentionally left blank

## **TEESSIDE PENSION FUND**

Administered by Middlesbrough Council

**AGENDA ITEM 7**

### **PENSION FUND COMMITTEE REPORT**

**10 DECEMBER 2025**

**DIRECTOR OF FINANCE AND TRANSFORMATION – ANDREW HUMBLE**

#### **ACTUARIAL VALUATION UPDATE AND DRAFT FUNDING STRATEGY STATEMENT**

#### **1. PURPOSE OF THE REPORT**

- 1.1 To update the Committee on progress on the ongoing triennial actuarial valuation of the Pension Fund as at 31 March 2025.

#### **2. RECOMMENDATION**

- 2.1 That Members note the report and provide any comments in respect of the updated Funding Strategy Statement.

#### **3. FINANCIAL IMPLICATIONS**

- 3.1 No specific financial implications are attached to this report, although the eventual outcome of the actuarial valuation will have significant financial implications for the Fund employers as it will determine the employer contribution rates they will pay for the three years from 1 April 2026 onwards.

#### **4. BACKGROUND**

- 4.1 Every three years the administering authority of each Local Government Pension Scheme (LGPS) Fund is required to obtain an actuarial valuation of the assets and liabilities of their Fund, together with an actuary's report on the valuation and a 'rates and adjustments certificate' setting out the employer contributions required to the Fund over the next three year period. Each LGPS Fund in England Wales (including our Fund) is currently undergoing their three-yearly valuation, which will look at the position of each Fund as at 31 March 2025, will set contribution rates for the three year period starting 1 April 2026 and whose final report needs to be produced before 31 March 2026.
- 4.2 The terms of reference for the Teesside Pension Fund Committee include approving the Fund's Funding Strategy Statement and overseeing the triennial valuation.
- 4.3 As part of the valuation process the Fund's actuary Hymans Robertson has produced an update presentation summarising some of the initial outcomes of the valuation for the whole of the Fund. This will be presented in another part of the Agenda.

## **5. DRAFT FUNDING STRATEGY STATEMENT**

- 5.1 The LGPS regulations set out the requirement for an administering authority (the fund) to publish a Funding Strategy Statement (FSS). In preparing the FSS, the fund may seek input from their actuary, or take other professional advice, to prepare the document. However, the FSS must be owned and adopted by the administering authority ('the fund').
- 5.2 The LGPS Scheme Advisory Board, MHCLG and CIPFA issued revised "Guidance for Preparing and maintaining a Funding Strategy Statement (FSS)" in January 2025. Hymans are reviewing Teesside's draft FSS to ensure compliance with the latest guidance.
- 5.3 The FSS plays an integral role in setting out the fund's approach to managing long-term funding requirements and funding risk in LGPS whilst enabling stability and sustainability for participating scheme employers.
- 5.4 The purpose of a FSS is to:
- establish a clear and transparent fund-specific strategy that will identify how employers' pension liabilities will be met going forward.
  - support the desirability of maintaining as constant and stable primary contribution rate as possible, as defined in Regulation 62(5) of the Local Government Pension Scheme (England and Wales) Regulations 2013 and Regulation 60 of the Local Government Pension Scheme (Scotland) Regulations 2018.
  - ensure that the regulatory requirements to set contributions to ensure the solvency and long-term cost efficiency of the fund.
  - explain how the fund balances the interests of different employers.
  - explain how the fund deals with conflicts of interest and references other policies/strategies.
- 5.5 The Draft Funding Strategy Statement is attached as an Appendix.

## **6. MAIN CHANGES TO THE FSS**

- 6.1 This is an update of the core FSS only, the other funding policies which are appended to the FSS will be reviewed and updated separately. The outcomes of changes in regulations following consultations on the LGPS scheme may require an early revisit to the FSS.
- 6.2 The 'effective date' of the revised FSS is 1 April 2026. This means that all employer work from this date will be carried out in line with the requirements of this FSS document, and all

existing employer work will be carried out in line with the existing FSS. This is consistent with current practice, but this point has been made explicit in the FSS. This is consistent with a valuation date of 31 March 2025, as this valuation determines contribution rates payable from 1 April 2026 to 31 March 2029, which is the period covered by this FSS.

- 6.3 There are two parts to the new FSS, to align with the structure of the latest FSS guidance, i.e. relating to 1, Key Funding Principles, and 2 – Employer events. The subheadings within these parts are unchanged relative to the previous FSS.
- 6.4 The new guidance includes a requirement for funds to set out how often the FSS is reviewed, and an annual review is recommended. Wording has been added to section 1 of the FSS to recognise this. The intention is to review the FSS in the spring each year.
- 6.5 No changes have been made to the section on the contribution stability parameters – this reflects Hymans current expectations of the maximum steps to be allowed.  
No changes have been made to the sections of the FSS relating to pooling. There are not expected to be any material changes to the arrangements, but the final draft will reflect the outcome of discussions.
- 6.6 No changes have been made to section 3, which sets out additional contributions that may be payable by employers.
- 6.7 No changes have been made to section 4, which sets out how the fund determine asset shares for employers.
- 6.8 No changes have been made to section 5, which sets out ‘what happens when an employer joins the fund’. This section can be updated once fund policy relating to this has been reviewed and revised. We may also wish to update this section once we know more about the final implementation of new fair deal in the LGPS (with the consultation on proposed changes open until 22 December 2025).
- 6.9 No changes have been made to section 6 (bulk transfers). This section can be updated once fund policy relating to this has been reviewed and revised if necessary, in light of the expectation of an increase in the incidence of employer consolidations across LGPS funds.
- 6.10 Minor changes have been made to section 7 (cessations) to provide clarity around guarantors of last resort and subsumption. This section can be updated again once the fund’s cessation policy has been reviewed.
- 6.11 The FSS now includes a glossary (appendix C), as is required under the new guidance.
- 6.12 No changes have been made to the summary of funding risks in the ‘risks and controls’ section.
- 6.13 The section on climate risk and TCFD reporting will be updated following the provision of Hymans advice in this area.

- 6.14 The assumptions appendix has been updated following agreement to the final 2025 valuation assumptions.

**6. NEXT STEPS**

- 6.1 The Fund will put the Funding Strategy Statement out to consultation to employers until mid January 2026. Responses will be considered in formulating the Final Funding Strategy Statement for presentation to 4<sup>th</sup> March Pensions Committee.
- 6.2 The Committee will be kept updated on progress with the valuation, and reports will be brought to upcoming scheduled meetings.

CONTACT OFFICER: Andrew Lister – Head of Pensions Governance and Investments

TEL NO.: 01642 726328



This page is intentionally left blank



# Teesside Pension Fund

## Funding Strategy Statement

April 2026

Effective date	1 April 2026
Previous valuation date	31 March 2025
Date approved	
Next review	March 2029
Prepared in accordance with SAB / CIPFA / MHCLG guidance dated	January 2025

# Contents

Teesside Pension Fund – Funding Strategy Statement	Page
1 Purpose of the Teesside Pension Fund and the funding strategy statement	1
PART A – Key Funding Principles	4
2 How does the fund calculate employer contributions?	4
3 What additional contributions may be payable?	9
4 How does the fund calculate assets and liabilities?	10
PART B – Employer Events	11
5 What happens when an employer joins the fund?	11
6 What happens if an employer has a bulk transfer of staff?	14
7 What happens when an employer leaves the fund?	15
8 What are the statutory reporting requirements?	17
 <b>Appendices</b>	
Appendix A – The regulatory framework	
Appendix B – Roles and responsibilities	
Appendix C – Glossary	
Appendix D – Risks and controls	
Appendix E – Actuarial assumptions	

# 1 Purpose of the Teesside Pension Fund and the funding strategy statement

This document sets out the funding strategy statement (FSS) for Teesside Pension Fund.

The Teesside Pension Fund is administered by Middlesbrough Council, known as the administering authority. Middlesbrough Council worked with the fund's actuary, Hymans Robertson, to prepare this FSS which is effective from 1 April 2026.

There's a regulatory requirement for Middlesbrough Council to prepare an FSS. You can find out more about the regulatory framework in [Appendix A](#). If you have any queries about the FSS, contact [Andrew\\_Lister@middlesbrough.gov.uk](mailto:Andrew_Lister@middlesbrough.gov.uk)

## 1.1 What is the Teesside Pension Fund?

The Teesside Pension Fund is part of the Local Government Pension Scheme (LGPS). You can find more information about the LGPS at [www.lgpsmember.org](http://www.lgpsmember.org). The administering authority runs the fund on behalf of participating employers, their employees, and current and future pensioners. You can find out more about roles and responsibilities in [Appendix B](#).

## 1.2 What are the funding strategy objectives?

The funding strategy objectives are to:

- take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants
- use a balanced investment strategy to minimise long-term cash contributions from employers and meet the regulatory requirement for long-term cost efficiency
- where appropriate, ensure stable employer contribution rates
- reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy
- use reasonable measures to reduce the risk of an employer defaulting on its pension obligations.

The Fund will engage with employers when developing funding strategy in a way which balances the risk appetite of stakeholders.

## 1.3 Who is the FSS for?

The FSS is mainly for employers participating in the fund because it sets out how money will be collected from them to meet the fund's obligations to pay members' benefits.

Different types of employers participate in the fund:

### **Scheduled bodies**

Employers who are specified in a schedule to the LGPS regulations, including councils and employers like academies and further education establishments. Scheduled bodies must give employees access to the LGPS if they can't accrue benefits in another pension scheme, such as another public service pension scheme.

### **Designating employers (otherwise known as Resolution bodies)**

Employers like town and parish councils can join the LGPS through a resolution. If a resolution is passed, the fund can't refuse entry. The employer then decides which employees can join the scheme.

### Admission bodies

Other employers can join through an admission agreement. The fund can set participation criteria for them and can refuse entry if the requirements aren't met. This type of employer includes contractors providing outsourced services like cleaning or catering to a scheduled body.

Some existing employers may be referred to as **community admission bodies** (CABs). CABs are employers with a community of interest with another scheme employer. Others may be called **transferee admission bodies** (TABs), that provide services for scheme employers. These terms aren't defined under current regulations but remain in common use from previous regulations.

The Scheme Advisory Board refer to three different tiers of employers which may participate in the LGPS, specifically:

- Tier 1 – Local Authorities (including contractors participating in the LGPS with Local Authority backing)
- Tier 2 – Academy Trusts and Further Education Institutions (Colleges).
- Tier 3 – Standalone employers with no local or national taxpayer backing. Include universities, housing associations and charities.

#### 1.4 How is the funding strategy specific to the Teesside Pension Fund?

The funding strategy reflects the specific characteristics of the fund employers and its own investment strategy.

#### 1.5 How often is the Funding Strategy Statement reviewed?

The FSS is reviewed in detail at least every three years ahead of the triennial actuarial valuation and an annual check is carried out in the intervening years.

Amendments to the FSS may be in the following circumstances:

- material changes to the scheme benefit structure (e.g. HM Treasury-led)
- on the advice of the fund actuary
- significant changes to investment strategy or if there has been significant market volatility which affects the FSS or goes beyond FSS expectation
- if there have been significant changes to the fund membership and/or fund maturity profile
- if there have been significant or notable changes to the number, type, or individual circumstances of any of the employing authorities to such an extent that they impact on the funding strategy (e.g. exit/restructuring/failure) which could materially impact cashflow and/or maturity profile and/or covenant)
- if there has been a material change in the affordability of contributions and/or employer(s) financial covenant strength which has an impact on the FSS.
- recommendations from MHCLG/GAD.

In undertaking such reviews, the administering authority should consider:

- looking at experiences in relation to long-term funding assumptions (in terms of both investment income and forecast contributions income) and consequences of actions taken by employers (e.g. pay awards and early retirements)

- the implications for the funding strategy and, if significant, determine what action should be taken to review the FSS
- the implications arising from the funding strategy for meeting the liabilities of individual employers and any amendments required to the ISS
- consulting with individual employers specifically impacted by any changes as an integral part of the monitoring and review process and ensuring any communication regarding a review won't necessarily lead to rates changes for individual employers but could impact admissions, terminations, approach to managing risk and employer risk assessment.

Any amendments will be consulted on, approved by the Pensions Committee and included in the Committee meeting minutes.

This Funding Strategy Statement is effective from 1 April 2026 and is expected to remain in force until 31 March 2029 at the latest, unless an interim review is carried out prior to then.

### **1.6 Links to Administration Strategy**

The fund maintains an Administration Strategy Statement which outlines the responsibilities, standards and procedures for employers and the fund. A copy of this can be found [here](#).

Adherence with the requirements of the Administration Strategy Statement is crucial to ensure the well-running of the pension fund and any failure to do so may lead to uncertainty around the value of an employer's liabilities and the need for prudent assumptions to fill any data gaps.

### **1.7 Actuarial valuation report**

[LGPS Regulations](#) (specifically Regulation 62) require an actuarial valuation to be carried out every three years, under which contribution rates for all participating employers are set for the following three years. This Funding Strategy Statement sets out the assumptions and methodology underpinning the 2025 actuarial valuation actuarial exercise.

The actuarial valuation report sets out 1) the actuary's assessment of the past service funding position, and 2) the contributions required to ensure full funding by the end of the time horizon within the Fund's risk appetite.

The Rates and Adjustments certificate shows the contribution rates payable by each employer (which may be expressed as a percentage of payroll and/or monetary amounts).

## PART A – Key Funding Principles

### 2 How does the fund calculate employer contributions?

#### 2.1 Calculating contribution rates

Employee contribution rates are set by the LGPS regulations.

Employer contributions rates are determined by a mandatory actuarial valuation exercise, and are made up of the following elements:

- **the primary contribution rate** – contributions payable towards future benefits
- **the secondary contribution rate** – the difference between the primary rate and the total employer contribution

The primary rate also includes an allowance for the fund's expenses .

The fund actuary uses a methodology known as Asset Liability Modelling to set employer contribution rates. Under this methodology, for a given proposed employer contribution rate, the model projects future asset and liability values for the employer under 5,000 different simulations of the future economic environment. Each simulation – generated by Hymans Robertson's Economic Scenario Service (ESS) model - has a different path for future interest rates, inflation rates and the investment return on different asset classes. This approach allows the fund actuary to understand the potential range of future funding outcomes via payment of that contribution rate.

The fund has set funding strategy criteria for each employer in the fund which must be satisfied in order for a given employer contribution rate to be deemed acceptable. The funding strategy criteria are specified in terms of the following four parameters:

- **the funding basis** – the set of actuarial assumptions used to value the employer's (past and future service) liabilities
- **the target funding level** – the ratio of assets against liabilities the fund aims to hold for each employer
- **the time horizon** – the time over which the employer aims to achieve the target funding level
- **the likelihood of success** – the proportion of modelled simulations where the target funding level is met.

For example, an employer's funding strategy criteria may be set as follows:

*The employer must have at least a 80% likelihood of being 100% funded on the ongoing participation basis at the end of a 20 year funding time horizon*

The funding strategy criteria used by the fund are set out in Table 1. Further detail on the ESS and on the funding bases used by the fund are set out in Appendix E.

The contribution rate setting approach takes into account the maturing profile of the membership when setting employer contribution rates.

The approach taken by the fund actuary helps the fund meet the aim of maintaining as stable a primary employer contribution rate as possible.

## 2.2 The contribution rate calculation

**Table 1: contribution rate calculation for individual or pooled employers**

Type of employer	CABs						TABs*
Sub-type	Local authorities , Police, Fire	Academies and Colleges	University	Town & Parish Councils	Open to new entrants	Closed to new entrants	all
SAB Tier	Tier 1	Tier 2	Tier 3	Tier 1	Tier 3	Tier 3	Tier 1
<b>Funding basis*</b>	Ongoing	Ongoing	Ongoing	Ongoing	Ongoing if funding guarantee-otherwise low-risk exit basis	Ongoing if funding guarantee-otherwise low-risk exit basis	Ongoing, but may move to low-risk exit basis
<b>Target funding level</b>	100%	100%	100%	100%	100%	100%	100%
<b>Minimum likelihood of success</b>	80%	80%	80%	80%	80%/tbc	80%/tbc	80%/tbc
<b>Maximum time horizon</b>	20 years	20 years	20 years	20 years	20 years (if funding guarantee) or average future working lifetime	Average future working lifetime (or 20 years if less)	Remaining contract length (or 20 years if less)
<b>Primary rate approach**</b>	The estimated cost of future benefits based on the relevant funding basis, target funding level, time horizon and likelihood of success, expressed as a percentage of pensionable pay.						
<b>Secondary rate</b>	The difference between the total contribution rate payable (determined in line with the relevant funding strategy criteria and other factors set out in the FSS) and the primary rate. Negative adjustments are expressed as a percentage of payroll and positive adjustments can be expressed as a percentage of payroll or monetary amounts. (for mature closed employers).						
<b>Stabilised contribution rate?</b>	Yes				No		
<b>Treatment of surplus</b>	Covered by stabilisation arrangement		Reduction may be permitted if funding level (on relevant funding target) is >100%				Reduce contributions by spreading the surplus over the remaining contract term, if over 3 years, at admin authority's discretion
<b>Recognising covenant</b>	Participation in stabilisation arrangement			Adjust likelihood of success			

Type of employer	CABs						TABs*
Sub-type	Local authorities, Police, Fire	Academies and Colleges	University	Town & Parish Councils	Open to new entrants	Closed to new entrants	all
SAB Tier	Tier 1	Tier 2	Tier 3	Tier 1	Tier 3	Tier 3	Tier 1
Phasing of contribution changes	Covered by stabilisation arrangement		Phasing of contribution increases or decreases at administering authority discretion				

\* Employers participating in the fund under a pass-through agreement will pay a contribution rate as agreed between the contractor and letting authority

\*\* The Primary Rate for the whole fund is the weighted average (by payroll) of the individual employers' primary rates

The fund manages funding risks as part of the wider risk management framework, as documented in the fund's risk register. The funding-specific risks identified and managed by the fund are set out in [Appendix D – Risks and Controls](#).

### 2.3 Interim contribution rate for new employers

In limited circumstances the fund will normally set a rate for a new employer using a self-service contribution rate calculator supplied by the fund's actuary, provided that the new employer:

- does not have a pass-through agreement with a letting authority for a contract,
- has fewer than 10 members, and
- will be allocated a notional share of assets equal to the transferring liabilities (ie is fully funded at the outset).

### 2.4 Making contribution rates stable

Making employer contribution rates reasonably stable is an important funding objective. If this isn't appropriate, contribution increases or decreases may be phased. The fund may adopt a stabilised approach to setting contributions for individual employers, which keeps contribution variations within a pre-determined range from year-to-year.

After taking advice from the fund actuary, the administering authority believes a stabilised approach is a prudent longer-term strategy for some employers.

**Table 2: current stabilisation arrangement**

Type of employer	Councils	Police	Fire	Academy (main pool)
Maximum contribution increase per year	+1.0% of pay	+1.0% of pay	+1.0% of pay	+1.0% of pay



**Maximum contribution decrease per year**

-1.0% of pay

-1.0% of pay

-1.0% of pay

-1.0% of pay

Stabilisation criteria and limits are reviewed during the valuation process. The administering authority may review them between valuations to respond to membership or employer changes.

At their absolute discretion the administering authority may permit acceleration or extension of contribution rises and reductions within the contribution stability mechanism.

## 2.5 Links to investment strategy

The funding strategy sets out how money will be collected from employers to meet the fund's obligations. Contributions, assets and other income are then invested according to an investment strategy set by the administering authority.

The funding and investment strategies are closely linked. The fund must be able to pay benefits when they are due – those payments are met from a combination of contributions (through the funding strategy) and asset returns and income (through the investment strategy). If investment returns or income fall short the fund won't be able to pay benefits, so higher contributions would be required from employers.

The investment strategy is designed allowing for the funding position determined on an appropriate and prudent basis, with the objective of achieving the funding objective for each employer group of the specific time horizon.

The fund's current strategic investment strategy as at 31 March 2025 is summarised in the table, with full details available at [\[Investment Strategy Statement 2024-10 - October 2024.pdf\]](#).

Asset class	Allocation
Equities	80%
Property	10%
Bonds/ Private lending/ Cash	10%

## 2.6 Does the funding strategy reflect the investment strategy?

The funding policy is consistent with the investment strategy. Future investment return expectations are set with reference to the investment strategy, including a margin for prudence which is consistent with the regulatory requirement that funds take a 'prudent longer-term view' of funding liabilities (see [Appendix A](#))

## 2.7 Reviewing contributions between valuations

The fund may amend contribution rates between formal valuations, in line with its policy on contribution reviews. The fund's policy is available from the administering authority. The purpose of any review is to establish the most appropriate contributions.

A review may lead to an increase or decrease in contributions.

## 2.8 What is pooling?

The administering authority operates funding pools for similar types of employers. Contribution rates can be volatile for smaller employers that are more sensitive to individual membership changes – pooling across a group of employers minimises this. In this type of pooling arrangement the participating employers within each shares funding risk and experience.

Employer assets are redistributed within a funding pool at each valuation (and at interim dates, where necessary) so that each employer has the same funding level as the others in the pool.

CABs that are closed to new entrants aren't usually allowed to enter a pool.

If an employer leaves the fund, the required contributions are based on the funding position of the pool at the date the employer leaves. Cessation terms also apply, which means higher contributions may be required at that point.

## **2.9 What are the current contribution pools?**

- **Schools** – generally pool with their funding council (although there may be exceptions for specialist or independent schools and are not listed individually on the rates and adjustments certificate.
- **Academies** –academies and free schools are typically pooled together. Academies joining the Fund through a consolidation exercise from another LGPS Fund may be pooled together as a separate Multi Academy Trust (MAT).
- **Colleges** – all colleges are pooled together
- **TABs** – may be pooled with the respective letting employer.

## **2.10 Administering authority discretion**

Individual employers may be affected by circumstances not easily managed within the FSS rules and policies. If this happens, the administering authority may adopt alternative funding approaches on a case-by-case basis.

Additionally, the administering authority may allow greater flexibility to the employer's contributions if added security is provided. Flexibility could include things like a reduced contribution rate, extended time horizon, or permission to join a pool. Added security may include a suitable bond, a legally binding guarantee from an appropriate third party, or security over an asset.

## **2.11 Non cash funding**

The Fund will not accept any form of non-cash assets in lieu of contributions.

## **2.13 Managing surpluses and deficits**

The funding strategy is designed to ensure that all employers are at least fully funded on a prudent basis at the end of their own specific time horizon. The uncertain and volatile nature of pension scheme funding means that it is likely there will be times when employers are in surplus and times when employers are in deficit. The funding strategy recognises this by 1) including sufficient prudence to manage the effect of this over the time horizon, and 2) making changes to employer contribution rates to ensure the funding strategy objectives are met.

Fluctuations in funding positions are inevitable over the time horizon, due to market movements and changing asset values, which could lead to the emergent of deficits and surplus from time to time, and lead to changes in employer contribution rates.

Table 1 sets out the Fund's approach to setting contribution rates for each employer group.

### 3 What additional contributions may be payable?

#### 3.1 Pension costs – awarding additional pension and early retirement on non ill-health grounds

If an employer awards additional pension as an annual benefit amount, they pay an additional contribution to the fund as a single lump sum. The amount is set by guidance issued by the Government Actuary's Department and updated from time to time.

If an employee retires before their normal retirement age on unreduced benefits, employers will be asked to pay additional contributions called strain payments.

Employers typically make strain payments as a single lump sum, though strain payments may be spread if the administering authority agrees:

Any strain payments that are spread over a period of time may be subject to an interest charge, as determined by the administering authority.

#### 3.2 Pension costs – early retirement on ill-health grounds and death-in-service

The fund operates cost-sharing to spread the additional costs across all employers of:

- ill-health early retirement strain costs
- lump sums on death before or after retirement

These costs are spread across all employers. Employers with a relevant ill-health retirement or death-related cost are not asked to make an immediate lump sum payment to the Fund.

These additional costs are spread across employers in proportion to their asset share. The relevant member's employer's asset share is credited with the early retirement strain cost amount or the death grant lump sum.

The Fund actuary will make an appropriate adjustment to spread the cost of any survivor benefits coming into payment for a death in service where the impact would otherwise be material to the employer.

## 4 How does the fund calculate assets and liabilities?

### 4.1 How are employer asset shares calculated?

The fund adopts a cashflow approach to track employer assets.

Each fund employer has a notional share of the fund's assets, which is assessed yearly by the actuary. The actuary starts with assets from the previous year-end, adding cashflows paid in/out and investment returns to give a new year-end asset value. The fund actuary makes a simplifying assumption, that all cashflow and investment returns have been paid uniformly over the year. This assumption means that the sum of all employers' asset values is slightly different from the whole fund asset total over time. This minimal difference is split between employers in proportion to their asset shares at each valuation.

If an employee moves one from one employer to another within the fund, assets equal to the cash equivalent transfer value (CETV) will move from the original employer to the receiving employer's asset share.

Alternatively, if employees move when a new academy is formed or an outsourced contract begins, the fund actuary will calculate assets linked to the value of the liabilities transferring (see section 0). Employer assets are redistributed within a funding pool at each valuation (and at interim dates, where necessary) so that each employer has the same funding level as the others in the pool.

### 4.2 How are employer liabilities calculated?

The fund holds membership data for all active, deferred and pensioner members. Based on this data and the assumptions in [Appendix E](#), the fund actuary projects the expected benefits for all members into the future. This is expressed as a single value – the liabilities – by allowing for expected future investment returns.

Each employer's liabilities reflect the experience of their own employees and ex-employees.

Benefits are valued in line with the regulations in force at the time of the valuation, with an exception relating to the McCloud ruling. The benefits of members likely to be affected by the McCloud ruling have instead been valued in line with the expected regulations, reflecting an underpin as directed by Ministry of Housing, Communities and Local Government (MHCLG).

### 4.3 What is a funding level?

An employer's funding level is the ratio of the market value of asset share against liabilities. If this is less than 100%, the employer has a shortfall: the employer's deficit. If it is more than 100%, the employer is in surplus. The amount of deficit or surplus is the difference between the asset value and the liabilities value.

Funding levels and deficit/surplus values measure a particular point in time, based on a particular set of future assumptions. While this measure is of interest, for most employers the main issue is the level of contributions payable. The funding level does not directly drive contribution rates. See section 2 for further information on rates.

## PART B – Employer Events

### 5 What happens when an employer joins the fund?

#### 5.1 When can an employer join the fund?

Employers can join the fund if they are a new scheduled body or a new admission body. New designating employers may also join the fund if they pass a designation to do so.

The fund will determine the assets and liabilities for that employer within the Fund. The calculation will depend on the type of employer, the existence of any guarantee, and the circumstances of joining.

The fund will also set a contribution rate. This will be set in the way described in section 2 unless alternative arrangements apply (for example, the employer has agreed a pass-through arrangement).

The fund's policy on new employers, including pass-through arrangements for admission bodies, is detailed in [Appendix X](#).

#### 5.2 New academies

New academies (including free schools) join the fund as separate scheduled employers. Only active members of former council schools transfer to new academies. Free schools do not transfer active members from a converting school but must allow new active members to transfer in any eligible service.

Liabilities for transferring active members will be calculated (on the ongoing basis) by the fund actuary on the day before conversion to an academy. Liabilities relating to the converting school's former employees (ie members with deferred or pensioner status) remain with the ceding council.

New academies will be allocated an asset share based on the estimated funding level of the ceding council's active members, having first allocated the council's assets to fully fund their deferred and pensioner members. This funding level will then be applied to the transferring liabilities to calculate the academy's initial asset share that transfers into the academies pool, capped at a maximum of 100%.

The council's estimated funding level will be based on market conditions on the day before conversion. Academies are fully pooled for funding purposes and pay a common contribution rate based on the current funding strategy (set out in section 2).

If an academy leaves one MAT and joins another, all active, deferred and pensioner members are expected to transfer to the new MAT.

The fund's policies on academies may change based on updates to guidance from MHCLG. Any changes will be communicated and reflected in future funding strategy statements.

The fund's policy on academies and free schools is detailed in [Appendix X](#).

#### 5.3 New admission bodies as a result of outsourcing services

New admission bodies usually join the fund because an existing employer (typically a scheduled body like a council or academy) outsources a service to another organisation (a contractor). This involves TUPE transfers of staff from the letting employer to the contractor. The contractor becomes a new participating fund employer for the duration of the contract and transferring employees remain eligible for LGPS membership. At the end of the contract, employees revert to the letting employer or to a replacement contractor. Deferred and pensioner liabilities will revert to the letting employer (known as subsumption).

Liabilities for transferring active members will be calculated by the fund actuary on the day before the outsourcing occurs.

New contractors will be allocated an asset share equal to the value of the transferring liabilities. The admission agreement may set a different initial asset allocation, depending on contract-specific circumstances.

There is flexibility for outsourcing employers when it comes to pension risk potentially taken on by the contractor. You can find more details on outsourcing options from the administering authority or in the contract admission agreement.

Where an academy is the letting employer, the Fund's policy is to require all new admission bodies to be set up with a pass-through arrangement (subject to the specific requirements of the DfE in relation to contracts let by academies). For all other letting employers, the fund's default policy is to require all new admission bodies to be set up with a pass-through arrangement, which may be open or closed to new members.

Additional information on outsourcing from an academy or free school is included in **Appendix X**.

#### **5.4 Other new employers**

There may be other circumstances that lead to a new admission body entering the fund, eg set up of a wholly owned subsidiary company by a local authority. Calculation of assets and liabilities on joining and a contribution rate will be carried out allowing for the circumstances of the new employer.

New designating employers may also join the fund. These are usually town and parish councils. Contribution rates will be set using the same approach as other designating employers in the fund.

#### **5.5 Risk assessment for new admission bodies**

Under the LGPS regulations, a new admission body must assess the risks it poses to the fund if the admission agreement ends early, for example if the admission body becomes insolvent or goes out of business. In practice, the fund actuary assesses this because the assessment must be carried out to the administering authority's satisfaction.

After considering the assessment, the administering authority may decide the admission body must provide security, such as a guarantee from the letting employer, an indemnity or a bond.

This must cover some or all of the:

- strain costs of any early retirements if employees are made redundant when a contract ends prematurely
- allowance for the risk of assets performing less well than expected
- allowance for the risk of liabilities being greater than expected
- allowance for the possible non-payment of employer and member contributions
- admission body's existing deficit.

Where an academy is the letting employer, the fund will expect academies to ensure and confirm that the outsourcing complies with the requirements set out in the 'DfE Academy Trust LGPS Guarantee policy' [DfE local government pension scheme guarantee for academy trusts: pensions policy for outsourcing arrangements - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/policies/local-government-pension-scheme-guarantee-for-academy-trusts-pensions-policy-for-outsourcing-arrangements) before permitting an admission body in the fund. Where this requirement is met, no additional risk assessment or security will typically be required for the admission body as the pension liabilities will be covered by the DfE Academy Guarantee.

Where the admission body does not meet the requirements of the DfE Academy Trust LGPS Guarantee policy, the fund will review each case individually to decide if the admission body must provide security before being

admitted to the fund. In these cases, the fund will typically require the academy to evidence that they have sought and received permission from the Education and Skills Funding Agency to act as a guarantor.

The Fund's admissions policy is detailed in Appendix X.

## 6 What happens if an employer has a bulk transfer of staff?

Bulk transfer cases will be looked at individually, but generally:

- the fund won't pay bulk transfers greater in value than either the asset share of the transferring employer in the fund, or the value of the liabilities of the transferring members, whichever is lower
- the fund won't grant added benefits to members bringing in entitlements from another fund, unless the asset transfer is enough to meet the added liabilities
- the fund may permit shortfalls on bulk transfers if the employer has a suitable covenant and commits to meeting the shortfall in an appropriate period, which may require increased contributions between valuations.

The fund's bulk transfer policy is detailed in [Appendix X](#). Additional information about bulk transfers of staff relating to academies consolidating into a single LGPS fund is also included in [Appendix X](#).



## 7 What happens when an employer leaves the fund?

### 7.1 What is a cessation event?

Triggers for considering cessation from the fund are:

- the last active member stops participation in the fund. The administering authority, at their discretion, can defer acting for up to three years by issuing a suspension notice. That means cessation won't be triggered if the employer takes on one or more active members during the agreed time
- insolvency, winding up or liquidation of an admission body
- a breach of an admission agreement that isn't remedied to the fund's satisfaction
- failure to pay any sums due within the period required
- failure to renew or adjust the level of a bond or indemnity, or to confirm an appropriate alternative guarantor
- termination of a deferred debt arrangement (DDA).

If no DDA exists, the administering authority will instruct the fund actuary to carry out a cessation valuation to calculate if there is a surplus or a deficit when the employer leaves the fund.

### 7.2 What happens on cessation?

The administering authority must protect the interests of the remaining fund employers when an employer leaves the fund. The actuary aims to protect remaining employers from the risk of future loss. The funding targets adopted for the cessation calculation is below. These are defined in [Appendix E](#).

- a) Where there is no guarantor, cessation liabilities and a final surplus/deficit will usually be calculated using a low-risk basis, which is more prudent than the ongoing participation basis. The low-risk exit basis is defined in [Appendix E](#).
- b) Where there is a guarantor, the guarantee will be considered before the cessation valuation.
  - Where the guarantor is a guarantor of last resort (i.e. where the guarantee will cease to have effect after the cessation event and final settlement), this will have no effect on the cessation valuation.
  - If this isn't the case (i.e. if the guarantee continues to apply in respect of the former employer's obligations post cessation), cessation may be calculated using the same basis that was used to calculate liabilities (and the corresponding asset share) on joining the fund.
- c) Depending on the guarantee, it may be possible to transfer the employer's liabilities and assets to the guarantor without crystallising deficits or surplus. This may happen if an employer can't pay the contributions due and the approach is within guarantee terms. This is known as 'subsumption' of the asset and liabilities

If the fund can't recover the required payment in full, unpaid amounts will be paid by the related letting authority (in the case of a ceased admission body) or shared between the other fund employers. This may require an immediate revision to the rates and adjustments certificate or may be reflected in the contribution rates set at the next formal valuation.

The fund actuary charges a fee for cessation valuations and there may be other cessation expenses. Fees and expenses are at the employer's expense and are deducted from the cessation surplus or added to the cessation deficit. This improves efficiency by reducing transactions between employer and fund.

The fund's policy on employer exits is detailed in [Appendix X](#).

### 7.3 What happens if there is a surplus?

If the cessation valuation shows the exiting employer has more assets than liabilities – a surplus– the administering authority can decide how much will be paid back to the employer based on:

- the surplus amount
- the proportion of the surplus due to the employer's contributions
- any representations (like risk sharing agreements or guarantees) made by the exiting employer and any employer providing a guarantee or some other form of employer assistance/support
- any other relevant factors.

The exit credit policy is included within the fund's policy on employer exits detailed in **Appendix X.**

### 7.4 How do employers repay cessation debts?

If there is a deficit, full payment will usually be expected in a single lump sum or:

- spread over an agreed period if the employer enters into a deficit spreading agreement (DSA)
- if an exiting employer enters into a deferred debt agreement (DDA), the employer stays in the fund and pays contributions until the cessation debt is repaid. Payments are reassessed at each formal valuation.

The employer flexibility on exit policy is in **Appendix X.**

### 7.5 What if an employer has no active members?

When an employer leaves the fund because their last active member has left or retired, they may: pay a cessation debt, receive an exit credit or enter a DDA/DSA. Beyond this they have no further obligation to the fund and either:

- a) their asset share runs out before all ex-employees' benefits have been paid. The other fund employers will be required to contribute to the remaining benefits. The fund actuary will portion the liabilities on a pro-rata basis at each formal valuation
- b) the last ex-employee or dependant dies before the employer's asset share is fully run down. The fund actuary will apportion the remaining assets to the other fund employers

### **7.6 Partial cessations**

The Fund will consider employer requests for "partial" cessation arrangement based on the specific circumstances and risks posed by any such request.

## 8 What are the statutory reporting requirements?

### 8.1 Reporting regulations

The Public Service Pensions Act 2013 requires the Government Actuary's Department to report on LGPS funds in England and Wales after every three-year valuation, in what's usually called a section 13 report. The report includes advice on whether the following aims are achieved:

- Compliance
- Consistency
- Solvency
- Long term cost efficiency

### 8.2 Solvency

Employer contributions are set at an appropriate solvency level if the rate of contribution targets a funding level of 100% over an appropriate time, using appropriate assumptions compared to other funds. Either:

- (a) employers collectively can increase their contributions, or the fund can realise contingencies to target a 100% funding level
- or
- (b) there is an appropriate plan in place if there is, or is expected to be, a reduction in employers' ability to increase contributions as needed.

### 8.3 Long-term cost efficiency

Employer contributions are set at an appropriate long-term cost efficiency level if the contribution rate makes provision for the cost of current benefit accrual, with an appropriate adjustment for any surplus or deficit.

To assess this, the administering authority may consider absolute and relative factors.

Relative factors include:

1. comparing LGPS funds with each other
2. the implied deficit recovery period
3. the investment return required to achieve full funding after 20 years.

Absolute factors include:

1. comparing funds with an objective benchmark
2. the extent to which contributions will cover the cost of current benefit accrual and interest on any deficit
3. how the required investment return under relative considerations compares to the estimated future return targeted by the investment strategy
4. the extent to which contributions paid are in line with expected contributions, based on the rates and adjustment certificate

5. how any new deficit recovery plan reconciles with, and can be a continuation of, any previous deficit recovery plan, allowing for fund experience.

These metrics may be assessed by GAD on a standardised market-related basis where the fund's actuarial bases don't offer straightforward comparisons.

Standard information about the fund's approach to solvency of the pension fund and long-term cost efficiency will be provided in a uniform dashboard format in the valuation report to facilitate comparisons between funds.

# Appendices

## Appendix A – The regulatory framework

### A1 Why do funds need a funding strategy statement?

The Local Government Pension Scheme (LGPS) regulations require funds to maintain and publish a funding strategy statement (FSS). According to the Ministry for Housing, Communities and Local Government the purpose of the FSS is to document the processes the administering authority uses to:

- *establish a **clear and transparent fund-specific strategy** identifying how employers' pension liabilities are best met going forward*
- *support the desirability of maintaining as constant and stable primary contribution rate as possible, as defined in Regulation 62(5) of the LGPS Regulations 2013*
- *ensure that the regulatory requirements to set contributions to ensure the solvency and long-term cost efficiency of the fund are met.*
- *explain how the fund balances the interests of different employers.*
- *explain how the fund deals with conflicts of interest and references other policies/strategies.*

To prepare this FSS, the administering authority has used guidance jointly prepared by the Scheme Advisory Board (SAB), MHCLG, and by the Chartered Institute of Public Finance and Accountancy (CIPFA) dated January 2025.

The fund has a fiduciary duty to scheme members and obligations to employers to administer the scheme competently to keep employer contributions at an affordable level. The funding strategy statement sets out how the fund meets these responsibilities.

### A2 Consultation

Both the LGPS regulations and most recent CIPFA guidance state the FSS should be prepared in consultation with “persons the authority considers appropriate”. This should include ‘*meaningful dialogue... with council tax raising authorities and representatives of other participating employers*’.

The consultation process included:

1. Presentation of the Consultation Engagement Plan to the Pension Committee on 24 September 2025
2. A draft version of the FSS presented along with the Consultation Engagement Plan at the Pension Committee meeting on 10 December 2025 for approval of the draft for consultation
3. Consultation pack issued to stakeholders and consultation period launched from 11 December 2025
4. Comments requested by 6 February 2026 allowing six weeks for comments to be submitted
5. Consultation responses considered by the fund in February 2026 with the FSS draft updated as required
6. Approval of the final FSS sought by Pension Committee at the meeting on 4 March 2026 with publication of the final FSS before 31 March 2026

The fund also shared the draft FSS with the Department for Education and facilitated a meeting to discuss the changes made and the implications of the fund's funding policies on academy employers.

### **A3 How is the FSS published?**

The FSS is emailed to participating employers, the Pension Fund Committee and the Teesside Pension Board (which includes employer, employee and pensioner representatives). A full copy is included in the fund's annual report and accounts. Copies are freely available on request and sent to investment managers and independent advisers.

The FSS is published at <https://www.twpf.info/article/26912/Funding-Strategy-Statement-2023>

### **A5 How does the FSS fit into the overall fund documentation?**

The FSS is a summary of the fund's approach to funding liabilities. It isn't exhaustive – the fund publishes other statements like the statement of investment principles, investment strategy statement, governance strategy and communications strategy. The fund's annual report and accounts also includes up-to-date fund information.

You can see all fund documentation at <https://twpf.info>

## Appendix B – Roles and responsibilities

### **B1 The administering authority is required to:**

1. operate a pension fund
2. collect employer and employee contributions, investment income and other amounts due to the pension fund as stipulated in LGPS Regulations
3. have an escalation policy in situations where employers fail to meet their obligations
4. pay from the pension fund the relevant entitlements as stipulated in LGPS Regulations
5. invest surplus monies in accordance with the relevant regulations
6. ensure that cash is available to meet liabilities as and when they fall due
7. ensure benefits paid to members are accurate and undertake timely and appropriate action to rectify any inaccurate benefit payments
8. take measures as set out in the regulations to safeguard the fund against the consequences of employer default
9. manage the valuation process in consultation with the fund's actuary
10. prepare and maintain an FSS and associated funding policies and SIP/ISS, after proper consultation with interested parties
11. monitor all aspects of the fund's performance and funding, and amend the FSS/ISS accordingly
12. establish a policy around exit payments and payment of exit credits/debits in relation to employer exits
13. effectively manage any potential conflicts of interest arising from its dual role as both fund administrator and scheme employer
14. enable the local pension board to review the valuation and FSS review process and as set out in their terms of reference
15. support and monitor a Local Pension Board (LPB) as required by the Public Service Pensions Act 2013, the Regulations and the Pensions Regulator's relevant Code of Practice

### **B2 Individual employers are required to:**

1. Ensure staff who are eligible are contractually enrolled and deduct contributions from employees' pay correctly after determining the appropriate employee contribution rate (in accordance with the Regulations),
2. provide the fund with accurate data and understand that the quality of the data provided to the Fund will directly impact on the assessment of their liabilities and their contributions. In particular, any deficiencies in their data may result in the employer paying higher contributions than otherwise would be the case if their data was of high quality
3. pay all ongoing contributions, including employer contributions determined by the actuary and set out in the rates and adjustments certificate, promptly by the due date
4. develop a policy on certain discretions and exercise those discretions as permitted within the regulatory framework

5. make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits and early retirement strain
6. notify the administering authority promptly of all changes to active membership that affect future funding
7. Pay any exit payments on ceasing participation in the fund timely provide the fund with accurate data and understand that the quality of the data provided to the fund will directly impact on the assessment of their liabilities and their contributions. In particular, any inaccuracies in data may result in the employer paying higher contributions than otherwise would be the case if their data was of high quality.

**B3 The fund actuary should:**

1. prepare valuations including the setting of employers' contribution rates at a level to ensure fund solvency and long-term cost efficiency based on the assumptions 26 set by the administering authority and having regard to the FSS and the LGPS Regulations
2. provide advice so the fund can set the necessary assumptions for the valuation
3. prepare advice and calculations in connection with bulk transfers and the funding aspects of individual benefit-related matters such as pension strain costs, ill health retirement costs, compensatory added years costs, etc
4. provide advice and valuations to the fund so that it can make decisions on the exit of employers from the fund
5. provide advice to the fund on bonds or other forms of security against the financial effect on the fund of employer default
6. assist the fund in assessing whether employer contributions need to be revised between valuations as permitted or required by the regulations
7. ensure that the fund is aware of any professional guidance or other professional requirements that may be relevant in the role of advising the fund.
8. Identify to the fund and manage any potential conflicts of interest that may arise in the delivery the contractual arrangements to the fund and other clients.

**B4 Local Pension Boards (LPB):**

Local Pension Boards have responsibility to assist the administering authority to secure compliance with the LGPS regulations, other legislation relating to the governance and administration of the LGPS, any requirements imposed by the Regulator in relation to the LGPS, and to ensure the effective and efficient governance and administration of the LGPS. It will be for each fund to determine the input into the development of the FSS (as appropriate within fund's own governance arrangements) however this may include:

1. Assist with the development and review the FSS
2. Review the compliance of scheme employers with their duties under the FSS, regulations and other relevant legislation
3. Assist with the development of and review communications in relation to the FSS.



#### **B5 Employer guarantors**

1. Department for Education - To pay cessation debts in the case of academy cessations (where the obligations are not being transferred to another MAT) and to consider using intervention powers if an academy is deemed to be in breach of the regulations.
2. Other bodies with a financial interest (outsourcing employers)

#### **B6 Other parties:**

1. internal and external investment advisers ensure the investment strategy statement (ISS) is consistent with the funding strategy statement
2. investment managers, custodians and bankers play their part in the effective investment and dis-investment of fund assets in line with the ISS
3. auditors comply with standards, ensure fund compliance with requirements, monitor and advise on fraud detection, and sign-off annual reports and financial statements
4. governance advisers may be asked to advise the administering authority on processes and working methods
5. internal and external legal advisers ensure the fund complies with all regulations and broader local government requirements, including the administering authority's own procedures
6. the Ministry for Housing, Communities and Local Government, assisted by the Government Actuary's Department and the Scheme Advisory Board, work with LGPS funds to meet Section 13 requirements.

## Appendix C – Glossary

### **Actuarial certificates**

A statement of the contributions payable by the employer (see also rates and adjustments certificate). The effective date is 12 months after the completion of the valuation.

### **Actuarial valuation**

An investigation by an actuary, appointed by an Administering Authority into the costs of the scheme and the ability of the fund managed by that authority to meet its liabilities. This assesses the funding level and recommended employer contribution rates based on estimating the cost of pensions both in payment and those yet to be paid and comparing this to the value of the assets held in the Fund. Valuations take place every three years (triennial).

### **Administering Authority (referred to as ‘the fund’)**

A body listed in Part 1 of Schedule 3 of the regulations who maintains a fund within the LGPS and a body with a statutory duty to manage and administer the LGPS and maintain a pension fund (the fund). Usually, but not restricted to being, a local authority.

### **Admission agreement**

A written agreement which provides for a body to participate in the LGPS as a scheme employer

### **Assumptions**

Forecasts of future experience which impact the costs of the scheme. For example, pay growth, longevity of pensioners, inflation, and investment returns,

### **Code of Practice**

The Pensions Regulator’s General Code of Practice.

### **Debt spreading arrangement**

The ability to spread an exit payment over a period of time

### **Deferred debt agreement**

An agreement for an employer to continue to participate in the LGPS without any contributing scheme members

### **Employer covenant**

The extent of the employer’s legal obligation and financial ability to support its pension scheme now and in the future.

### **Funding level**

The funding level is the value of assets compares with the liabilities. It can be expressed as a ratio of the assets and liabilities (known as the funding level) or as the difference between the assets and liabilities (referred to as a surplus or deficit).

### **Fund valuation date**

The effective date of the triennial fund valuation.

### **Guarantee / guarantor**

A formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a guarantor will mean, for instance, that the fund can consider the employer's covenant to be as strong as its guarantor's.

### **Local Pension Board**

The board established to assist the Administering Authority as the Scheme Manager for each Fund.

### **Non-statutory guidance**

Guidance which although it confers no statutory obligation on the parties named, they should nevertheless have regard to its contents

### **Notifiable events**

Events which the employer should make the Administering Authority aware of

### **Past service liabilities**

The cost of pensions already built up or in payment

### **Pension committee**

A committee or sub-committee to which an administering authority has delegated its pension function

### **Pensions Administration Strategy**

A statement of the duties and responsibilities of scheme employers and Administering Authorities to ensure the effective management of the scheme

### **Primary and secondary employer contributions**

Primary employer contributions meet the future costs of the scheme and Secondary employer contributions meet the costs already built up (adjusted to reflect the experience of each scheme employer). Contributions will therefore vary across scheme employers within a Fund.

### **Rates and adjustments certificate**

A statement of the contributions payable by each scheme employer (see actuarial certificates)

### **Scheme Manager**

A person or body responsible for managing or administering a pension scheme established under section 1 of the 2013 Act. In the case of the LGPS, each Fund has a Scheme Manager which is the Administering Authority.

## Appendix D – Risks and controls

### D1 Managing risks

The administering authority has a risk management programme to identify and control financial, demographic, regulatory and governance risks.

The role of the local pension board is set out in the board terms of reference available here:

<https://moderngov.middlesbrough.gov.uk/mgCommitteeDetails.aspx?ID=1151>

Details of the key fund-specific risks and controls are in the risk register available at <https://moderngov.middlesbrough.gov.uk/documents/s11115/Agenda%20Item%207%20-%20Appendix%20C%20Risk%20Register.pdf>

### D2 Employer covenant assessment and monitoring

Many of the employers participating in the fund, such as admission bodies (including TABs and CABs), have no local tax-raising powers. The fund assesses and monitors the long-term financial health of these employers to assess an appropriate level of risk for each employer's funding strategy.

Type of employer	Assessment	Monitoring
Local Authorities	Tax-raising, no individual assessment required	n/a
Academies	Government-backed, covered by DfE guarantee in event of MAT failure	Check that DfE guarantee continues, after regular scheduled DfE review
Colleges	Government-backed, covered by DfE guarantee in event of failure	Check that DfE guarantee continues, after regular scheduled DfE review
Police, Fire, Town/Parish Councils	Tax-raising or government-backed, no individual assessment required	n/a
Other employers	Case-by-case by employer	Case-by-case by employer

Any change in covenant over the inter-valuation period may lead to a contribution rate review

### D3 Climate risk and TCFD reporting **{to be updated once modelling is completed}**

{EXAMPLE WORDING} The fund included climate scenario stress testing to supplement the contribution modelling exercise for the main employers at the 2025 valuation. The modelling results under the stress tests were slightly worse than the core results but were still within risk tolerance levels, particularly given the severity of the stresses applied. The results provide assurance that the modelling approach does not significantly underestimate the potential impact of climate change and that the funding strategy is resilient to climate risks. The results of these stress tests may be used in future to assist with disclosures prepared in line with Task Force on Climate-Related Financial Disclosures (TCFD) principles.

The same stress tests were not applied to the funding strategy modelling for smaller employers. However, given that the same underlying model is used for all employers and that the local authority employers make up the vast majority of the fund's assets and liabilities, applying the stress tests to all employers was not deemed proportionate at this stage and would not be expected to result in any changes to the agreed contribution plans.

The Fund has a Responsible Investment Policy Framework and a separate Climate Change Policy, both of which were last agreed by Pensions Committee in {{June 2020, Fund to confirm}}.

The Fund also endorses Border to Coast's Responsible Investment Policy, Corporate Governance and Voting Guidelines and Climate Change Policy, updates of which were agreed by the Pensions Committee in December 2022.

Further details on how the Fund manages climate risks is set out in the Fund's Responsible Investment Policy at <https://moderngov.middlesbrough.gov.uk/Data/Teesside%20Pension%20Fund%20Committee/202006171100/Agenda/att1018294.pdf>

#### **D4 Gender Pension Gap reporting**

To be included when requirements are made available.

## Appendix E – Actuarial assumptions

The key outputs from an employer's funding valuation are its contribution rate requirement (see Section 2 for further details) and its funding level (see Section 4). For both calculations the fund actuary requires actuarial assumptions.

The fund typically reviews and sets the actuarial assumptions used for funding purposes as part of the triennial valuation. Those assumptions are then used until the next triennial valuation (updated for current market conditions where appropriate).

The fund has reviewed the actuarial assumptions used for funding purposes as part of the 2025 valuation. These are set out below.

### E1 What are actuarial assumptions?

Actuarial assumptions are required to value the fund's liabilities because:

- There is uncertainty regarding both the timing and amount of the future benefit payments (the actual cost can't be known until the final payment is made). Therefore to estimate the cost of benefits earned to date and in the future, assumptions need to be made about the timing and amount of these future benefit payments
- The assets allowed to an employer today are a known figure. However, the future investment return earned on those assets and future cashflows into the fund are uncertain. An assumption is needed about what those future investment returns will be

There are two types of actuarial assumptions that are needed to perform an actuarial valuation: **financial assumptions** determine the expected amount of future benefit payments and the expected investment return on the assets held to meet those benefits, whilst **demographic assumptions** relate primarily to the expected timing of future benefit payments (i.e. when they are made and for how long).

All actuarial assumptions are set as best estimates of future experience with the exception of the discount rate assumption which is deliberately prudent to meet the regulatory requirement for a 'prudent' valuation.

Any change in the assumptions will affect the value that is placed on future benefit payments ('liabilities'), but different assumptions don't affect the actual benefits the fund will pay in future.

### E2 What funding bases are operated by the Fund?

A *funding basis* is the set of actuarial assumptions used to value an employer's (past and future service) liabilities. The fund operates two funding bases for funding valuations: the *ongoing participation basis* and the *low-risk exit basis*. All actuarial assumptions are the same for both funding bases with the exception of the discount rate – see further details below.

### E3 What financial assumptions are used by the fund?

#### Discount rate

The discount rate assumption is the average annual rate of future investment return assumed to be earned on an employer's assets from a given valuation date.

The fund uses a risk-based approach to setting the discount rate which allows for prevailing market conditions on the valuation date (see 'Further detail on the calculation of financial assumptions') and the Fund's investment strategy.

The discount rate is determined by the *prudence level*. Specifically, the discount rate is calculated to be:

*The average annual level of future investment return that can be achieved on the Fund's assets over a 20 year period with a x% likelihood.*

The prudence level is the likelihood. The prudence levels used by the fund are as follows:

Funding basis	Prudence level
Ongoing participation	80%
Low-risk exit	tbc

### CPI inflation

The CPI inflation assumption is the average annual rate of future Consumer Price Index (CPI) inflation assumed to be observed from a given valuation date. This assumption is required because LGPS benefit increases (in deferment and in payment) and revaluation of CARE benefits are in line with CPI.

The fund uses a risk-based approach to setting the CPI inflation assumption which allows for prevailing market conditions on the valuation date (see 'Further detail on the calculation of financial assumptions').

The CPI inflation assumption is calculated to be:

*The average annual level of future CPI inflation that will be observed over a 20 year period with a 50% likelihood*

### Salary growth

The salary growth assumption is linked to the CPI inflation assumption via a fixed margin. The salary increases assumption is 1.0% above the CPI inflation assumption plus a promotional salary scale.

## E4 Further detail on the calculation of financial assumptions

The discount rate and CPI inflation assumptions are calculated using a risk-based method. To assess the likelihood associated with a given level of investment return or a given level of future inflation, the fund actuary uses Hymans Robertson's propriety economic scenario generator; the *Economic Scenario Service* (or ESS). The model uses statistical distributions to project a range of 5,000 different possible outcomes for the future behaviour of different asset classes and wider economic variables, such as inflation.

The table below shows the calibration of the model as at 31 March 2025 for some sample asset classes and economic variables. All returns are shown net of fees and are the annualised total returns over 5, 10 and 20 years. Yields and inflation refer to the simulated yields at that time horizon.

Annualised total returns													
		Cash	Index Linked Gilts (medium)	Fixed Interest Gilts (medium)	UK Equity	Developed World ex UK Equity	Property	Corp Medium A	Inflation (RPI)	17 year real yield (RPI)	Inflation (CPI)	17 year real yield (CPI)	17 year yield
5 years	16th %ile	3.5%	1.7%	2.2%	0.1%	-0.5%	0.2%	2.5%	2.2%	1.4%	1.2%	1.5%	4.8%
	50th %ile	4.3%	4.5%	4.3%	8.2%	8.2%	6.8%	4.9%	3.8%	2.4%	2.8%	2.4%	5.8%
	84th %ile	5.1%	7.5%	6.2%	16.4%	16.9%	14.1%	7.1%	5.3%	3.3%	4.3%	3.3%	7.1%
10 years	16th %ile	3.6%	2.7%	4.2%	2.5%	2.1%	2.3%	4.5%	1.3%	0.8%	0.8%	0.8%	3.9%
	50th %ile	4.6%	4.7%	5.4%	8.6%	8.5%	7.3%	6.0%	3.0%	2.1%	2.5%	2.1%	5.3%
	84th %ile	5.8%	6.9%	6.5%	14.6%	14.8%	12.7%	7.3%	4.6%	3.3%	4.1%	3.3%	7.1%
20 years	16th %ile	3.1%	2.9%	5.0%	3.8%	3.7%	3.5%	5.5%	1.0%	-0.5%	0.7%	-0.5%	1.6%
	50th %ile	4.5%	4.6%	5.8%	8.4%	8.3%	7.3%	6.5%	2.5%	1.2%	2.3%	1.3%	3.6%
	84th %ile	6.3%	6.4%	6.5%	12.9%	13.1%	11.3%	7.4%	4.2%	3.0%	3.9%	3.0%	6.2%
	Volatility (Disp) (1 yr)	0.3%	6.7%	5.5%	16.3%	18.6%	15.2%	6.5%	1.4%		1.4%		

The ESS model is recalibrated monthly. The fund actuary uses the most recent calibration of the model (prior to the valuation date) to set financial assumptions for each funding valuation.

#### E5 What demographic assumptions are used by the fund?

The fund uses advice from Club Vita to set demographic assumptions, as well as analysis and judgement based on the fund's experience.

Demographic assumptions vary by type of member, so each employer's own membership profile is reflected in the assumptions that apply to them.

#### Life expectancy

The longevity assumptions are a bespoke set of VitaCurves produced by detailed analysis and tailored to fit the fund's membership profile.

Allowance has been made for future improvements to mortality, in line with the 2024 version of the continuous mortality investigation (CMI) model published by the actuarial profession. The core parameters of the model apply; however, the starting point has been adjusted by +0.25% (for males and females) to reflect the difference between the population-wide data used in the CMI and LGPS membership. A long-term rate of mortality improvements of 1.5% pa applies.

#### Other demographic assumptions

Retirement in normal health	Members are assumed to retire at the earliest age possible with no pension reduction.
Promotional salary increases	Sample increases below
Death in service	Sample rates below
Withdrawals	Sample rates below
Retirement in ill health	Sample rates below
Family details	A varying proportion of members are assumed to have a dependant partner at retirement or on earlier death. At age 65 this is assumed to be 55% for males and 54% for females). Dependant of a male is 3.5 years younger than him Dependent of a female is 0.6 years older than her
Commutation	75% of maximum under HMRC limits.
50:50 option	0% of members will choose the 50:50 option.

#### Males

Incidence per 1000 active members per year								
Age	Salary scale	Death before retirement	Withdrawals		III-health tier 1		III-health tier 2	
		FT & PT	FT	PT	FT	PT	FT	PT
20	105	0.17	97.03	121.95	0.00	0.00	0.00	0.00
25	117	0.17	64.09	80.55	0.00	0.00	0.00	0.00
30	131	0.20	45.48	57.15	0.00	0.00	0.00	0.00
35	144	0.24	35.53	44.64	0.10	0.07	0.02	0.01
40	151	0.41	28.61	35.93	0.16	0.12	0.03	0.02
45	159	0.68	26.87	33.74	0.35	0.27	0.07	0.05



50	167	1.09	22.15	27.78	0.90	0.68	0.23	0.17
55	173	1.70	17.44	21.89	3.54	2.65	0.51	0.38
60	174	3.06	15.55	19.50	6.23	4.67	0.44	0.33
65	174	5.10	9.54	11.97	11.83	8.87	0.00	0.00

## Females

Incidence per 1000 active members per year								
Age	Salary scale	Death before retirement	Withdrawals		III-health tier 1		III-health tier 2	
			FT &PT	FT	PT	FT	PT	FT
20	105	0.10	56.39	74.78	0.00	0.00	0.00	0.00
25	117	0.10	37.94	50.31	0.10	0.07	0.02	0.01
30	131	0.14	31.80	42.17	0.13	0.10	0.03	0.02
35	144	0.24	27.45	36.38	0.26	0.19	0.05	0.04
40	151	0.38	22.85	30.27	0.39	0.29	0.08	0.06
45	159	0.62	21.32	28.24	0.52	0.39	0.10	0.08
50	167	0.90	17.97	23.78	0.97	0.73	0.24	0.18
55	173	1.19	13.41	17.77	3.59	2.69	0.52	0.39
60	174	1.52	10.81	14.30	5.71	4.28	0.54	0.40
65	174	1.95	5.15	6.81	10.26	7.69	0.00	0.00

This page is intentionally left blank



**December  
2025**

## **Teesside Pension Fund Administration Report**

## 1. Introduction

From 1 June 2025, the administration of the Teesside Pension Fund successfully transitioned from XPS Group to the Tyne and Wear Pension Fund (TWPF) under a shared service arrangement. The initial success of this transition was measured by two critical milestones:

- The complete migration of member and employer data and documents as held on the previous provider's pensions administration system to Tyne and Wear Pension Fund's system.
- The timely payment of pensions to all pensioner members on 30 June 2025, ensuring continuity of service without disruption.

Both initial objectives were achieved. Notwithstanding this, it was accepted by both TWPF and TPF that 1 June marked an extremely challenging go-live date; falling in the middle of the delivery timetables for year-end contribution posting, annual benefit statement production and the 2025 Triennial Valuation.

Termination of the contract with the previous service provider required that the go-live date proceed as planned, leading to compressed timelines for completing the above tasks.

While key objectives have been met and, in some cases exceeded expectations, the timing of the go-live has resulted in some short-term impacts on service delivery.

Detailed information was provided on these issues in the September 2025 report. However, for ease of reference we have summarised these below.

## 2. Areas Exceeding Expectation

### • Completion of the Year End Contribution Posting Exercise

To enable the production of both active and deferred Annual Benefit Statements ahead of the 31 August 2025 deadline, (thereby avoiding a breach of the Regulations), the completion of the year-end exercise and production of benefit statements ahead of the legal deadline was a significant achievement, and one that had not been previously expected.

### • Annual Benefit Statement Production

Given the timing of the go-live date, it had not been anticipated that Annual Benefit Statements would be issued ahead of the statutory deadline (31 August 2025). Discussions took place about the likely need to report this breach of the law to the Pensions Regulator. This could have had reputational, and potentially financial, implications for both pension funds (please note, the production of TWPF benefit statements was never in doubt and statements were issued well ahead of the legal deadline). To avoid this risk materialising, TWPF made the decision to deploy considerable staff resource to this area to ensure that deadlines were met. This was only possible as a result of the significant effort to ensure that year-end data was received from employers and then accurately posted to members' records as above.

### • Member Data for the 2025 Triennial Valuation

As with the Annual Benefit Statements, there were genuine concerns that the provision of acceptable member data would not be possible to facilitate the smooth progress of the 2025 Valuation for the Teesside Pension Fund. This was due to the poor quality of the member data and concerns were raised by the Teesside Actuary ahead of the go-live date.

Due to the importance of the Valuation to the Teesside Pension Fund and its employers, additional resources were also deployed to this area to ensure that the Valuation could proceed in a timely manner.

A timescale for the delivery of member data was agreed with the Teesside Actuary, and we can confirm that this project is now on schedule. While the Valuation is proceeding, member data remains an area of concern. This issue is discussed further below.

### 3. Online Member Services Registration – mypension Portal

TWPF has adopted a digital first approach. This can achieve significant cost and resource savings and forms an integral part of our service delivery.

The table below outlines the number of member registrations since the *mypension* portal opened to Teesside Pension Fund members in **June 2025**. To further encourage engagement, additional communications will be sent to members over the coming months, promoting registration and use of the portal.

From **2026**, both the **Pensioner Update** and **Annual Benefit Statements** will be delivered online via the *mypension* portal.

While digital delivery will become the default method of communication, members will still have the option to request paper copies if preferred.

It should be noted that the figures in the table below represent the number of individuals in the Teesside Pension Fund, rather than the number of pension records.

Member Type	Total Members	Registered for Web	Percentage Registered
Active	27,000	3,796	14%
Deferred	19,517	1,775	9%
Pensioner	22,913	870	4%

### 4. Moving Forward

Focus has now moved to the next phase of service delivery. While this is mostly positive, it should be noted the following significant challenges still lie ahead:

- **Improving the quality of member data**

The quality and presence of member data was significantly worse than we had expected. Data quality is of fundamental importance to effective pensions administration. Sadly, the Teesside member data is not in a good condition, and this will take a few years to improve to the requisite standard. This causes many operational challenges, including slowing many areas of pensions processing, as additional information is often required.

At the time of transfer, based on the data we received, membership numbers for Teesside are as follows:-

	Active	Deferred	Pensioner	Preserved Refund	Total
LGPS	29,183 *	22,076	27,556	1,206	80,021
Councillor	-	6	22	-	28
Total	29,183	22,082	27,578	1,206	80,049

Included in the active numbers are **4744** records that relate to ‘Status 2’ undecided leaver records. This means that these records were unresolved at the date of transfer and require corrective action by us in conjunction with the members and employers.

Some of the “status 2” cases date back many years, including some that originated in 2000. We will need to collaborate with all relevant employers to identify and pay any benefits due. This is a significant task and is one that employers are not currently aware of. The need to resolve these cases is unlikely to be welcomed by employers. Nevertheless, the problem cannot be ignored.

Given the situation with “status 2” cases, the membership numbers shown above will certainly change. We can provide updated information in due course.

In addition to unresolved cases (i.e. “status 2”), we have also discovered a practice of using default dates of birth for members where the date of birth had not been known. There are in excess of 800 additional records that require review and correction. This practice has meant that members may not have received correct information about their pension benefit entitlement.

We have recently undertaken a data score for the Teesside Pension Fund. The results show:

- TPF Common Data Score for 2025: 94.75% (2024 score: 95.80% as reported)
- TPF Scheme Specific Data Score for 2025: 69.01% (2024 score: 77.35% as reported)

As can be seen, the Scheme Specific Data Score in particular is very low. For context, the Scheme Specific Data Score for TWPF is consistently in excess of 99%.

The Pensions Regulator expects that administrators maintain a Data Improvement Plan. We are now working to create a Data Improvement Plan for the Teesside Pension Fund.

## 5. Service Delivery

Changing pensions administration service providers is a significant undertaking in the short term and we are delighted that the key objectives and additional large-scale tasks have all been achieved. However, this has only been achieved by deploying considerable resources to these areas, which has resulted in some disruption to service in other areas.

We are aware that some backlogs arose during the period of transition and calls to our Helpline were at an extremely high level. In recognition of this, and in agreement with the Teesside Pension Fund, we have written to all members and employers of the Teesside Pension Fund to acknowledge the short-term challenges and to provide reassurance for the future.

Pleasingly, performance on our Helpline and response times to messages within our member portal have significantly improved and continue to be maintained at a satisfactory level.

Current performance on our Helpline is shown in the table below. Please note, the information includes calls for both the Tyne and Wear Pension Fund and the Teesside Pension Fund.

Week Commencing	19/10/2025	26/10/2025	02/11/2025	09/11/2025	16/11/2025	23/11/2025
ALL CALLS TO HELPLINE	1,417	1,349	1,936	2,626	1,927	1569
TOTAL calls to helpline (after option selection)	1,222	1,202	1,701	2,263	1,671	1343
Ave Speed Ans	00:03:18	00:02:11	04:41:00	00:08:54	05:22:00	00:04:12
Avg Acd Calls - total calls handled on helpline	1,025	1,066	1,321	1,386	1,244	1063
Avg ACD	00:05:36	00:05:13	00:05:30	00:05:36	00:05:17	00:05:31
Aban Calls - total calls abandoned after selection	197	136	380	877	427	280
Max Delay	00:35:23	00:18:16	00:32:49	00:49:16	00:33:44	00:41:18
%Ans Calls	83.74%	88.69%	77.61%	60.95%	73.65%	77.93%
Avg Aban Time	00:02:16	00:01:58	00:02:43	00:02:43	00:02:33	00:02:35

It should be noted that the significant increase in calls to our Helpline during November was directly attributable to the bulk communication issued to all members of the Teesside Pension Fund. This correspondence was intended to acknowledge recent service challenges and provide reassurance. We also asked members to register their online mypension accounts which lead to a marked rise in contact volumes during this period.

## 6. Pension processing

While the transition to TWPF administration is progressing well, it is important to acknowledge that we are still in the early stages of assessing the full scope and volume of pensions processing activity within the system.

During this transitional period, TWPF strategically prioritised key areas of work to ensure that pensions and benefits are paid accurately and on time. These priority areas include:

- Death Benefits Processing – ensuring prompt and sensitive handling of cases involving deceased members.
- Retirement Cases – managing active member retirements to ensure timely commencement of pension payments.
- Deferred Member Retirements – processing benefits for members who have left employment and are now drawing their deferred pensions.

These priorities reflect our commitment to safeguarding member outcomes during the transition and maintaining high standards of service delivery.

At the time of writing this report, there are around 8,000 active processes in the system, this includes:

- Priority 1 – 421 processes

These include death cases, immediate retirement benefit calculations, and transfers into the Teesside Pension Fund.

- Priority 2 – 2,707 processes

This category covers deferred retirements, deferred benefit calculations, and refund processing.

- Priority 3 – 4,806

These include interfund transfers (in and out) and aggregation of pension benefits.

It should be noted that many cases included in Priority 2&3 are legacy issues pre-dating our service contract. Some of the backlog is also a result of a period of system blackout that was necessary for the data transmission.

As we begin to resolve the status 2 records (as referenced above), the number of processes will increase. This necessary increase should be short term and should not be viewed as poor performance. To the contrary, this would be resolving a long-term outstanding backlog.

## 7. Performance Against Statutory Requirements and Key Performance Indicators

Whilst the above provides information on the volume of work, we also measure performance against the statutory requirements of the Disclosure of Information Regulations, the national LGPS Scheme Advisory Board's (SAB) Performance Indicators and additional internal performance indicators. Appendix 1 and 2 show performance as at 31 October.

In respect of performance against Disclosure requirements, these are measured against 100%. Compliance is not always achievable as there is a reliance on employers to provide information and cases can be complex.

In respect of SAB indicators, guidance now requires LGPS Funds to publish performance in their Fund Annual Report and Accounts.

It should be noted that some areas of performance are still being impacted by the transition period and the handover of outstanding work which was not completed within timescales. It is expected that performance will improve during the year as historical and transitional cases flush through.

As noted above, we process on a priority basis, where performance is not as expected, this is generally on areas of work deemed lower priority.



## Pensions Dashboards

Pensions Dashboards are a government-led initiative designed to give individuals a secure, online, platform to view all their pension information in one place, including LGPS benefits and other pension arrangements. The aim is to improve transparency, help members plan for retirement, and reduce the risk of lost pensions. For LGPS funds, this requires ensuring data accuracy, compliance with technical standards, and integration with the national dashboard infrastructure.

TWPF has appointed Civica, our pensions administration software provider, as our Integrated Service Provider (ISP) and we are on track to connect the Teesside Pension Fund to the dashboard programme within required timescales. We are expecting to prove the ability to connect to the infrastructure by mid December 2025 (please note, connection had been required by the end of October 2025, but Civica were granted an extension by the Pensions Regulator). The date of live launch is yet to be announced, although a period of 6 months' notice is expected.

High-quality data and robust processes are essential to meet regulatory expectations and deliver a reliable service for members. The poor quality of Teesside member data is a notable problem and risk. While we have a plan to improve the Teesside member data, this may take a few years before data reaches a satisfactory standard.

## McCloud Remedy

The McCloud remedy in the LGPS addresses age discrimination identified in the 2014 reforms to public service pension schemes. The remedy ensures that eligible members, those who were active in the scheme between 1 April 2014 and 31 March 2022, receive protection comparable to that offered under previous rules. This involves reviewing benefits, applying underpin calculations where necessary, and updating records to reflect any adjustments. The process is complex, requiring accurate historical data and careful communication with affected members, but it is essential to ensure compliance with legal requirements and maintain fairness across the scheme.

Although this exercise is important, with an initial statutory completion deadline of August 2025, limited progress had been made prior to commencement of the contract. It is understood that Teesside Pension Fund did not approve some of the proposals presented by the previous provider and this has impacted on achieving compliance.

Due to the complexity and scale of the work in this project, the deadline for completion has been revised to 31 August 2026. We will now undertake the work and will try to do so within the current contract price. Any additional costs will be identified and presented for approval.

## GMP Rectification

GMP Rectification in the LGPS is a critical exercise to ensure that Guaranteed Minimum Pension (GMP) amounts are accurate and compliant with statutory requirements.

GMPs were introduced under contracting-out arrangements linked to the State Earnings-Related Pension Scheme (SERPS), and discrepancies often arise due to historical data issues, legislative changes, or system migrations.

Within the LGPS, rectification involves reconciling member records against HMRC data, correcting benefit calculations where necessary, and issuing clear communications to affected members. This process safeguards against overpayments or underpayments, maintains data integrity, and ensures the Fund meets regulatory expectations.

Given the complexity and scale of LGPS membership, GMP rectification is a priority to uphold member confidence and deliver accurate pension benefits.

Although this exercise is important, it had been not undertaken prior to the commencement of the contract. It is understood that the previous provider got to the stage of conducting the analysis against the HMRC final data and presenting recommendations to the Local Pension Board. However, no further work was commissioned by the Teesside Pension Fund as a commercial agreement could not be reached. The project therefore stalled.

We will now undertake the work and will try to do so within the current contract and price. Delivery will be subject to relevant information provided by HMRC and the Department of Work and Pensions, which has been passed on by the previous provider, being made available to us.

Due to the size and timescales of the project, we may need to obtain support from a third party. If this is the case, any additional cost over the contract price will need to be met. This would, however, need to be discussed and agreed with the Teesside Pension Fund first



## 8. Conclusion

The transition to TWPF administration has been successfully completed with additional tasks delivered, exceeding initial expectations.

It is acknowledged that there has been some short-term disruption to service delivery, but this is very much an improving picture.

As we move beyond the initial transition phase, there are still a number of challenges that need to be addressed. Despite this, progress is being made and will continue to be made on an ongoing basis.

Over the coming years, we firmly believe that Teesside members and employers will see significant benefits from our shared administration service.

## Appendix 1

### Teesside Pensions Fund's Performance against Disclosure Standards up to 31 October 2025

No.	Performance Indicator	Cases Processed this month	Cases Processed Year to Date	Achieved Standard this Month (%)	Achieved Standard Year to Date (%)
1	Death of a member (Combined to include active deferred and pensioner)	38	135	74%	70%
2	Death in service - (Revised)	0	0	0%	0%
3	Deferred Benefit – Notification of entitlement	282	846	100%	100%
4	Deferred Benefit into Payment	209	789	87%	77%
5	Deferred Refund into Payment	158	492	96%	96%
6	Divorce Quotation	18	65	100%	100%
7	Estimate of Benefits	42	135	93%	92%
8	Immediate Pension	272	879	62%	66%
9	Immediate Pension (Revised)	0	0	0%	0%
10	Joiner not BDI	142	426	51%	51%
11	Joiner BDI	0	616	0%	12%
12	Refund	198	673	94%	95%
13	Refund (Revised)	109	327	8%	8%
14	TV In Quotation	14	43	100%	98%
15	TV Out Quotation	26	86	92%	93%
16	TV Out Payment	7	21	86%	86%

## Appendix 1

Cumulative Totals, Disclosure (includes BDI processes) and Reasons for failure, where targets have been missed

	Total Completed	Total Missed	% Missed	Total Hit	% Hit
Q1 2025-26	36	1	3%	35	97%
Q2 2025-26	3,515	847	24%	2,668	76%
Q3 2025-26	5,533	1,646	30%	3,887	70%
Q4 2025-26	0	0	0%	0	0%

Reasons for failure, where targets have been missed

Cumulative Totals per Quarter – Mitigation (Does <b>not</b> include BDI processes)						Joiner BDI Cumulative Totals per Quarter - Mitigation		
	Total Mitigation	Internal	Missing / Incorrect Info from Employer	Other	SLA NA	Total Mitigation	Internal	Missing / Incorrect Info from Employer
Q1 2025-26	5	1	0	0	4	0	0	0
		20%	0%	0%	80%		0%	0%
Q2 2025-26	690	390	245	54	1	78	25	53
		57%	36%	8%	0%		32%	68%
Q3 2025-26	289	145	120	23	1	542	64	400
		50%	42%	8%	0%		14%	86%
Q4 2025-26	0	0	0	0	0	0	0	0
		0%	0%	0%	0%		0%	0%

## Appendix 2



Table B - Time taken to process casework

Ref	Casework KPI	Suggested fund target*	% completed within fund target in year	% completed in previous year
B1	Communication issued with acknowledgement of death of active, deferred, pensioner and dependent member	5 days	85%	0%
B2	Communication issued confirming the amount of dependents pension	10 days	77%	0%
B3	Communication issued to deferred member with pension and lump sum options (quotation)	15 days	81%	0%
B4	Communication issued to active member with pension and lump sum options (quotation)	15 days	88%	0%
B5	Communication issued to deferred member with confirmation of pension and lump sum options (actual)	15 days	95%	0%
B6	Communication issued to active member with confirmation of pension and lump sum options (actual)	15 days	96%	0%
B7	Payment of lump sum (both actives and deferreds)	15 days	95%	0%
B8	Communication issued with deferred benefit options	30 days	51%	0%
B9	Communication issued to scheme member with completion of transfer in	15 days	89%	0%
B10	Communication issued to scheme member with completion of transfer out	15 days	100%	0%
B11	Payment of refund	10 days	90%	0%
B12	Divorce quotation	45 days	98%	0%
B13	Communication issued following actual divorce proceedings i.e application of a Pension Sharing Order	15 days	75%	0%
B14	Communication issued to new starters	40 days	98%	0%
B15	Member estimates requested by scheme member and employer	15 days	90%	0%

## Appendix 2

Table C - Communications and engagement

Ref	Engagement with online portals	Amount								
C1	% of active members registered	19%								
C2	% of deferred member registered	12%								
C3	% of pensioner and survivor members	10%								
C4	% total of all scheme members registered for self-service	11%								
		Age	No. registered members	Age	No. registered members	Age	No. registered members	Age	No. registered members	
C5	Number of registered users by age	<20	9	35-39	397	55-59	1513	75-79	45	
		20-24	80	40-44	544	60-64	1221	80-84	14	
		25-29	208	45-49	624	65-69	513	85-89	8	
		30-34	284	50-54	972	70-74	106	>89	3	
C6	% of all registered users that have logged onto the service in the last 12 months	97%								
C7	Total number of telephone calls received in year	TBC								
C8	Total number of email and online channel queries received	TBC								
C9	Number of scheme member events held in year (total of in-person and online)	0								
C10	Number of employer engagement events held in year (in-person and online)	51								
C11	Number of active members who received a one-to-one (in-person and online)	TBC								
C12	Number of times a communication (i.e newsletter) issued to:									
	a) Active members	1								
	b) Deferred members	1								
	c) Pensioners	1								



# Appendix 2

Table D - Administration KPI Resources

Ref	Resources	
D1	Total number of all administration staff (FTE)	Data updated at the end of Q4
D2	Average service length of all administration staff	
D3	Staff vacancy rate as %	
D4	Ratio of all administration staff to total number of scheme members (all staff including management)	
D5	Ratio of administration staff (excluding management) to total number of scheme members	

Table E - Data Quality

Ref	Annual Benefit Statements	
E1	Percentage of annual benefit statements issued as at 31 August	92%
	Short commentary if less than 100%	Incomplete Records
Data category		
E3	Common data score	95%
E4	Scheme specific data score	69%
E5	Percentage of active, deferred and pensioner members recorded as 'gone away' with no home address held, or address is known to be out of date	0%
E6	Percentage of active, deferred and pensioner members with an email address held on file	45%
Employer performance		
E7	Percentage of employers setup to make monthly data submissions	6%
E8	Percentage of employers who submitted monthly data on time during the reporting year	*

\* Work is ongoing to onboard all employers for monthly data.